

WHITE PAPER

# Patient Payments

Best Practices for a Changing Landscape



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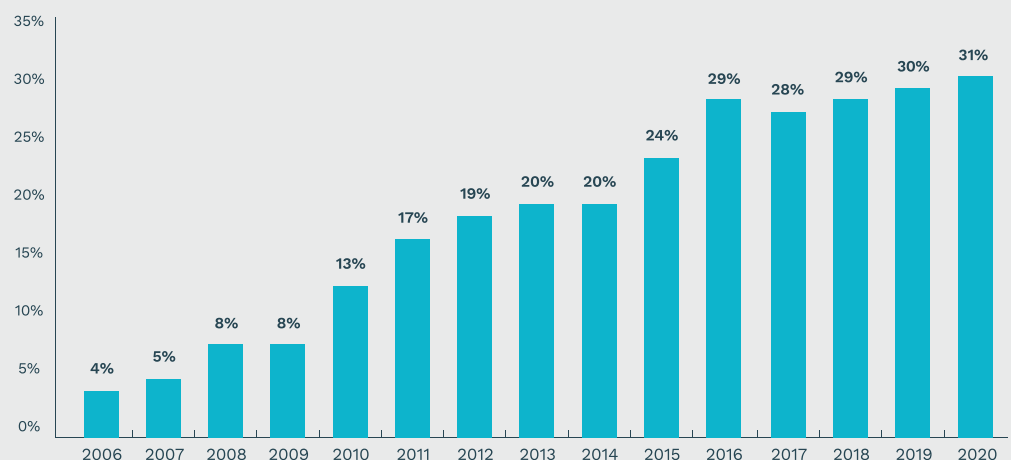
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## Introduction

There has never been a more important time to prioritize patient payments. An estimated 5.5 million Americans have lost their employer-sponsored health insurance during the COVID-19 pandemic,<sup>1</sup> and nearly 30% of adults say they're still struggling to cover their usual expenses.<sup>2</sup> Coupled with the steady rise of high-deductible health plans and an increasingly challenging reimbursement environment, patients' out-of-pocket financial responsibility is determining a larger percentage of provider revenue than ever before.

According to the Kaiser Family Foundation's 2020 Employer Health Benefits Survey, more than 30% of U.S. workers with employer-sponsored health coverage are currently enrolled in high-deductible health plans with a savings option—like a health reimbursement arrangement or a health savings account—that have deductibles of at least \$1,400 for an individual and \$2,800 for a family. That's up from just 4% in 2006. The average deductible for covered workers was \$1,644 in 2020, up from \$584 in 2006—a 182% increase.<sup>3</sup>

### Percentage of Insured American Workers Enrolled in High-Deductible Health Plans



Includes HRAs and HSAs

Source: Kaiser Family Foundation

These plans often present a sobering reality for patients whose high out-of-pocket costs could mean serious financial hardship—or even delaying or avoiding care. In a 2020 survey, about 45% of adults approaching eligibility for Medicare were not confident they could afford health insurance during retirement.<sup>4</sup> In fact, the most recent KFF Health Tracking Poll discovered that 32% of adults have delayed or forgone medical care in the past year because of its cost, including nearly half of older adults with annual household incomes below \$40,000. Further, 65% of adults report being “somewhat worried” or “very worried” about their ability to afford surprise medical bills, including 81% of uninsured adults.<sup>5</sup>

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For healthcare organizations, patients' growing financial responsibility has meant shifting away from traditional collection practices—relying on insurers for the majority of their reimbursement and sending multiple paper statements to collect patient balances—to considering new strategies to maximize profitability.

That shift has become even more urgent with the arrival of the pandemic. As low patient volumes hampered fee-for-service reimbursement in 2020, medical practice revenues fell 32% on average, according to an American Medical Association survey.<sup>6</sup> And continued staffing shortages have left most healthcare organizations with less capacity for manual billing tasks—even as patient demand returns.

But despite growing awareness of value-based care and alternate payment models, traditional reimbursement practices still dominate the healthcare landscape. A recent survey found that more than three-quarters of healthcare organizations' revenue came from fee-for-service contracts in 2021—up from 71% the prior year.<sup>7</sup> By contrast, just 24% of 2021 revenue came from alternative payment models.

Here's the good news: In the face of these challenges, there are proven, effective ways to improve payment processes, help patients manage their financial responsibility and put your healthcare organization on more solid footing.

# About This White Paper

Phreesia authored this white paper to provide healthcare organizations with best practices and strategies to improve payment processes and enhance patients' financial experience, giving them the flexible, consumer-friendly payment options they want. Although every organization's situation is different, the steps outlined in this paper are widely applicable and will go a long way toward maximizing profitability in an increasingly challenging reimbursement landscape.

## Time-of-Service Payments: Business Critical

Collecting from patients after their visit has never been easy. Even before the pandemic, more than two-thirds of patients with hospital bills of \$500 or less did not pay them in full<sup>8</sup>—and the longer patients go without paying their bill, the less likely they are to ever pay it. Not surprisingly, practice management experts stress the importance of collecting copays and balances at the time of service whenever possible, especially given patients' growing share of costs.

Moving payments to the front end of care—and adjusting patients' expectations to work within new payment processes—increases revenue and reduces bad debt. It also aligns provider organizations with healthcare consumerism, a trend that has swelled rapidly during the pandemic.<sup>9</sup>

Leveraging technology to automate and standardize time-of-service collections can streamline payment processes, increasing efficiency and giving staff more time to focus on more complex tasks.



# Educate and Empower Your Patients

Cultivating a positive financial experience is vital to retaining patients and fostering organizational growth. Historically, patients have faced confusion and uncertainty about their medical bills and the expected costs of care. Ongoing transparency and communication can address that uncertainty head-on, improving patients' understanding of their financial responsibility and positioning healthcare organizations to be supportive partners in the payment process.

First, it's important to educate patients about common health insurance terms such as copay, deductible and coinsurance. Consider these strategies:



### **Post insurance-related vocabulary**

at the front desk next to an easy-to-read financial policy



### **Use automated eligibility and benefits verification tools**

to help patients understand their coverage and track how close they are to meeting their deductible



### **Simplify medical bills**

to clarify each patient's financial responsibility—including how much is owed and what services are included

As healthcare consumerism continues to grow, experts say transparency is becoming important differentiators for patients. Communicating frankly and openly with patients about their financial responsibility reduces stress and drives engagement—and organizations who don't share that information risk losing patients to their competitors.

Transitioning to a more transparent and supportive payment model also requires ongoing staff education and training. Employees must grasp the financial realities of their organization—and the challenges it faces—when collecting outstanding balances. They also need to understand the importance of a positive financial experience for patients, as well as their role in providing it.

Additionally, staff need to feel confident explaining complex coverage terms to patients, such as out-of-pocket estimates and payment expectations. Role-playing exercises or talking scripts can help staff learn to communicate this information more effectively.

# Provide the Secure, Flexible Payment Options Patients Want

The need for flexible payment options is more important now than ever before. Between job loss, high deductibles and gaps in coverage, millions of healthcare consumers have experienced financial hardship during the pandemic—and they need responsive payment solutions that meet their needs. In addition, consumers have grown accustomed to the ease and convenience of tech-enabled payments—and they want more flexible solutions to meet their healthcare needs, too.

Consumer-friendly options like online payments, automated payment plans and card-on-file opportunities can help patients better manage their finances as they assume greater responsibility for the costs of their care. Flexible payment options also improve the likelihood that patients will pay their bill in full,<sup>10</sup> which helps healthcare organizations increase collections both at the point of care and after the patient leaves the office.



Among patients with high deductibles, **53% have less in savings** than their total deductible amount

## Online Payments

Healthcare has traditionally lagged behind other industries in providing online payment options, even though many of today's consumers prefer the ease and convenience of paying online. The pandemic has accelerated that trend even further, driving an increase of e-commerce and point-of-service transactions as consumers shift toward more modern payment methods.

Allowing patients to pay securely and hassle-free from their home computer or mobile device leverages their existing bill-paying habits, boosts practice revenue and decreases providers' time to collect. Additionally, online payments can reduce overall billing costs—including the need to send paper billing statements—since many payment solutions offer the option to send email billing reminders instead.

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### Payment Plans

As out-of-pocket costs rise, paying balances in full is becoming far less feasible for many patients. Among patients with high deductibles, 53% have less in savings than their total deductible amount. Further, 6 in 10 employees with a deductible of at least \$1,500 for an individual or \$3,000 for a family say they have skipped or postponed care.<sup>11</sup>

While many patients face bills totaling thousands of dollars, payment plans can split those large balances into manageable amounts tailored to meet their financial needs. These plans increase the likelihood that patients will pay by providing a supportive financial experience and encouraging them to get the care they need.

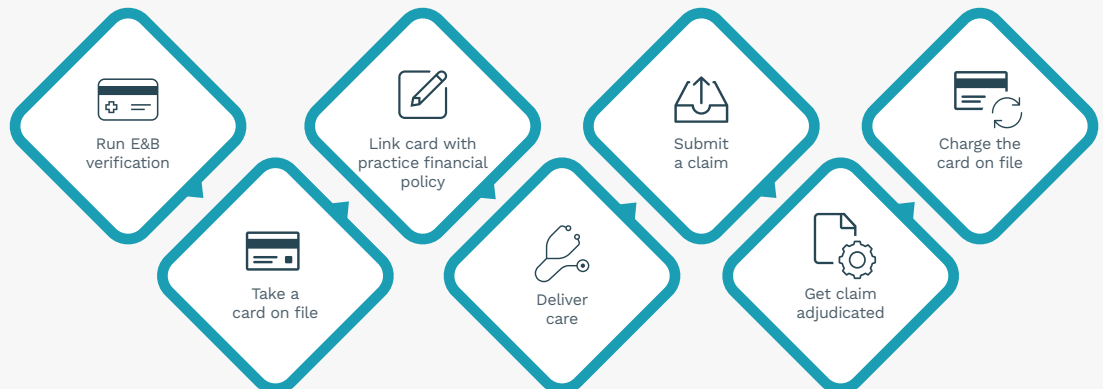
To create the most effective system for your patients and your organization, establish payment-plan rules up front. Be sure to clearly outline your financial parameters, including the initial payment amount required to set up a plan, the policy for minimum payments and the maximum installment duration.

### Credit Card on File

Another effective way to increase collections and improve patients' ability to pay is by implementing a card-on-file program, which securely stores patients' credit card numbers for future use. Keeping patients' credit cards on file makes pre-visit and time-of-service payments easier for patients and reduces administrative overhead. Additionally, healthcare organizations can use patients' stored card numbers to process outstanding balances after insurance claims are adjudicated, resulting in faster payments without the need to send billing statements.

## Payment Assurance Process

A closed-loop process to increase collections  
and make patient payments easier



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As with other payment strategies, communication is the key to success with a card-on-file program. Healthcare organizations' financial policies should clearly detail the specifics of their card-on-file policy, including clarifying whether putting a card on file is mandatory and whether the organization has a payment assurance process in place to automatically charge patients' outstanding balances. Staff should be trained on how to communicate the policy and be able to explain the benefits of having a card on file, including its efficiency and the reassurance that patients will not need to worry about paying a bill later on.

Many healthcare organizations are concerned about the security risks associated with card-on-file programs, since they must abide by strict standards to store and protect patients' sensitive financial data. For that reason, healthcare organizations are increasingly turning to third-party vendors that comply with the Payment Card Industry Data Security Standard (PCI DSS) to securely automate patient payments and mitigate potential risk.

### Payments Checklist

- ✓ Automate payment processes
- ✓ Collect payments before appointments whenever possible
- ✓ Have a clear financial policy—and be sure it's accessible to patients
- ✓ Get physicians on board
- ✓ Prioritize security: Use technology solutions that are PCI-compliant, and use tokenization and encryption to keep payments secure
- ✓ Set realistic payment-plan parameters
- ✓ Embrace flexible payment options, such as cards on file, online payments and payment plans
- ✓ Educate patients about their coverage and the organization's financial expectations
- ✓ Train staff on how to discuss financial matters with patients
- ✓ Treat patients' financial experience as a key component of their overall care experience

## Conclusion

Given the rapid increase in patients' financial responsibility for their care, growing reimbursement challenges for providers and swelling interest in digital payments because of the pandemic, now is the time to make payment processes more streamlined and patient-centered. By leveraging technology, emphasizing front-end collections, providing flexible payment options and engaging patients in more modern billing approaches, healthcare organizations can increase collections while successfully guiding patients through the payment process.

## About Phreesia

Phreesia's software gives healthcare organizations a suite of applications to manage the patient intake process. Our innovative platform engages patients in their care and provides a modern, convenient experience, while enabling our clients to maximize profitability, optimize their staffing and enhance clinical care. To learn how Phreesia can help you increase collections and give patients the convenient payments experience they expect, visit [phreesia.com/revenue-cycle](https://phreesia.com/revenue-cycle).

### End notes

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