

BILL OF HEALTH

Take charge of patient-friendly debt collection

By Mark Harris

The U.S. health care system delivers some of the most modern medical care in the world. But health care in the United States is also expensive, and how people pay for health care is based on a complex payment and reimbursement system. Indeed, Americans pay for health care using a wide array of individual and employer-based commercial health plans; Medicare, Medicaid, and Veterans Affairs benefits; and direct out-of-pocket payments.

Insurance deductibles, coinsurance, and other out-of-pocket payments are rising, which makes paying for medical bills increasingly difficult for many patients. For instance, high-deductible health plans can require patients to pay thousands of dollars in deductibles before insurance even begins to cover many of their medical costs.¹

Coupled with steadily rising medical costs, many insured hospital patients are finding it difficult to pay their bills in full.²

If insured patients have trouble paying medical expenses, the issue is compounded for those without insurance. A 2019 report in the *American Journal of Public Health* says 29 million U.S. Americans were uninsured, despite efforts to lower the number of uninsured people with the Patient Protection and Affordable Care Act.³ Further, more than 250,000 private GoFundMe medical campaigns were recorded in 2018, one potential indicator of the significant impact of medical debt.³ Another indicator is that medical debts are often cited as a major reason for bankruptcy filings.³

To make matters worse, the COVID-19 pandemic is likely adding to these financial

burdens, as the impact of lost or furloughed jobs with accompanying health benefit losses is now felt by many individuals and families.⁴

A consequence of these financial trends and pressures is that many medical practices must devote more time and resources to collecting outstanding patient balances. For this reason, health care providers must maintain efficient billing and collections systems, including practice policies and procedures to mitigate the financial impact of uncollected patient debts.

While staff members need to be well versed in collections policies and procedures, they should also know how to work with patients to resolve debt issues. Ideally, the goal of collections should be to find solutions for issues with uncollected patient debts in a manner that is fair to both patients and

No doubt about debt

The Patient Friendly Billing project, sponsored by the Healthcare Financial Management Association, offers guidelines to help those involved in the medical debt resolution process. These include the following recommendations for written communications^{8,9}:

- **Be clear.** All financial communications should be easy to understand and straightforward. Communications should clearly detail the date of service, services performed, insurance payments received, and other pertinent information. Patients should be able to quickly determine what they need to do.
- **Be concise.** Bills should contain only the details that are necessary to communicate what patients need to do next.
- **Be accurate.** Bill items should correctly reflect the financial aspects of the episode of care.
- **Be patient friendly.** The needs of patients and family members should be paramount when designing administrative processes and communications.

practices and conducive to the core patient care mission.

Dollars and sense

How should medical practices approach the many challenges involved in managing debt collection? First of all, health care providers must communicate clearly with patients about their practice's financial policies. When patients register with a provider, they should have a basic understanding of the financial policies and responsibilities associated with their care. The better informed that patients are about the costs of care, the better equipped they can be to leave the office, the chances of collecting money owed can decline dramatically."

Instead, Zetter recommends that medical practices update their approach to avoid—or reduce as much as possible—the need to pursue out-of-pocket charges for services already rendered. As he explains, "Typically, the practice will collect the patient's demographics during their appointment; [staff members are] verifying insurance, eligibility of benefits, and so on—and then billing [patients'] insurance. Now, all of a sudden, [the medical practice has] also got a patient balance. The billing staff or a billing company now has to follow up with

resolve debts or billing issues that may arise with their accounts.

"In my view, practices always need to be very up-front with patients about their billing practices," says Lorraine Coughlin, CEO of LMC Medical Claims Management in West Palm Beach, Florida. "They need to always verify the patient's insurance and make sure the patient understands and is comfortable with what the front desk is telling them. To avoid any surprises, for example, the provider should have it posted that the co-pay or any out-of-pocket expense is collected up front. Tell the patients when you call to verify their appointment that that patient and try to collect that money."

This can involve spending time and resources sending repeated billing statements or making other attempts to contact patients. "Now you've got staff members phoning patients during business hours, when patients are probably not home, and leaving messages that are often not returned," notes Zetter, who is also president of the National Society of Certified Healthcare Business Consultants. "Some patients will call you back and pay on an invoice or statement, but most do not. And so, you keep having to follow up."

To avoid time spent later chasing rev-

you will be collecting their co-pay at the appointment."

Indeed, as Coughlin suggests, when it comes to reducing the impact of unpaid balances, collecting co-pays at the time of service should be considered a key best practice. Many experts share this view. "In my opinion, [when] practices don't collect co-pays up front and just wait to send the patient a statement, frankly, it's just unwise," says David J. Zetter, PHR, CPC, founder and senior consultant with Zetter HealthCare in Mechanicsburg, Pennsylvania. "That is all old school; it's you constantly chasing your revenue. ... Unfortunately, once the patient enue, experts agree the collections process should begin with the practice's first interaction with the patient. "You should start your collections process when you're scheduling the patient," says Doral Jacobsen, MBA, FACMPE, a managing consultant with the Medical Group Management Association. "That means when you're on the phone making the appointment. Successful practices understand the insurance; they verify the insurance. They understand if the person has a high deductible. They're having a financial discussion with the patient at the time they're scheduling."

Jacobsen notes that one barrier to

"There are a variety of time-of-service collections webinars, collecting patient liability webinars, and other helpful resources available for staff training. My recommendation is not to just put out an edict for everyone on staff to watch a training video but to do [training] together so you can ask questions and have a discussion. Maybe you can even dive into some role-playing to broaden the discussion. In my view, practices that do very well have an ongoing dialogue on these issues. They're understanding what's getting in the way of doing a good job collecting. These discussions can be a catalyst for some very critical conversations that can help position a practice to do well."

—Doral Jacobsen, MBA, FACMPE

collecting account balances post-visit is that insurance carriers send explanations of benefits to patients that are complex. "Many patients don't really understand what to pay," says Jacobsen, a founding partner of Prosper Beyond, a health care consulting group in Asheville, North Carolina. "When the patient's in front of you, you have a chance to explain what the balance is for. We find that most patients are willing to pay; they just want to know why."

Notably, the American Medical Association also recommends that medical practices try to collect whatever amounts are due from patients at the time of service (or point of care). The American Medical Association explains that the benefits of doing so include

reducing accounts receivable, increasing cash flow, reducing medical billing and back-end collection costs, decreasing the administrative burdens of tracking and writing off bad patient debt, and managing the growing portion of practice revenue generated from patient payments. All of these factors can help a practice maintain or improve its financial viability.⁵

A credit to the practice

For medical practices, modernizing debt collections involves taking a more preemptive approach to managing out-of-pocket costs. This might include asking patients to establish payment accounts with the practice, for example. "Instead of a staff member calling people about their account balances, make that staff person what I would call a *patient financial counselor*," says Zetter. "This should be the first person the patient talks to after

they've made their appointment, either on the phone or before their appointment. The financial counselor can make sure the patient understands what the policies are at the practice. They can also talk to the patient about setting up an account with authorizations for payments, either with an active credit card on file or an ACH [Automated Clearing House] draft from their checking account."

An ACH is a financial network used for electronic funds transfers, or *direct payments* as they are also known. With credit or bank authorizations, medical practices must follow any applicable legal compliance requirements to protect patient financial security.⁶

"You shouldn't document the patient's entire credit card number, for example—only the last four digits to identify which card the patient is using," cautions Zetter. "The full number will go into the merchant services system. You don't want a piece of paper filed away in a filing cabinet where the patient's information and identity could be stolen. You want only the bank holding on to that information."

Jacobsen is also enthusiastic about the idea of having an assigned patient financial counselor in the medical practice. "If you're big enough as a practice, you can have someone in that role," she says. She notes that a patient financial counselor can be especially helpful when patients need counseling on paying large balances.

"A patient financial counselor can help the patient understand what's creating a financial liability and work with them to find the solution," says Jacobsen. "There are medi-

cal credit cards available, for example. There are payment plans that can be established. There are a lot of things that can be done."

Calm, cool, and collected

In a sense, the concept of an assigned patient financial counselor speaks to the challenge of finding ways to resolve uncollected debts without diminishing patient satisfaction with the provider. In Jacobsen's view, the key to success comes from understanding the patient's needs and working toward solutions together. In turn, this means encouraging communication and engagement with patients on all aspects of their care.

At times this might involve turning to creative or flexible financial solutions. But solutions always start with communication. "If a patient is not paying their balance, I think it's important to ask the right questions," advises Jacobsen. "Sometimes there are catastrophic things that happen to people—[such as a] divorce or perhaps enormous medical bills—that have put them in a situation that's unusual. Maybe they've been your patient for 10 years. And now, all of a sudden, they're not paying the bill. In those cases, it's helpful to have a financial plan through which you could provide some sort of discount, forgiveness, or other solution based on some defined criteria. That's a best practice that I think is very reasonable. It can also help the collections staff to know you can work with patients in this way, to really help serve your population as you would want for yourself or a [loved one]."

To enhance collection at the time of service, Jacobsen recommends ensuring administrative or collections staff have the proper training. "I think a lot of times we overlook this issue," she says. "The check-in and check-out staff don't always have the right words or phrasing to do a good job collecting at the time of service. If a person has a balance of \$500, for example, what staff will often do is ask, 'What can you pay?' [In my opinion,] that is not how it should go. What they should be saying is, 'Your responsibility today is \$500.' If the patient says they can't pay that much, then

the conversation should shift to something like, ‘Well, how much are you short today?’ Unfortunately, if staff get intimidated by a patient and don’t really understand why there’s a balance, [they may] just let that patient walk out of the practice.”

Accordingly, staff members should be supported by clear financial policies and procedures, which they can use to comfortably manage any patient encounter. “You have to give the staff the script and the tools,” says Jacobsen. For example, she suggests providing instructions on making payment arrangements and referring the patient to the front office lead, administrator, or clinical supervisor. “Staff should feel comfortable that they have the support of the practice. I find that [the process] falls apart when they don’t. What can happen then is they’ll default to ‘we’ll send you a bill,’ which is not helpful.”

While patient financial counselors or other staff members need to be knowledgeable in explaining practice financial policies, they must also have the right set of interpersonal skills for the position. “You need to have somebody in this role who can be empathetic and sympathetic with the patient,” says Zetter. “They need to know how to communicate with people. Of course, you’ve also got to fully train that person. They need to know the rules, policies, and procedures, and they need to be organized. But the main thing is they need to have the soft skills to be able to communicate with patients.”

Asking price

As noted, many industry experts consider the issue of collecting co-pays central to reducing the uncollected patient debt burden on medical practices. This viewpoint is shared by Tammy Newman, CMA (AAMA), PMAC, practice manager for the Medical Foot Center and Spokane Surgery Center in Spokane Valley, Washington. Notably, the Spokane area medical center has found one way to further incentivize time-of-service collection. “We always verify every patient’s insurance, and if we see a co-pay, we will col-

lect it at the time of the visit,” says Newman. “That’s first and foremost. If the patient won’t pay the co-pay at the appointment, we will also charge another \$15 in order to bill them for the co-pay.”

The co-pay billing charge was a response to how many co-pays were not being paid at appointments, explains Newman. In effect for almost two years now, the surcharge policy has significantly reduced the number of unpaid co-pays. “I would say about 90% of the people who owe co-pays now pay them at the visit,” Newman reports. “Before, we were probably sending out 100 statements a month just for co-pays. Now, we’re down to about 150 billing statements a month, instead of 250.”

Newman says the clinic will sometimes waive the \$15 surcharge if the person calls in a timely fashion to pay the co-pay. She also notes the co-pay charge policy has become standard among many medical practices in the Spokane region.

Of course, because surgical procedures often involve larger bills than most practice visits, surgery centers will often offer extended payment plan options that allow patients to pay off charges within a few months. Newman reports many surgery centers in the Spokane region will estimate what a surgical procedure is going to cost and collect 100% of the out-of-pocket estimate. Then, if the final cost is more or less than the estimate, the patient will either get a bill or a refund.

“Our surgery policy is to collect 50% of the [estimated] amount for a surgical procedure,” says Newman. “Ideally, it would be nice if patients could pay off their bill in full within four months. That’s what we try to do. But if somebody has also been coming in for weekly appointments, sometimes their balance can get up to \$10,000 fairly quickly. We will still ask them what would be a comfortable amount to pay every month. Our doctors have gone five years on an account. We don’t like to do that, but they’re more concerned about the patient’s care than what they can pay at any given time. We’ll actually take as little as \$5 per month just to keep their

account current.” Monthly payment plans are set up as automatic payments with the patient’s bank, explains Newman.

As practice manager, Newman says patient education on the financial aspects of their care is a practice priority. “We do a lot of educating from our front office,” she says. “Our patient education starts with the person who does the scheduling. The staff person who does reminder calls for appointments will also inform patients about any co-pays they may have at the upcoming appointment. Our front desk person and I will also talk to patients about their finances. Generally, we find younger patients don’t always understand co-pays or deductibles. Our front office will explain all this to them. Older people who are switching to Medicare Advantage plans may not understand when they go to a specialist they do have a co-pay, although they may not at their primary care clinic.”

Checks and balances

As medical practice staff manage collections and debt responsibilities, managers

Money talks

The American Medical Association shares several tips on how to sharpen the payment management process⁹:

- **Offer multiple options.** Accommodate most patient preferences by offering flexibility in the method and delivery of payment. For example, online patient portals and waiting room kiosks can facilitate payment.
- **Practice kindness and courtesy.** Make sure staff members are trained in proper telephone etiquette, and remind them to treat others as they would want to be treated.
- **Be mindful of timing.** Avoid discussing financial issues when patients are in pain, anxious, or stressed—for example, the moments before a procedure.

and billing staff must stay informed and up to date on the health plans with which the practice contracts.

“Medical practices should fully understand their contracting and credentialing with insurers,” says Coughlin. “This is a big concern. I think a lot of health care providers, especially the smaller providers, are not always aware of what their contracts state. Who are they credentialed with? What are their contracted rates? When posting payments, are they posting the proper payment? Are they being underpaid? Are insurers not paying in a timely way? Unfortunately, many providers don’t always understand their contracts.”

When patients have scheduled procedures, Coughlin recommends that medical practice staff be aware of any issues that could potentially affect the patient’s out-of-pocket costs. For example, is a procedure scheduled at a free-standing facility or a facility affiliated with a hospital? The former usually costs less. Is the facility or the specialist referral in-network for the patient? Is the laboratory work in-network? How these questions are answered can affect the patient’s co-pay and coinsurance costs.

While patients are ultimately responsible for understanding their health plan benefits, staff members’ awareness of any plan rules associated with scheduling tests and procedures could help patients avoid potentially higher costs.

“If someone is going to have a surgical procedure, it can be nerve-racking for the patient,” remarks Coughlin. “Understandably, they may not be thinking about all these other billing issues. Maybe there’s an assistant surgeon or anesthesiologist involved in the procedure who is not in their network, which could mean they end up with surprise medical bills. This can seem so unfair to the patient. If staff members are educated about the health plan contracts—what the rules and requirements are—they can really help patients better understand how everything is going to [be paid].”

In turn, staff members should also ensure authorization requirements for tests, procedures, and referrals are met. “You don’t want to end up having your claim denied because you didn’t get the proper autho-

Wealth of info

Medical Group Management Association
<https://www.mgma.com>

National Society of Certified Healthcare Business Consultants
<https://www.nschbc.org>

Alliance of Claims Assistance Professionals
<https://www.claims.org>

ization,” cautions Coughlin. “You really want to watch your claims and payments. ... Knowledge is power.”

Debt’s all, folks!

A proactive approach toward managing debt collections can greatly reduce the need for medical practices to turn bad debts over to outside collection agencies. Unfortunately, that process can take perhaps 25% or 50% of the revenue owed, notes Zetter. “In my opinion, this is usually a waste of time and money. The agencies will often cherry-pick the really easy debts to collect and avoid the harder cases.” These agencies are a resource of last resort and also largely unnecessary when an effective collections system is in place, concludes Zetter.

If a practice chooses to use an outside collection agency, selecting an agency with a reputation for fair treatment and adherence to legal guidelines is important. In fact, the Fair Debt Collection Practices Act protects consumers from abusive, unfair, and deceptive practices by debt collection companies.⁷ “I would recommend a smaller, local collection agency rather than a big name-brand agency,” says Newman. “We have found that our local area agency performs much better than some of the larger collection agencies. They also seem to be more caring with our patients.”

To sum up, the most vital steps in the collections process usually occur less when debts are outstanding than at the very outset of the patient encounter. “With collections, the early bird gets the worm,” concludes Jacobsen. “If you start early in your process, everything else should go a little better. If

"We don't have a lot of patients who are dissatisfied with our financial policies. First, our doctors choose not to charge interest. When we're setting up a payment plan schedule with somebody that has a balance, we never say, 'We need you to pay \$5 or \$250 a month. Instead, we always try to work with our patients. We'll ask, 'What can you do?' Usually, it's a higher amount than what we might have suggested. I think the patients feel more in control this way."

—Tammy Newman, CMA (AAMA),
PMAC

you invest more time to understand what the potential liability could be and you're proactive and have discussions with patients in person as much as possible, as close to the visit or procedure as possible, your chances of collecting that patient liability will increase exponentially."

With strategies such as up-to-date

practice management software systems, informed attention to contracted insurance requirements, payment plan options, and staff training in billing and payment rules, much can be done to minimize the impact of uncollected debt on medical practices.

For practice managers and staff members, knowing how to work tactfully with patients to address issues with uncollected medical debts can contribute greatly to the practice's overall financial fitness, while also maintaining a high level of patient satisfaction with the medical practice. ♦

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