Patient Debt Management

Supporting the hospital’s mission by helping patients improve their financial health.

Several years ago, when comprehensive healthcare reform was but a twinkle in politicians’ eyes, McKinsey & Co. issued a fascinating report entitled “The Coming Retail Revolution in Health Insurance.” The gist of the piece was that health insurers needed to adapt to changes in the marketplace by placing a greater emphasis on the individual patient, or consumer: “the winners [in this new environment] will be those companies that develop a comprehensive, integrated view of the consumer.”

Today, we are in the midst of that predicted revolution, and it turns out that its implications go far beyond just the insurance carriers. Providers, too, are being forced to adapt to an environment in which individual patients are responsible for an increasing share of overall medical costs. To complicate matters further, this is all happening in the midst of the largest economic downturn since the Great Depression. The results are predictable: rising bad debt and delinquency, increased pressure on patient accounting offices, and household budgets strained to the breaking point. It is estimated that some 60% of all personal bankruptcies in the United States today are directly attributable to medical bills.

Even patients who previously were good payers are becoming more delinquent.

Why is this happening? It is crucial for providers to develop that “comprehensive, integrated view” of their patients and to understand the broader economic context.

Credit Card Debt: A National Epidemic

The average American now carries nearly $10,000 in credit card debt. Fully one quarter of Americans pay an interest rate of 25% or higher on those cards, and that is before the impact of late and over the limit fees. What’s more, the fastest growing category of credit card debtors is the 50-64 age bracket. This is a key constituency for most hospitals: baby boomers that are nearing the end of their careers and are starting to experience more incidental medical expenses.

Add it up, and most families are spending upwards of $300 per month in debt service alone. There simply isn’t anything left over at the end of the month to pay hospital bills. Put another way, the medical debt may be the proximate cause of many bankruptcies, but the “pre-existing condition” of high credit card indebtedness is just as important.

Back in the 1950’s, the fledgling credit card industry realized that it needed a “kinder, gentler” way to collect on bad debts from some of its customers. The result was the creation of the credit counseling industry. Credit counseling agencies sprang up on Main Streets across the country, offering sound advice and—more importantly—access to Debt Management Plans, the credit card industry’s escape valve for at-risk debtors. Debt Management Plans (DMPs) work by reducing or eliminating interest rates, waiving late and over-the-limit fees, re-aging accounts, and allowing debtors to make a single monthly payment (rather than the 6 or 7 monthly payments they currently average). The result is that debtors in DMPs are able to pay off their principal much faster—usually in 3-5 years, rather than the 15-20 years it might take under normal conditions. What’s more, the debtors see
their credit profile gradually repaired, setting them up to be future customers. Debt Management does not leave a negative mark on credit reports. At its core, Debt Management works because it delivers a solution to the debtor by increasing his or her monthly cash flow through interest rate reductions. Customers who were at risk for charge-off are rehabilitated instead.

In short, Debt Management proved an ideal way to deliver a customer-friendly payment solution by taking into account the “comprehensive, integrated view” of the credit card consumer.

**A “Kinder, Gentler” Approach to Hospital Collections**

A “kinder, gentler” approach to collections that also happens to solve the biggest financial problem facing most patients may be just what the doctor ordered for the healthcare industry. Patients that were paying 25-30% interest on $10,000 in credit card see their average rates cut to less than 10%, freeing up hundreds of dollars per month in additional cash flow. A portion of that new cash flow can be used to repay the hospital. The rest stays with the patient, allowing him or her to “rehabilitate” over time.

Debt Management was never intended to replace normal collections activity for the credit card industry, nor should it be used in this way by hospitals. But as an incremental tool in the hospital revenue cycle, it can be invaluable. The key, as with any revenue cycle tool, is how you use it.

For Debt Management to be successful in a healthcare context, it must be actively managed. It is not enough to simply refer patients to the local credit counseling agency and hope that they follow through. For one thing, most credit counseling agencies still have a cozy relationship with the credit card industry. Credit card companies send them most of their referrals and pay them the lion’s share of their revenues. As a result, hospital debt is an afterthought. Hospitals may have experienced this bias in the form of unsolicited proposals for $10 monthly payments against a $10,000 bill. You can be sure that the credit card companies are being repaid at much faster clip than that!

Instead, hospitals should look to agencies that will build Debt Management Plans around the medical debt first.

Active management also means identifying the right point in the revenue cycle to offer debt management. Which patients should be referred to Debt Management? Who does the referring? What about Medicare eligibility screening? Should hospitals be offering this program at patient access, or at the tail end of the cycle?

Hospitals need to seek out partners who understand the revenue cycle and can maintain high standards when it comes to patient privacy and HIPAA compliance. If a credit counseling agency doesn’t have a HIPAA policy, then it’s a safe bet that they aren’t set up to service the healthcare industry.

Finally, the hospital must demand the same reporting standards from a credit counseling agency that it expects from other vendors in its revenue cycle. Most credit counseling agencies are not set up to deliver that level of reporting accountability.

**Incremental Revenue**

Introducing a new tool into the revenue cycle is never easy, but with proper execution, the rewards can be significant. Progressive organizations like Deaconess Health System (a 750 bed, multi-facility system based in Evansville, Indiana) have been offering targeted patient debt management for several years. **Deaconess has reported a 9% incremental lift in its baseline collection rate as a result of the program**, and anecdotal evidence suggests that patient loyalty and patient satisfaction numbers have improved as well. What’s more, introduction of the Debt Management Program did not disrupt any existing vendor relationships.

Hospitals are in the business of helping people, but they are still in business. They need to get paid in order to continue to offer the world-class service that patients have come to expect. Hospitals would do well to learn from the credit card industry and adopt targeted Debt Management as a mission-supportive, incremental revenue cycle tool.

*Andrew Gill Smith is the Founder and CEO of Achieve CCA, Inc. ([www.achievecca.com](http://www.achievecca.com), the only debt management company focused exclusively on the healthcare industry. He can be reached at (502) 475-7626 or asmith@achievecca.com.)*
Welcome New Members!

The Kentucky Chapter of HFMA would like to welcome our new members since our September newsletter:

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<th>January 2010</th>
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<td>Edward McDonald</td>
<td>UK Healthcare</td>
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<td>Chris Bowe</td>
<td>Catholic Health Initiatives</td>
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<td>Gleen M Stover</td>
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<td>Lisa M Duncan</td>
<td>National Patient Account Services</td>
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<td>Matt White</td>
<td>Deloitte</td>
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<td>Anita Chambers</td>
<td>King's Daughters' Medical Center</td>
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<td>Nick Ficklin</td>
<td>Blue &amp; Co LLC</td>
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<td>Kwaku Osebreh</td>
<td>Central Baptist Hospital</td>
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<td>Barry Swanson</td>
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<td>Catherine A Sauner</td>
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<td>Kathy Ann Johnson Sanders</td>
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<td>Heather Boothe</td>
<td>C.I. Govt - Health Services Authority</td>
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<th>December 2009</th>
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<tr>
<td>Cathy Davis</td>
<td>King's Daughters' Medical Center</td>
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<td>Amanda G Rayburn</td>
<td>Humana Military</td>
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<td>Stephen Chan</td>
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<td>Linda R Brown</td>
<td>Saint Joseph Martin</td>
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<td>Stacie Smith</td>
<td>Jennie Stuart Medical Center</td>
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<td>Nicole Bruce</td>
<td>SCI Service Concepts, LLC</td>
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<td>Angela Anderson</td>
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President’s Message by Bill Jones

Greetings to All:

Here we are, well into our second month of 2010. The first decade of the 21st century is past and now in the record books. It brought some progress, some heartache, but all-in-all not bad. Yes it could have been better, the headlines, the news blips on TV and radio, the commentaries on which political party is wrong and which has the right answers, and heaven knows the partisanship. The founding fathers are rolling over in their graves. Still we live in the United States of America, the most prosperous, magnificent nation on the globe.

I’m proud to say we don’t bicker in the Kentucky chapter of HFMA. We work together, we compromise and we do our best to make decisions for the greater good of the chapter membership as a whole. I am proud to work with a dedicated group of leaders that volunteer the time needed to make our education sessions and chapter such a success.

The Summer Institute was comparable in attendance to Summer Institutes past, the education sessions were great. Instead of having our normal Fall Institute, we partnered with the Indiana and Southwest Ohio chapters to have the Tri-chapter conference. It was a stellar success with approximately four hundred people in attendance. Based on the feedback from attendees it was like going to a mini-ANI, plus they felt this effort should continue as a repeat conference. There are talks in the works to have another joint conference in the fall of 2011, stay tuned. Also, I’m proud to say Kentucky members had a strong presence at the conference.

The Winter Institute in January 2010 was one for the record books. There were 188 registered to attend and we had 180 in attendance. The sessions and topics put together by the Education committee were right on target. Those of you who might remember General Tommy Franks would say that is “Shock & Awe”.

Another form of education we have at our finger tips is the chapter newsletter. I want to recognize Barry Pennybaker, Larry Vaughn and the ones helping them pull together the information and publish the newsletters. Thank you folks! They are always looking for interesting topics to print. I encourage you to use your knowledge and share with the rest of us by putting together an article and submitting for publication in the newsletter.

We’ve taken a number of new approaches this year to get you, the members, to attend the Institutes. One such landed on my desk as I’m writing this letter; I just received one of those new fangled ideas. It’s a post card that came thru the US mail, WOW. On the front of the card there is a green, leafy tree with a Blue Bird flying over top of the tree. It reminds me the Spring season is just around the corner and so it also reminds me the Kentucky chapter’s Annual Spring Institute is just around the corner, too. The Institute is March 18th and 19th; I hope to see you there. Don’t miss a great educational opportunity and a fun time with your peers throughout our great state.
It is an exciting time in the Kentucky chapter, would you like to volunteer and be a part of an HFMA chapter on the move? Please give it serious consideration. If your answer is yes, please feel free to contact me or one of the chapter officers. We’ll do our best to get you plugged in.

In conclusion, I encourage you to take a chance, get involved, be a volunteer, share your talents, and attend the quality education events. “The service of one can impact many; are you that next one to serve?”

If I can assist you please feel free to contact me.

Bill Jones, FHFM

2010 Spring Education Institute

Mark your calendar! The 2010 Spring Education Institute is quickly approaching! This year’s education institute will be at the Embassy Suites in Lexington, KY on Thursday, March 18 (7:30 A.M to 5:00 P.M) and Friday, March 19 (7:30 A.M. to 12:00 P.M.).

The topics include:

- Keynote – Dr. Steve Bedwell: Universal Keys to Extreme Success
- Significant 2010 CMS Coding and Billing issues
- 20 Ways to Minimize RAC Financial Risk
- Breakthrough Improvement: Lean as the Driving Force to Eliminate Waste in Healthcare
- Executive Compensation & Taxation of Employer Provided Fringe Benefits
- Emerging Trends in Supply Chain
- Data Focused Negotiation Strategies for Physician Reimbursement
- The Health Reform Train Wreck – Jeanne Scott

Register online at [www.hfmaky.org](http://www.hfmaky.org)!
HFMA Winter Institute


The opening session consisted of an inspirational message from Jerry Bridge of the Practice Management Group, which illustrated the need for all of us to slow down with our daily routine and focus on the issues that really matter in our lives. In a lifestyle pace accelerated by technology advancement, this can be difficult. Blackberries, email, servers, internet portals, and everything else in between allow us to access our work resources from virtually anywhere in the world. Our personal lives are no longer removed from our work lives.

Jerry Bridge was able to convey several benefits to our physical health associated with proper management of our work lifestyle and true achievement of a separate personal and work life. For example, our ability to focus is diminished by the multi-tasking nature of how we operate in our day-to-day patterns. Can we truly focus on the task at hand when the background noise of our other priorities is detracting from our engagement with the present task at hand? Whether it is interacting with our children or with an important work associate, our ability to commit one’s focus to the task at hand is severely diminished.

A possible method of coping with these problems is to establish effective and simplified time management techniques, such as full utilization of our computer based scheduling. Another method is to organize and prioritize our schedule so that the primary focus of our attention is devoted to our most critical issues, work related or otherwise. As our schedules become more complex, we tend to become overwhelmed by the sheer magnitude of the tasks we “think” need to be accomplished. In reality, simply prioritizing our schedules effectively will help most people direct their attention to the issues that matter most, thereby reducing the anxiety associated with lingering tasks that may or may not “need” to be accomplished.

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Mr. Bridge went one step further in saying that we will never accomplish everything we “think” needs to be accomplished. This realization alone can alleviate some of the stress associated with the perception of a never ending work load.

Mr. Bridge also offered some practical non-technological tips for managing day-to-day workload. For instance, implementing a 911 versus 411 mentality for handling coworker requests and questions will help manage the volume of interruptions that occur throughout the day. In other words, interruptions should only occur if it is truly an emergency. In all other cases, instruct your coworkers to compile their questions into a concise list that will be addressed at a predetermined time. Even the simple task of effective note-taking can free up the mental capacity to focus on the task at hand.

In summation, our mental health and well-being has a direct effect on our overall well-being. Stress reduction through proper time and energy management is critical to success in a technology driven work environment. It’s about working smarter, not harder.

“Flat Stanley Pressler” visits the KY Chapter of HFMA

by Vanessa Pennoyer

The Kentucky Chapter welcomed “Flat Stanley Pressler” from the Indiana Pressler Memorial Chapter of HFMA during the week of November 6th for the A/R workshop in Louisville, KY.

Flat Stanley enjoyed a fun filled day of volunteering and networking with Kentucky members and even sat in on a few educational sessions. The A/R workshop included presentations from Anthem, Blue & Co., Bottom Line Systems Inc., Claims Services, KY Department of Insurance, MedAssist and Norton Healthcare. For more details on the workshop please visit our website www.hfmaky.org or you can find more photos on our Facebook page.

The KY chapter members truly appreciate the opportunity to become better acquainted with Stanley and wish him the best in his journey to other chapters. Thanks again!

Here are a few photos from his visit:

Pictures above: Stanley insists on getting his day started with a morning Dew and Danish.
Pictures above: Stanley got a little rowdy playing in a plant, too much sugar! He calms down to take a photo with Gary Tichenor from Helvey & Associates.

Pictures above: Stanley is a good note-taker and was sure to wear his name tag.

Stanley helped us with registration and met Mark Layman from Anthem Blue Cross Blue Shield after his presentation.
Stanley with Jeanene Whittaker, Secretary and Event Coordinator.