Patient Pay Environment

Should Industry Changes Drive Strategy Change?

“...findings emphatically demonstrate...more patients are struggling to pay their healthcare costs.”

“...deductibles are jumping. Since 2010, they've outpaced the rise in earnings...”

“...67% of insured patients had high deductible health insurance...”

“When asked what they would do if faced with a $1,500 medical bill, 43% said they would have to borrow money or go into credit card debt...”

“...eighty nine percent of patients experienced increases in overall health expense...”

“Over 50 percent of patients with private insurance now face a deductible of over $1,000.”

“...hospitals collect just 16 cents on average for every $1 in unpaid patient balances.”
Should I Offer Patient Financing?

• Aligns healthcare with consumer retail market
• Accelerates repayment post service delivery
• Creates alternate routing for willing patient payers
• Reduces overall billing expenses
• Mitigates loss for “time value of money”

OR

• Public Perception
• Competitive Marketing
• Charitable Status/Mission
• Difficulty to Administer Finance Program

“Change” should translate to more of it in your pocket.
## Patient Financing Providers

### FACTORS

- Installment Product Full Recourse
- Discount Valuations (x% of P$)
- 0% Variable Interest Paid By Patient
- 20-90%+ acceptance/some screening
- Reduces Bad Debt Volume
- Doesn’t Reduce Installment Volume
- Typical Program Expense 25-30%

### SERVICERS

- Installment Product No Recourse
- No Discount Valuations (100% of P$)
- 6-8% Fixed Interest Patient Paid
- 100% acceptance/no credit screening
- Reduces Bad Debt Volume
- Reduces Installment Volumes
- No Program Expense 0%

### BILLERS

- Installment Payment Plans
- Only Discount Is Expense (x% of P$)
- 0% Interest To Patient
- 100% acceptance/no credit screening
- Doesn’t Reduce Bad Debt Volumes
- Typical Program Expense 3.5-8%

### CARDS

- Credit Card Product No Recourse
- No Discount On Accepted Accounts
- 0-29.9%* Interest to Patient
- 60-70% acceptance/credit screened
- Does Reduce Bad Debt Volumes
- Typical Program Expense 0-15%
  (one hybrid 20%)
<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Expense?</td>
<td>NO – all set-up, follow-up &amp; billing free to client</td>
<td>YES – rates 8% or less depending on state Nominal compared to market lending sources</td>
</tr>
<tr>
<td>Patient Fees?</td>
<td>YES – rates 8% or less depending on state Nominal compared to market lending sources</td>
<td>NO – 100% of principal goes to client</td>
</tr>
<tr>
<td>Factor/Discount/Maintenance Fees?</td>
<td>NO – 100% of principal goes to client</td>
<td>YES – 25% of interest collected is rebated to client</td>
</tr>
<tr>
<td>Type of finance for patient?</td>
<td>Closed-end Installment Repayment Plans – multiple accounts can be bundled for ease of patient repayment</td>
<td>NO</td>
</tr>
<tr>
<td>Share Revenues with client?</td>
<td>YES – 25% of interest collected is rebated to client</td>
<td>NO – indiscriminate program, all accepted</td>
</tr>
<tr>
<td>List with Credit Reporting Agencies?</td>
<td>Contract, Coupon Booklet, Disclosures &amp; Information (full repayment schedules, contact information)</td>
<td>NO</td>
</tr>
<tr>
<td>Screen for Creditworthiness?</td>
<td>YES – included in the program</td>
<td>NO – indiscriminate program, all accepted</td>
</tr>
<tr>
<td>What does a Patient receive?</td>
<td>Contract, Coupon Booklet, Disclosures &amp; Information (full repayment schedules, contact information)</td>
<td>NO – indiscriminate program, all accepted</td>
</tr>
<tr>
<td>Reminder notices/follow-up calls?</td>
<td>YES – included in the program</td>
<td>NO – indiscriminate program, all accepted</td>
</tr>
<tr>
<td>Default Strategy?</td>
<td>90 days no payment, dropped from the program and assigned to client as Bad Debt placement.</td>
<td>NO – legal restrictions</td>
</tr>
<tr>
<td>Default Rates?</td>
<td>11-12% on average</td>
<td>NO – legal restrictions</td>
</tr>
<tr>
<td>Convert existing installment plans?</td>
<td>NO – legal restrictions</td>
<td>YES</td>
</tr>
<tr>
<td>Client Training?</td>
<td>YES</td>
<td>NO – legal restrictions</td>
</tr>
</tbody>
</table>
A Case For Patient Finance

Average payoff increase (interest vs no interest): 12.2%

Average P&Ir% (amount of principal returned): 102%
Should You Offer Patient Finance Options?

**CONS**
Maintain status quo. Offer installment billing internally or externally (vendor). Continue carrying increasing weight of uninsured and insured (HD/Copays).

**PROS**
Change. Offer alternatives with direct costs or without them. Shift the burden of long-term billing to a vendor or patient.

The Insurance Industry has changed how (and who) pays for healthcare.

Healthcare Financial Leaders must adopt retail strategies to mitigate undo financial strain.
Thank You.
Questions?
More Information?

www.Credit-Bureau.com

www.medicalrepayment.com