

SEVENTH NATIONAL

MARCH 11-13, 2009

# MEDICAL BANKING INSTITUTE

BUILDING AN ELECTRONIC  
Medical Banking  
Community



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SEVENTH NATIONAL

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# MEDICAL BANKING INSTITUTE

BUILDING AN ELECTRONIC

## Medical Banking Community



**Medical Banking Boot Camp**

**Session 4**

**Seventh National Medical Banking Institute | March 11-13, 2009 | Nashville, TN**

BUILDING AN ELECTRONIC  
**Medical Banking  
Community**

**How Medical Consumerism and  
Medical Banking Align to Create Value**

Presentation of White Paper:  
**The Impact of Consumer Directed Healthcare on Providers**

**Stuart M. Hanson, Fifth Third Bank**

# Agenda

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- Research Study Objectives
- Consumer Directed Healthcare Primer
- Key Findings of Research
- Best Practice Trends
- Recommendations
- Open Discussion / Q&A
- Contact Information

# CDH Research Study

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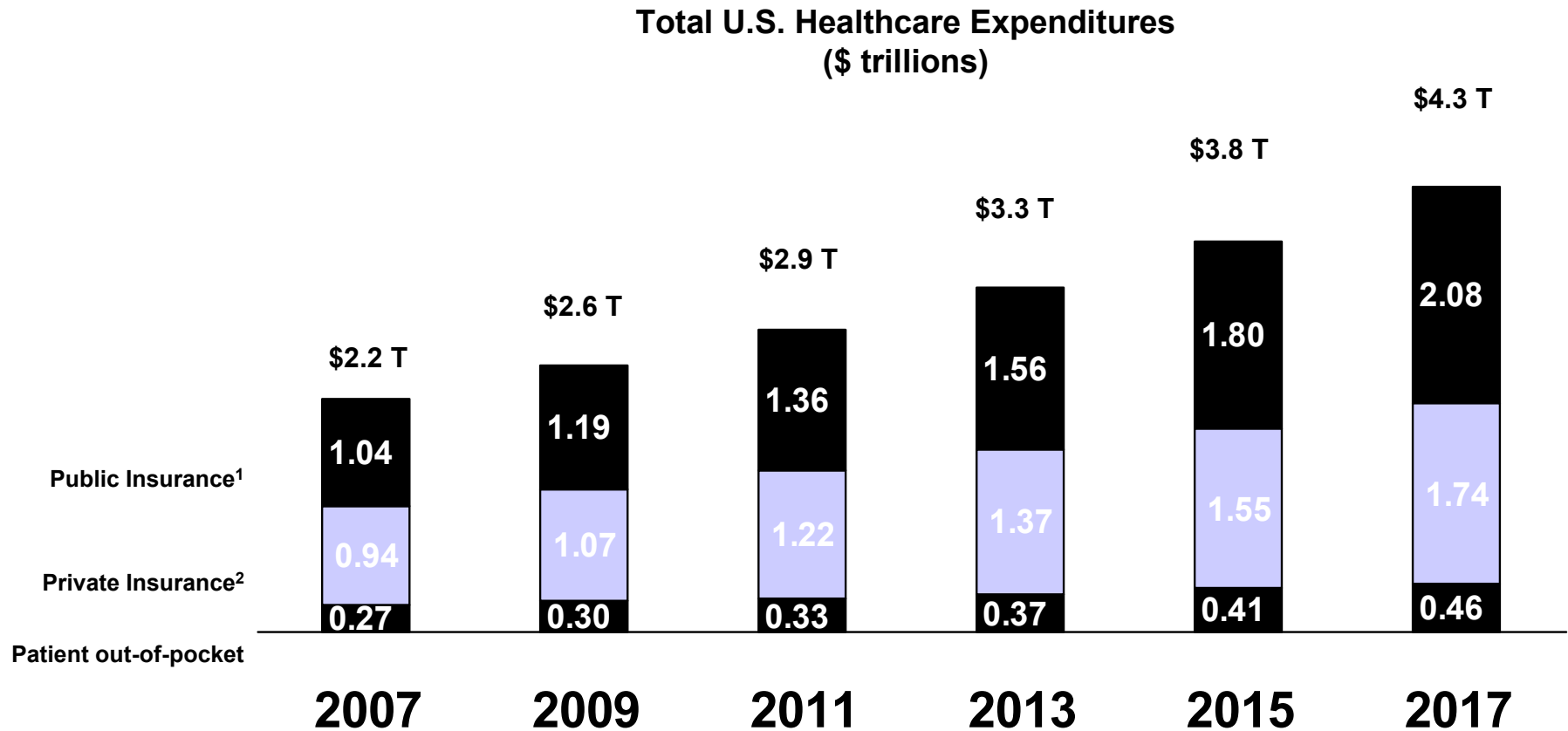
## Objectives

- Gain thorough understanding of impact of Consumer Directed Healthcare (CDH) trends on healthcare providers, financially & operationally
- Ensure that feedback & findings were unbiased and broadly based

## ● Research Methodology

- Fifth Third engaged the Boundary Information Group
- The research was conducted over a two month period: July – August 2008
- The methodology consisted of a detailed one hour interview with CFOs, Patient Accounting Directors and selected thought leaders from hospitals and physician groups from across the nation
- Key findings of the research were compiled into a white paper “Impact of Consumer Directed Healthcare on Providers”
- Key areas of focus
  - Are providers seeing an impact on cash flow and operations from CDH?
  - What Best Practices are providers pursuing to handle CDH?

# Healthcare Expenditures



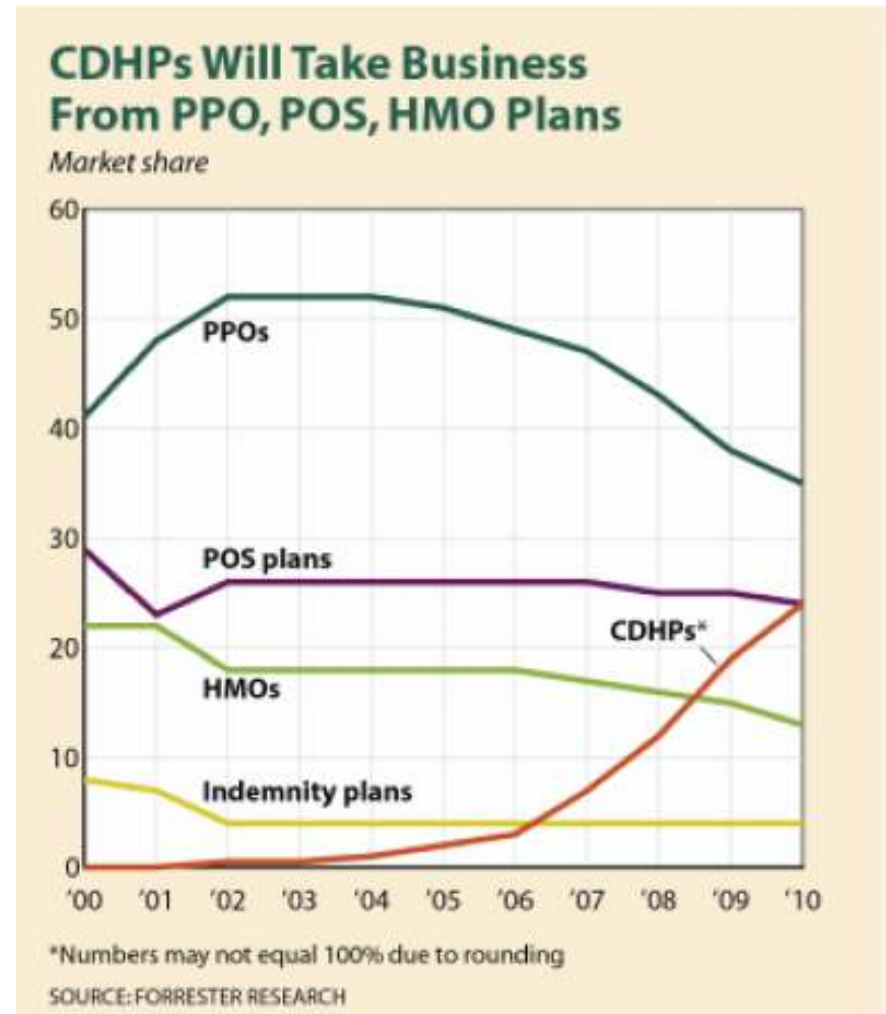
Source: Department of Health and Human Services, CMS, Office of the Actuary; "National Health Expenditure Data Projections" 2007

1. Includes Federal and State/Local (Medicare and Medicaid are a subset of Federal and State funds)

2. Includes Private Health Insurance and Other Private Funds

## CDH is a Growing Portion of \$2 Trillion Market

- CDH plans grew by 43% in 2008. CDH plans will reach 14.9M accounts by January 2009
- There is \$5.3B value held in Health Savings Accounts which is expected to grow to \$16B by 2010
- Consumers spent over \$250B on out of pocket healthcare expenses in 2008. \$242B paid for by cash, check, credit, debit. The remaining \$8B was paid by some form of Healthcare card
- According to the US Census Bureau consumers will pay over \$1000 annually in out-of-pocket healthcare related expenses by 2012 up from \$800 today. The proportion of patient payments is projected to rise over the next few years from 15% to 21%



Source: Consumer Driven Market Report, US Census, Celent, Forrester Research

# What is Consumer Directed Healthcare?

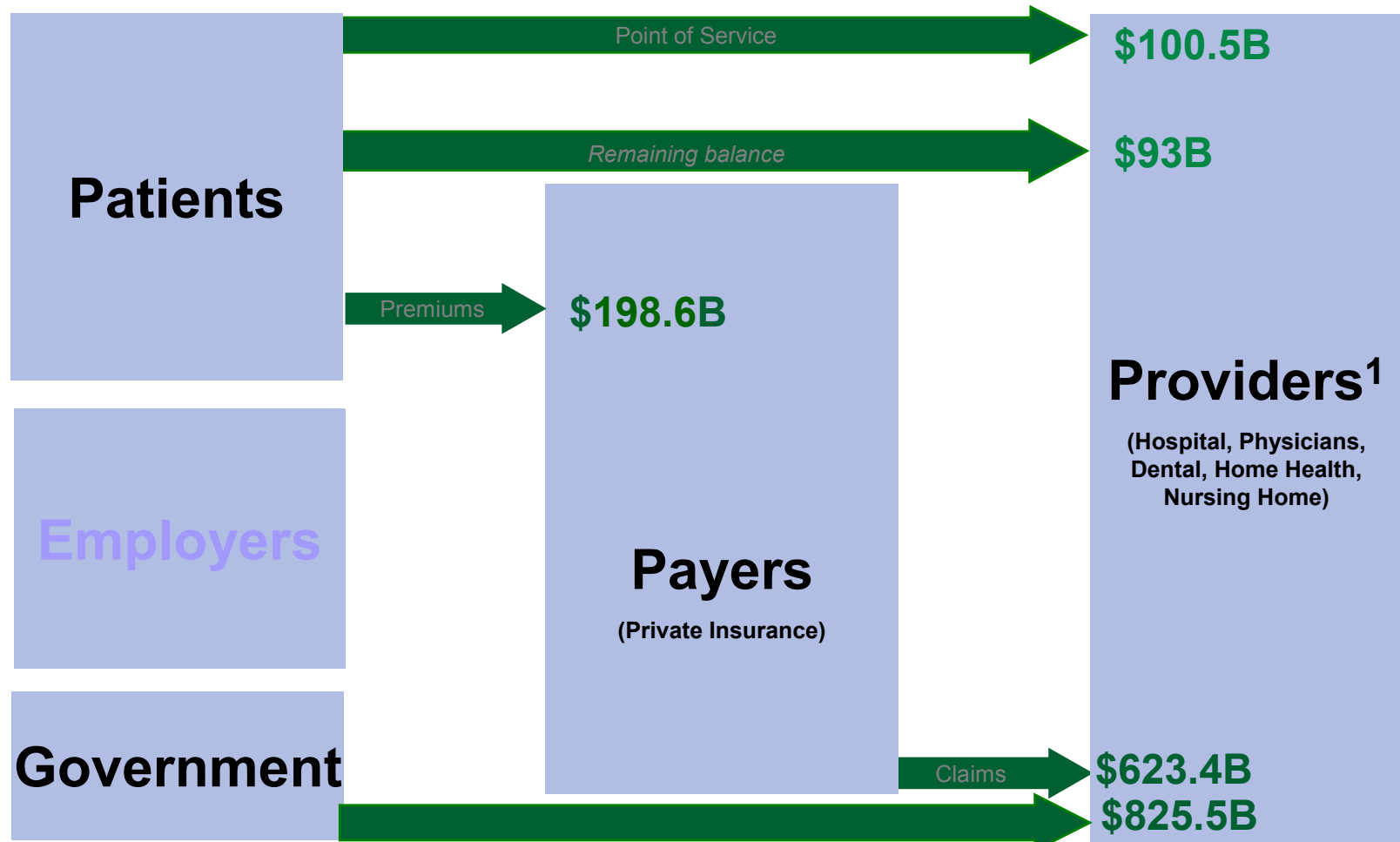
**Consumer Directed Healthcare (CDH) typically combines a high deductible health insurance plan (HDHP) with a personal saving/spending account, from which medical expenses can be paid directly. Most common spending account plans are Health Savings Accounts and Health Reimbursement Arrangements.**

## **Key Stakeholders:**

- Consumers: Provides economic incentives to manage their own care. Ability to build a medical nest egg.
- Employers: Reduce benefit costs from lower premiums and FICA tax savings
- Government: Proponents hope to drive down healthcare costs by stimulating market competition
- Payers: Deliver high deductible health plans along with consumer tools such as quality and health information
- Banks: Deliver Health Savings Accounts linked to a debit card. Offer online payment tools.
- **Providers: Must manage rising patient payment portion resulting from higher co-pays and deductibles. Less predictability in collections as responsible party becomes blurred further...**

# Healthcare Payment Flows

2008 Data (projected)



Sources: CMS National Health Expenditure Data, 2007; Overhauling the Healthcare Payment System, McKinsey Quarterly, 2007, Kaiser/HRET Survey of Employer Sponsored Health Benefits, 2008, Visa Healthcare Overview, 2009

<sup>1</sup> Includes hospital, physician and clinical services, dental services, home health care, nursing home care and durable medical products. Excludes prescription drugs and non-durable medical equipment

## What Does CDH Growth Mean for Providers?

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As responsibility for payment shifts more to patients...

- Importance of financial arrangements at or before time of service increases
- Predictability of collections becomes less certain
- New set of tools and processes are required to minimize negative financial impact of CDHP growth
- POS Collection methods are stretched

According to a recent interview with a well respected industry expert:

“In a nutshell, healthcare providers need to recognize that the tools they need today are not the tools they have from yesterday...they have to realize that they’re at a severe disadvantage unless they re-tool for this new patient responsibility paradigm ... today many providers are basically bringing knives to a gunfight...” (see video clip)

## What Does it Mean for Providers (cont.)?

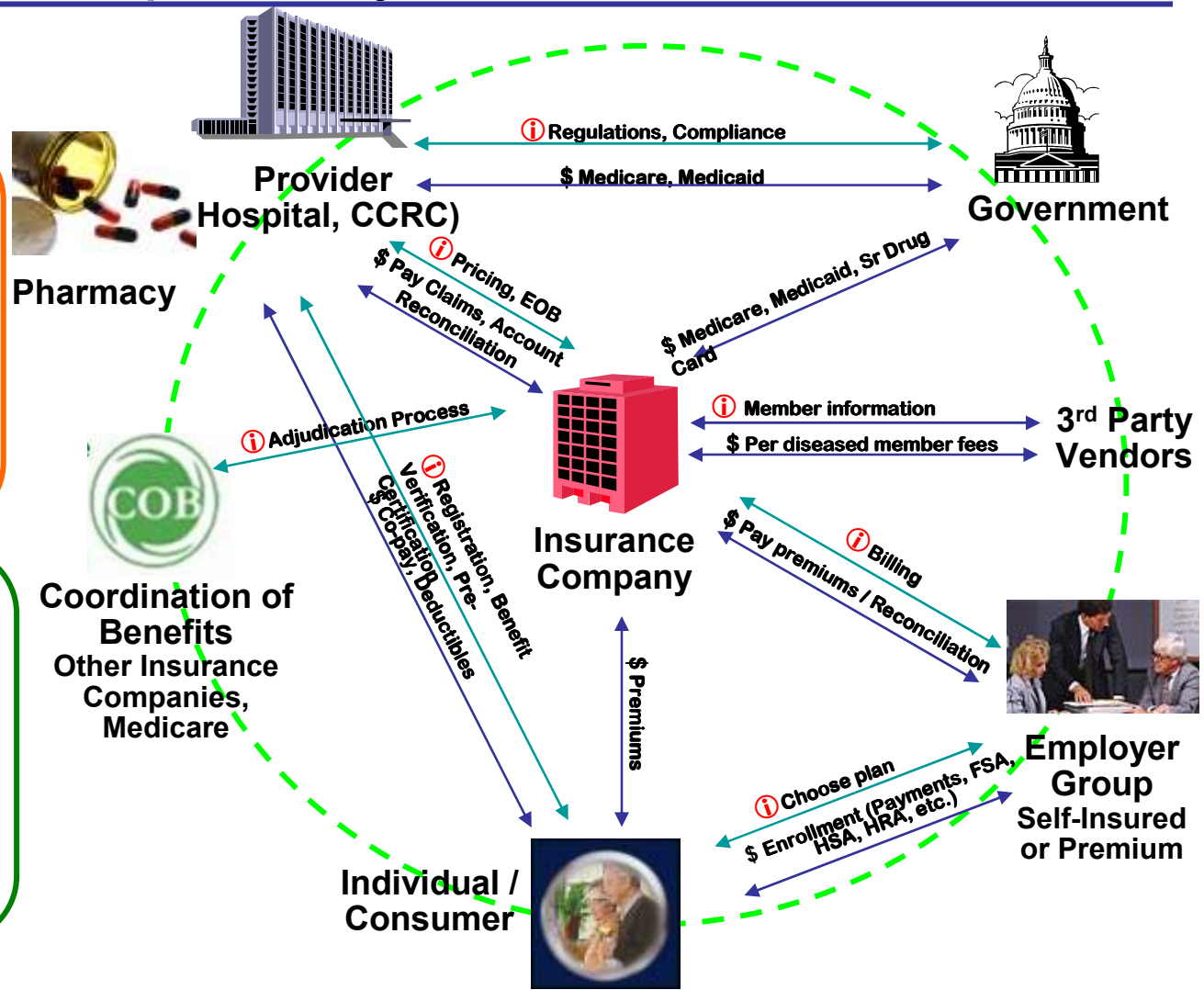
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# Complex Payment Flow

- Information Flow Complexity:**
- Choosing Plan Type (Employer & Insurance Co.)
  - Regulations and Compliance (HIPAA, etc.)
  - Registration, Benefit Verification, Pre-Certification
  - Billing of claims
  - Pricing and EOB issues
  - Adjudication process of claims

- Payment Flow Complexity:**
- Enrollment (Payments, FSA, HSA, HRA, etc.)
  - Claim payment and Account Reconciliation
  - Medicare, Medicaid, Senior Drug Card
  - Diseased member fees
  - Insurance Plan Premium and Account Reconciliation
  - Co-pays and Deductibles



Source: Cap Gemini

Payments and the flow of funds, represents a critical component of Consumer Directed Healthcare

# CDH Research Study: Key Findings

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## CDH Impact

- ❖ Geographic Variability – but momentum building across all geographies
- ❖ Providers Lack Processes, Tools, Resources
- ❖ CDH Impact Far Greater Than Prior Experience with Self Pays
- ❖ Result Could Include Higher Costs and Lower Revenues

## Process Challenges

- ❖ Negative Public Relations Impact
- ❖ Lack of Price Transparency
- ❖ Financial Complexity Demands More Experienced Staff

## Technical Challenges

- ❖ Legacy Systems are Challenged with “Consumer Debt” Issues
- ❖ New Vendors are Emerging
- ❖ Providers Struggle with Limited IT Budgets
- ❖ Providers Seeking Single Vendor Solutions

## CDH Research Study: Sample Quotes

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- ❖ “HDHP’s today are a single thorn in our flesh. The day is coming when they will become a prickly pear cactus.”  
– Lee Evins, WellStar Health Systems, GA
- ❖ “The registration staff do need a different skill set today...They need the ability to ask for money in a situation where people are not accustomed to paying. They will be more expensive [to employ] and difficult to recruit.”  
– Shaun Magill, Iowa Health Systems, IA
- ❖ “Is collecting consumer debt a core-competency of hospitals? No hospital can claim that as a core competency. Really, our primary core competency is limited to delivering medical services.”  
– Scott Hawig, Duke University Health System, NC
- ❖ “We would like more robust [automated] methods of estimating bills, and therefore the patient portions.”  
– Phil Norris, Memorial University Med. Center, GA

# CDH Research Findings: Best Practices

**Provider processes are manual resulting in high denial rates and lost revenue. In a CDH world, providers must reengineer their processes to more efficiently capture, track, and manage patient debt**

## Process

- ❖ Providers increasingly rely on sound customer service concepts
- ❖ Upfront effort is increased and required more experienced, trained staff
- ❖ Drive for upfront financial assistance and/or arrangements
- ❖ Patients demand more payment options
- ❖ Insurer contracts may need to be renegotiated

# CDH Research Findings: Best Practices

**Providers are challenged by outdated systems and limited electronic payer connections for real time reporting and processing**

## Technology

- ❖ Better tools needed for calculation of patient responsibility
- ❖ Increased desire / usage of “auto” or “real-time” adjudication
- ❖ Desire better ability to assess patient credit worthiness
- ❖ Toolkit needed to efficiently predict, receive, and post patient payments
  - ❑ Real time eligibility
  - ❑ Price estimation
  - ❑ Merchant processing
  - ❑ Remote deposit & lockbox
  - ❑ Electronic bill presentment & payment
  - ❑ POS payment and/or financing programs

## Recommendations for Providers

- ❖ Assemble project team for examining current practices, evaluating options, making recommendations, and implementing new programs to adapt to CDHP growth trends and impact on your organization
- ❖ Evaluate existing processes and tools in place today, especially against best practice conclusions from this analysis
- ❖ Analyze method for managing commercial and governmental posting of EOB, ERA to speed posting process and potentially free up resources
- ❖ Work with strategic banking partner to streamline revenue cycle activities as much as possible and to understand financial tools and options that are available
- ❖ Determine suitability for new processes, tools, and/or possible upgrades to existing systems and capabilities
- ❖ Prepare to implement new tools, software, staffing model, training programs, financial tools as needed

## Open Discussion / Q&A

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## Speaker Contact Information

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