Compliance

Financing Solutions for a Healthier System:

Aligning Patient Financial Health With Healthcare Stability

The financial viability of U.S. health systems is under significant strain due to the increasing volume of uncompensated care. In 2023, U.S. hospitals collectively faced billions of dollars in uncollected revenue, severely constraining their ability to invest in critical infrastructure and advancements in patient care.

Additionally, many health systems routinely carry bad debt exceeding $100 million, with industry experts suggesting a target of 3% of net patient revenue, though most systems exceed this benchmark. This financial vulnerability could threaten the sustainability of healthcare organizations and their ability to provide accessible care to all, stemming from factors such as the growing burden of patient debt, avoidance of preventive care due to financial concerns, and high rates of defection from health systems.

For not-for-profit (NFP) health systems, which are committed to serving their communities regardless of a patient's ability to pay, managing this financial strain becomes even more complex. These organizations are compelled to balance their mission with the escalating financial obligations of uncollected payments. They provide charity care as part of their community benefit, but to remain financially viable and able to reinvest in essential areas such as new technologies, drugs, devices, facility expansions, and rising operational costs, they must secure payment for the majority of services.

However, addressing these financial challenges isn't solely about improving internal efficiencies. It requires a deeper understanding of the patient's overall experience, particularly in how they navigate both their clinical journey and the financial responsibilities associated with their care. Engaging patients on both aspects is key to building trust, reducing bad debt, and improving outcomes.

A Holistic Approach to Patient Engagement

In addition to care quality, financial wellbeing plays a crucial role in how patients perceive their care and engage with the healthcare system. This requires a more comprehensive approach to patient engagement – one that balances both clinical and financial aspects of care.

The complete patient experience can be represented by the following equation:

Px = PCx + (Pfx * Pfh)

Where:

- Px = Complete Patient Experience
- PCx = Patient Clinical Experience (focused on "outcomes")
- (Pfx * Pfh) = Overall Patient Financial Experience
- Pfx = Patient Financial Experience (how well they understand their out-of-pocket expenses)
- Pfh = Patient Financial Health (their ability and assistance to pay these expenses)

In this equation, while clinical outcomes (PCx) remain essential, the financial dimension of care – understanding expenses (Pfx) and the ability to cover them (Pfh) – plays an equally significant role in shaping the overall patient experience (Px). Addressing both sides of this equation is vital for optimizing not just financial performance but also patient trust and satisfaction.

Patient financial health is a growing concern for patients and providers. Without the means to pay out-of-pocket medical expenses, a necessary procedure or therapy, or even ongoing testing to monitor a chronic disease, may be a non-starter. Even with employer-sponsored health insurance, a high deductible plan for a family of four could have a deductible over $16,000. And this is after paying monthly premiums of $1,000 or more. The point is that the list of programs available for most patients will still leave a large personal balance to be paid.

Successfully addressing the financial and clinical dimensions of the patient experience lays the groundwork for the patient to continue on their health journey, for a better episode of care with optimal outcomes, and for a stronger healthcare system. Delivering this requires targeted strategies across multiple areas of operation.

The 3-Step Approach to Mitigating Financial Challenges

There are several contributing factors to these financial challenges, and addressing these requires a multifaceted approach that prioritizes patient financial well-being, optimizing internal revenue cycle operations, and strengthening patient engagement with digital solutions. By focusing on these three areas, healthcare providers can not only alleviate financial pressures but also sustain their capacity to deliver high-quality care to all patients.

1. Implementing Patient Financial Access Programs

Implementing, enhancing, and strategically communicating robust patient financial access programs is a critical strategy for reducing bad debt. These programs, which include in-house flexible payment plans, financial counseling, philanthropic and charity care options, drug copay support, access to government programs (Medicaid, ACA plans), and comprehensive patient medical expense financing, play a significant role in mitigating the financial burdens faced by patients. When offered viable, clear financial solutions, patients are less likely to defer care or default on payments. Moreover, financial access initiatives can help improve retention, reducing the likelihood of patients seeking care outside their established health system.

Healthcare financing options can be integrated into these access programs, offering patients another pathway to cover medical expenses. That way, health systems can lower the financial barriers that often lead patients to avoid preventive care. As a result, patients are more likely to attend routine check-ups and follow through on specialist referrals, reducing the long-term cost of care for both patients and the system.

Incorporating digital tools can greatly enhance patient financial access programs. For instance, offering payment plan enrollment or financial counseling through mobile devices may boost patient participation and promote timely payments. At the time of scheduling, providing an estimated out-of-pocket total or co-pay, along with a simple option to apply for financing, allows patients to cover their balance in a quick and efficient process. This approach can help reduce financial risk for health systems while ensuring that patients can access necessary care without undue financial hardship.

2. Optimizing Revenue Cycle Management

Revenue cycle management (RCM) is a key factor in maintaining the financial health of healthcare systems. By optimizing RCM processes, health systems can capture more revenue while minimizing administrative inefficiencies. Advanced technologies are integral to this, particularly in areas such as real-time insurance verification and patient eligibility checks for government programs, including ACA plans and Medicaid. Errors in insurance discovery – such as missed coverage or incorrectly categorizing patients as self-pay – often occur at the time of service, compounding financial losses.

Implementing technology that accurately identifies insurance coverage at the time of service can significantly reduce payment delays and minimize errors that lead to claim denials. Leveraging these technologies to ensure proper patient enrollment in public health programs also helps decrease uncompensated care. Aiming for Six Sigma-level precision, a methodology that seeks to minimize errors to just 3.4 defects per million opportunities, helps ensure accuracy in insurance discovery. By eliminating mistakes such as missed coverage or incorrect self-pay designations, health systems can prevent issues from cascading through the revenue cycle, protecting both financial outcomes and the patient financial experience.

Health systems may also improve cash flow by collecting a portion of the patient's financial responsibility at the time of scheduling, provided that payment plans are affordable and accessible. Offering patient financing as an option at the time of scheduling can further reduce the risk of delayed payments. By providing patients with flexible financing solutions up front, health systems can help ensure they are financially equipped to cover the costs, thereby reducing the likelihood of debt accumulation later.

3. Strengthening Patient Engagement

The evolving expectations of healthcare consumers demand a more patient-centric approach to engagement, with patients increasingly looking for the same digital convenience they experience in other industries. By adopting a consumer-first mindset, health systems can enhance both patient satisfaction and financial performance. Consider how a major online retailer provides reminders of past purchases, suggests related items, and allows customers to complete transactions with just a few clicks – returning items is equally simple and convenient. Health systems can learn from this model by streamlining their processes to offer a similarly seamless, hassle-free experience for patients.

Proactive communication, delivered through digital programs, allows health systems to remind patients of their financial obligations, upcoming appointments, and eligibility for financial assistance. This targeted outreach, coupled with transparent communication about costs, builds trust between patients and providers. Further, when patients understand their financial responsibilities, they may be more likely to adhere to payment plans, improving cash flow and reducing bad debt.

A well-executed patient engagement strategy also enhances a health system's reputation, positioning it as a provider of accessible, patient-centered care. This can differentiate a health system within a competitive marketplace and contribute to long-term patient retention.

Prioritizing Financial Well-Being for a Sustainable Future

To navigate the complex financial landscape, health systems must look beyond traditional methods, embrace emerging technologies, and adopt patient-centered financial strategies that align patient financial wellbeing with operational goals. As highlighted by the patient experience equation proposed above, both clinical outcomes and financial health are critical components of the overall patient experience. By integrating forward-thinking strategies that address these dual aspects, health systems can create a more sustainable financial model while simultaneously improving patient satisfaction and trust, leading to a stronger and more comprehensive care experience.

In addition, investing in innovative solutions to improve insurance discovery processes, offering 0% interest financing to patients, and addressing other critical challenges can provide financial relief while also fostering long-term resilience across the healthcare system. Solutions, such as patient financing, have evolved quickly from other consumer verticals. These solutions are already available and being rapidly deployed by leading organizations, allowing patients to manage their financial responsibilities while reducing the need for heavy collection tactics, which can damage trust and cause patient defection.

Ultimately, the key to sustained financial health is the willingness to evolve. Health systems that embrace new technologies and refine their RCM processes will be better positioned to overcome or proactively avoid financial challenges and ensure that they continue to effectively serve their communities. By making patient financial health a central part of their strategy, health systems can secure their own financial stability while maintaining a high level of patient care.

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You focus on you; Curae focuses on financing
Curae believe everyone should have options when it comes to achieving optimal health. That's why Curae is using modern technology to empower people to say yes to the best healthcare for their best selves. Curae works with both providers and their patients to find the best solution.

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