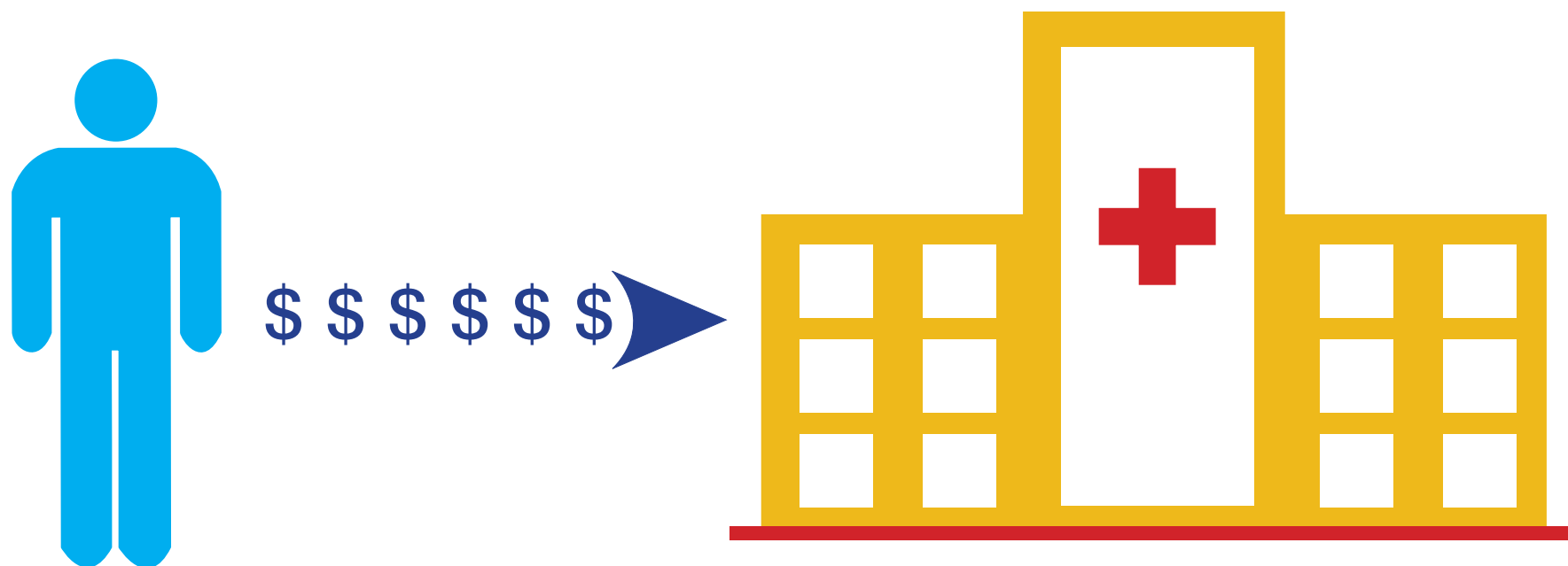


An 8-Step Checklist for Choosing a **PATIENT PAYMENT PLAN**



Another engaging Ebook from

 **The Midland Group**
www.midlandgroup.com

INTRODUCTION



While the Patient Protection and Affordable Care Act (ACA) will have the most profound impact on people who are currently uninsured or underinsured, the individual mandate of the Act will spawn market reactions that will affect all insured. The ACA requires that participating health plans cap the maximum out-of-pocket costs for enrollees, based on the out-of-pocket limits in high-deductible plans that are eligible to be paired with a Health Savings Account. The limits for 2014 are \$6,350 for an individual and \$12,700 for a family, and will be adjusted over time after 2014 based on increases in premiums. People who have family income up to four times the FPL and buy coverage through an Exchange may be eligible for premium and cost-sharing subsidies.

Premiums, balance-billing amounts for non-network providers and spending for non-covered services would be excluded. It also appears that the out-of-pocket maximum may apply only to in-network coverage. Consequently, while this hasn't been clearly stated by federal agencies, plans could have an unlimited out-of-pocket maximum for out-of-network coverage. It is also unclear whether the cost-sharing limits will apply only to benefits that qualify as essential health benefits under the Affordable Care Act or will apply more broadly.

The reality is that a large percentage of people affected by the Act will not qualify for cost-sharing subsidies and high deductibles and exclusions to out-of-pocket limits will catch many patients by surprise. The opportunities to assist people in meeting their financial obligations have come into focus as financial leaders realize that if they do not provide truly patient-friendly and convenient payment options, bad debt will rise quickly and reach an intolerable level.

What should a patient-friendly, convenient payment plan look like? If you were standing in the shoes of a healthcare financial professional, how would you organize payment options that motivate patients to pay their bill as quickly as possible without undue hardship—but make acceptable progress toward payment in full? The Midland Group, with nearly 15 years of administering patient payment plans for hospitals, has created this Ebook with suggestions and tips as a guide for hospitals and other healthcare entities as they look to outsource their patient payment function or as they design internally operated payment plans. Enjoy!





1. OFFER PAYMENT OPTIONS TO EVERYONE

- 1 Offer to everyone
- 2 Vary the interest
- 3 Add new charges
- 4 Ways to pay
- 5 Customer service
- 6 Incentives
- 7 Be kind
- 8 Old accounts

Sure, it is tempting to set a minimum balance threshold for payment plans but what is considered a low balance by the hospital may seem enormous to a patient. The hospital bill is likely not the only medical bill the patient has incurred. And, you can design your payment plan to segment terms by ranges of balance.

As an example:

- Balances up to \$300 ■ ■ ■ ■ ■ Allow 3 months to pay
- Balances from \$301 to \$999 ■ ■ ■ ■ ■ Allow 6 months to pay
- Balances from \$1,000 to \$2,999 ■ ■ ■ ■ ■ Allow 12 months to pay
- Balances from \$3,000 to \$4,999 ■ ■ ■ ■ ■ Allow 24 months to pay
- Balances from \$5,000 to \$9,999 ■ ■ ■ ■ ■ Allow 36 months to pay
- Balances over \$10,000 ■ ■ ■ ■ ■ Allow 48 months to pay

Of course, this is just an example of how you can configure payment terms. The point is to configure a plan that gives patients a monthly payment that they can manage *and* makes acceptable progress toward payment in full.

About Credit Scoring

Avoid credit scoring patients unless you're entering into a loan program with a bank. Credit scoring creates a negative image of hospital business practices and discourages patients from participating in extended payment plans.



- 1 Offer to everyone
- 2 Vary the interest
- 3 Add new charges
- 4 Ways to pay
- 5 Customer service
- 6 Incentives
- 7 Be kind
- 8 Old accounts



2. VARY THE INTEREST BASED ON BEGINNING BALANCE

We've all seen those notices on credit card statements. You know, the notice where they tell you how long it will take to pay the balance on the account if you only pay the minimum amount every month. An eternity, or so it seems. If you require people with extremely high balances to pay their debt at the same interest rate as people with smaller balances, the monthly payment they can comfortably manage may not be enough to cover the interest applied to the payment. As an example:

Balances up to \$9,999 ■■■■■ 12% APR*
 \$10,000 to \$14,999 ■■■■■ 10% APR
 \$15,000 to \$19,999 ■■■■■ 6% APR

\$20,000 to \$24,999 ■■■■■ 5% APR
 \$25,000 to \$29,999 ■■■■■ 3% APR
 Balances over \$30,000 ■■■■■ 1.5% APR

Again, this is just an example of how you can configure payment terms. The point is to configure a plan that gives patients a monthly payment that they can manage *and* makes acceptable progress toward payment in full.

* While some state laws require the interest rate on medical debt be tied to the prime rate, avoid adjusting interest rates any more often than annually. Fixed rate debt is the easiest for consumers to understand, making it more likely the debt will be paid.

Why charge interest at all?

Many hospitals feel that their compassionate mission precludes them from charging interest on an extended payment plan. However, they are more than willing to accept credit card payments with interest rates on those cards as high as 27%. Plus, when there is interest applied to a term-limited payment plan, the bill rises higher on the priority list of payments and is often paid in full before the end of the term.





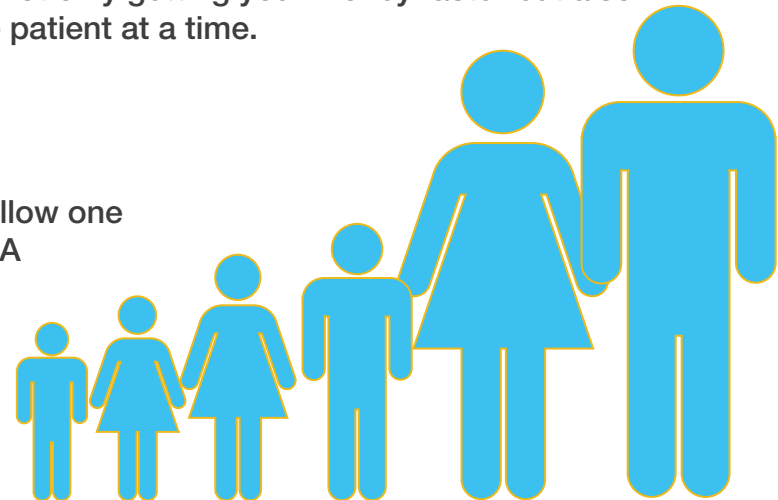
3. LET PATIENTS ADD FUTURE BALANCES TO AN EXISTING ACCOUNT

- 1 Offer to everyone
- 2 Vary the interest
- 3 Add new charges
- 4 Ways to pay
- 5 Customer service
- 6 Incentives
- 7 Be kind
- 8 Old accounts

Let's face it, everyone is looking for ways to simplify and save time. If patients have one less check to write, that can go a long way toward easing the burden of paying their medical bills. So why not allow patients the opportunity to add future expenses on to an existing payment plan account? And take it a step further by not making them go through the hassle of completing additional forms or paperwork because everyone hates paperwork. The benefits of allowing patients to do this include not only getting your money faster but also promoting patient loyalty and building community goodwill one patient at a time.

What about dependent accounts?

If you want to go even further to build patient loyalty, why not allow one guarantor to make one payment on multiple patient accounts? A family can have multiple interactions with a hospital in a year's time—especially if there are a lot of children in the family!





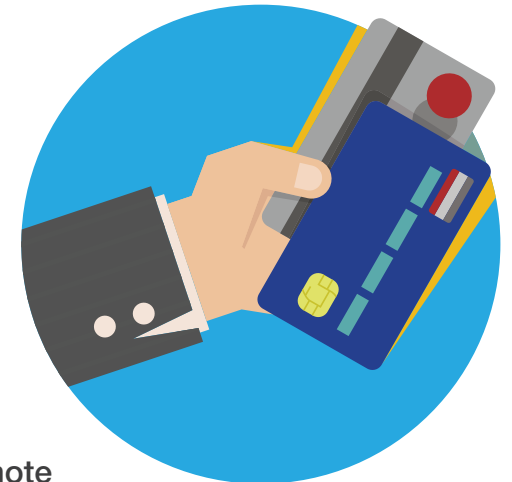
4. GIVE PATIENTS MULTIPLE PAYMENT OPTIONS

- 1 Offer to everyone
- 2 Vary the interest
- 3 Add new charges
- 4 Ways to pay
- 5 Customer service
- 6 Incentives
- 7 Be kind
- 8 Old accounts

With patients as with people in general, some like chocolate and some like vanilla. And whatever our flavor, we expect to have it! To encourage payment on a term-limited payment plan, give patients a variety of options to make their monthly payments.

For example:

- ■ ■ ■ ■ Good old basic check mailed to a secure lock box
- ■ ■ ■ ■ Electronic Funds Transfer from a checking account
- ■ ■ ■ ■ Payment by e-check, credit, or debit card through an on-line payment portal
- ■ ■ ■ ■ Payment by credit or debit card by mail—to a secure lock box, of course
- ■ ■ ■ ■ Payment by e-check, or credit or debit card by speaking with a *real* person on the telephone



People want choices!

Give patients the opportunity to receive their statements by snail mail or by email. Promote emailed statements as a way to “go green” and save a tree. You may consider giving patients a half-percent interest discount if they receive email statements *and* set up EFT payments! And while we’re at it, give patients at least three choices of payment due dates, i.e. the 1st, 10th, or 20th of each month.





5. BUILD CUSTOMER SERVICE AROUND PATIENT NEEDS

- 1 Offer to everyone
- 2 Vary the interest
- 3 Add new charges
- 4 Ways to pay
- 5 Customer service
- 6 Incentives
- 7 Be kind
- 8 Old accounts

Providing a 5-star customer service experience should be at the top of every must-have list when selecting a managed payment plan vendor or building the program internally. As technology improves, our expectations for customer service excellence become more focused and a bad customer service experience can go viral in seconds thanks to Twitter, Facebook, LinkedIn and all the other social media platforms--something every hospital professional dreads.

So what contributes to customer service excellence when administering patient payment plans?

- High-quality, professional staff who receive incentives for good performance;
- ■ Keep wait times to a minimum and if callers must wait for the next available operator, announce to them their place in the hold queue;
- ■ ■ Set customer service staff hours for real, working people. 8 to 5 does **not** cut it anymore. Weekend hours are expected, as well;
- ■ ■ ■ Communicate with customers using their preferred technology: phone, chat screen, email, text, etc.;
- ■ ■ ■ ■ Give patients the option of receiving their statements by email or snail mail and if they must sign paperwork to initiate a payment plan, give them the option to receive that information by email or snail mail;
- ■ ■ ■ ■ Give patients multiple options to pay their bill (see page 5 for a full discussion) and give them the opportunity to view their account history on-line.



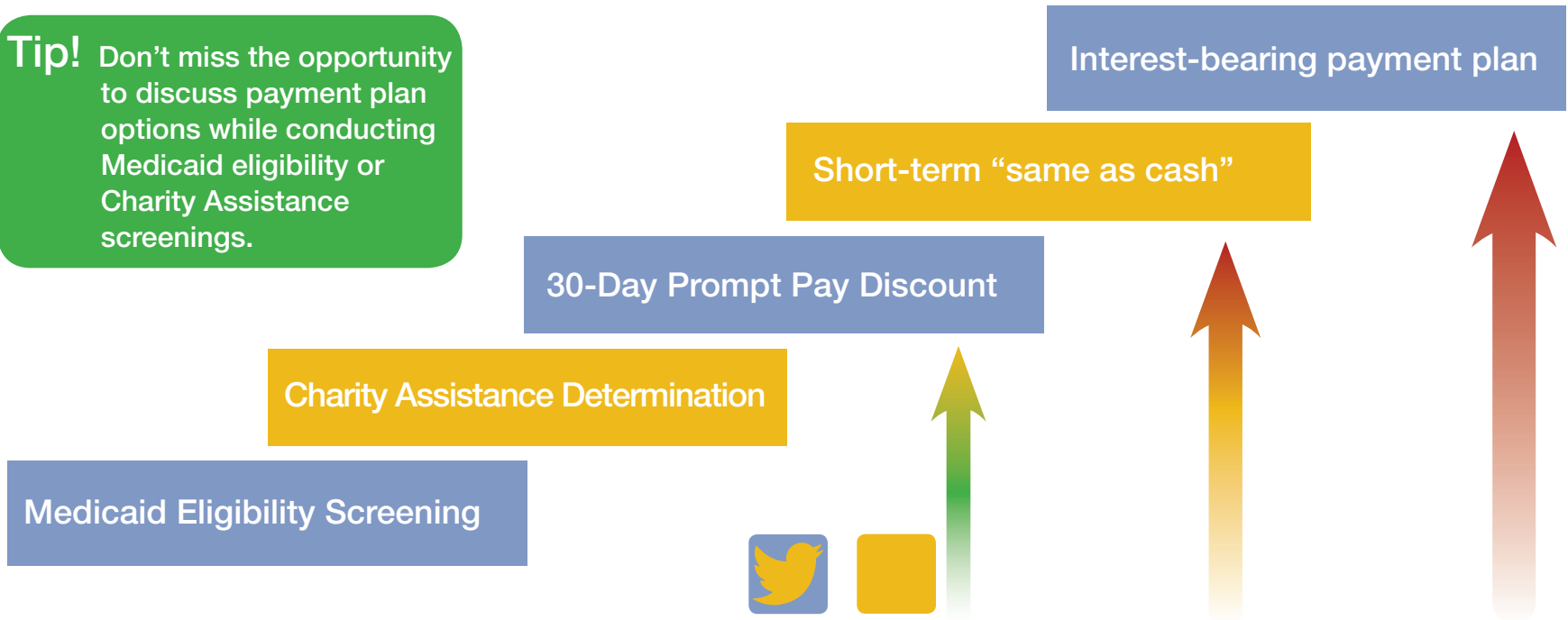


6. BUILD PAYMENT PLANS AROUND INCENTIVES

- 1 Offer to everyone
- 2 Vary the interest
- 3 Add new charges
- 4 Ways to pay
- 5 Customer service
- 6 Incentives
- 7 Be kind
- 8 Old accounts

Extended payment options should always be an integral part of a larger plan to manage patient out-of-pocket expenses—not the only plan. Think about patient payment responsibility as building block on top of building block, with each block representing an increased incentive to pay as soon as possible. This goes back to the concept of good customer service, giving people choices and acknowledging the fact that “one size never fits all.”

Tip! Don't miss the opportunity to discuss payment plan options while conducting Medicaid eligibility or Charity Assistance screenings.



- 1 Offer to everyone
- 2 Vary the interest
- 3 Add new charges
- 4 Ways to pay
- 5 Customer service
- 6 Incentives
- 7 Be kind
- 8 Old accounts



7. DON'T BE A GRINCH

Let's face it, if you or a dependent has been hospitalized, life can't be going all that well. The last thing a patient needs is to participate in an extended payment program that is loaded with fees, fines, penalties, assessments and other forms of retribution.

What kind of fees, fines, penalties, assessments and other forms of retribution?

Fines for late payments. This may take the form of daily fixed fines or a percent of the outstanding balance. Many times patient's don't pay on their due date because of cash-flow "hiccups." Wouldn't it be better to forget the fine and let the patient use that money to pay their debt?

Partial payment penalties. Assessing a penalty for partial payment is double-dipping on the patient's pain. The patient is already paying interest on the outstanding balance. A penalty on top of interest is like rubbing salt in a wound.

Fees for bounced checks. Banks will assess a penalty for a check deposit that bounces and the payment plan administrator must (rightly) pass that fee back to the patient. However, adding an additional fee on top of the bank fee is just, well, mean. It is likely that patient is juggling multiple outstanding bills.

Fees for adding new debt to an existing account. This is counterintuitive because it is more convenient for the payment plan administrator to manage one account, not two.

Penalty for paying the debt in full before the term ends. This also doesn't make sense for two reasons:

- Most of the interest paid on extended payment plans is paid in the first half of the term of the plan.
- It isn't good for public relations. There is very little to be gained by penalizing a patient for paying their debt early.





8. CONSIDER AN “AMNESTY” PROGRAM FOR QUICK CASH

- 1 Offer to everyone
- 2 Vary the interest
- 3 Add new charges
- 4 Ways to pay
- 5 Customer service
- 6 Incentives
- 7 Be kind
- 8 Old accounts

Oftentimes hospitals have accounts on the books from patients who have been making payments for a long time—sometimes for years. Those patients may have been making payments under structured payment plan agreements or perhaps the arrangements were informal—patients sending in a payment here and there with no predictable regularity. While they’re not technically in default, wouldn’t it be nice to get those old accounts off the books?

If a hospital is considering outsourcing their payment plan arrangements to a patient financial services partner, the transition can include an “amnesty” program to get the old accounts off the books for good. The goal behind this program is to zero-out as many existing payment plan accounts as possible by offering patients a 20 percent (as an example) discount on their remaining balance if they paid the balance in full in 30 (as an example) days. Here’s how it works:

- ■ Each patient with an account balance receives a letter on hospital letterhead containing the discount offer, explaining the transition of payment plan management to the partner.
- ■ As is often the case, not all patients respond to a letter. The partner should make outbound phone calls to patients who do not initially respond to remind them of the discount expiration date. If patients cannot take advantage of the discount, the partner should use that opportunity to convert them to new payment arrangements under partner management with no changes to the terms or payments.
- ■ If a response to the amnesty officer is not received and the partner is unable to make contact, the account is automatically moved to a partner-managed monthly payment plan, as explained in the original letter.
- ■ Another letter to the account holder should be sent once the initial amnesty deadline passed, explaining that management of their account has been assumed by the partner. From that point forward, the partner is responsible for management of the accounts.



Midland's Motive is "Trust" not "Profit"

Our Beginnings

The story of our founding is different than most others, and it has shaped our culture and philosophy profoundly. The Midland Group began almost by accident. We were created in the law office of Kansas Legal Services, a non-profit law firm serving people living with difficult circumstances. The caseload was fairly typical – bankruptcies, divorces, issues with landlords – difficulties of life that afflict many, but for the clients of KLS these events could often mean the difference between survival and destitution.

One day, a KLS lawyer was counseling a young woman on her impending bankruptcy as a result of medical bills. The client, with some help completing the overwhelming application, was able to avert bankruptcy and gain Medicaid coverage for her hospital bill. The hospital was paid for services that certainly would have been a total loss, and a young woman averted an economic catastrophe.

We started with one hospital. Today we work with hundreds of hospitals across the country. But all that we do goes back to that very first client, a sick and scared patient looking for help. You won't find a company with more dedication to helping patients access the care they need, whether it's driving them from their home to an appointment at the hospital, or covering the cost of appealing a denial. Uninsured patients represent a business problem, yes, but they also represent the very reason why people dedicate their life to health and healing – the idea that life can get better. And then again...that is just our beginning.

The Midland Group can be trusted. We are unique. We are owned and controlled by a 501(c)(3) charitable trust. Our mission has always been twofold – protect hospitals' financial health, and increase access to healthcare for all patients regardless of their financial circumstances. The Midland Group has been providing public benefits eligibility services since 1989, obtaining access to Medicaid or other public benefits for millions while also ensuring our clients get promptly paid.



The Midland Group

National Headquarters:

5020 Bob Billings Parkway, Ste. C
Lawrence, Kansas 66049
Phone: (785) 330-7283
Toll Free: (855) 890-9586

Regional Divisions:

Wichita, KS
Tulsa, OK
Denver, CO
Sioux Falls, SD
Rapid City, SD
Bettendorf, IA
Flowood, MS

Self Pay Solutions®

Our Suite of Services

Public Benefits Eligibility
Managed Payment Plans
Front-End Financial Services
Pre-Admission Financial Counseling
Financial Assistance Plans 501(r) Compliance
Charity Care Administration
Accident/Liability Lien Services
Third-Party Billing: Maintenance and Clean Up
Specifically Tailored Services

