

Trends in Healthcare Payments: Focus on Consumer Experience as the New Normal

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Since the Trends in Healthcare Payments Annual Report was first published by InstaMed in 2011, the trends have overwhelmingly demonstrated that patients owe more for medical services in the healthcare industry. The evidence in this year's report is no different.

A major contributor to this trend is the increasing number of patients enrolled in plans with deductibles. In 2017, 81% of covered workers had a deductible that had to be met before most services were paid by their health plan.¹ Among all patients younger than 65 years with private health insurance, nearly 43% had a plan with a deductible in the first 3 months of 2017, up from 39% in 2016.²

Although deductibles have fueled much of the payment responsibility increases for patients in the industry, they are but a single piece of the entire puzzle. Overall, patient out-of-pocket spending on healthcare is growing rapidly; it was \$416 billion in 2014 and is expected to reach \$608 billion by 2019.³

However, education and outreach to patients regarding healthcare payments have not kept pace with the increases in payment responsibility. Common terms in healthcare payments remain a mystery for patients, as only 9% could successfully define a plan premium, deductible, coinsurance, and out-of-pocket maximum.⁴

Confusion results in a widening divide between healthcare organizations and the patients they serve. Although the United States spends twice as much per person on average for healthcare compared with other industrialized countries,¹ 75% of Americans say the country does not get good value for what is spent.⁵

For provider organizations, there is a direct connection between patient collections and their bottom line as payers cover less of the amount due for services rendered. As responsibility and frustrations increase, that connection and its impact on providers becomes more prevalent. A prime example of this is the \$38.3 billion in uncompensated care delivered by hospitals in 2016.⁶ This could be why 58% of providers report that their top revenue cycle concern is related to patient collections.⁷

Concurrently, the phenomenon of the digital world has emerged to make the customer experience king in most other industries. Technology giants like Apple, Amazon, and Uber are changing the world we live in by placing access to more and more at our fingertips. Companies that have done well in the digital world are the ones that place a high priority on delivering convenience to their customers. Amazon is the perfect example of a company leveraging convenience for profit, specifically with its Amazon Prime subscription.

This digital always-connected world has molded expectations so much that patients refuse to accept anything less than a convenient and seamless process. As more companies deliver convenience as a standard, patients have come to expect this streamlined experience with their healthcare payments as well. This trend is best demonstrated by the 71% of patients who want to pay all of their healthcare bills in 1 place.⁷

However, antiquated processes dependent on paper remain prevalent in almost every corner of the healthcare industry.

Paper's stronghold in the industry is often and anecdotally attributed to privacy and security concerns related to Health Insurance Portability and Accountability Act regulations. However, this misconception can be quickly dismissed, because paper cannot be encrypted and can easily be lost, stolen, or copied.

Nowhere is the pain of paper felt more than in statements to patients. Fifty-eight percent of providers surveyed reported that paper statements were the primary method of collecting from patients, yet 41% of providers have not changed the format of their patient statement in more than 5 years. The reliance on an outdated way of billing may be a major contributor to why 73% of providers report that it takes longer than 30 days to collect from patients.⁷

Patient surveys reveal similar findings about providers' reliance on paper statements. Four of 5 patients surveyed reported that they receive their provider bills via mail and 70% of consumers reported being confused by their provider bills.⁸ While there may be many factors that contribute to patient confusion in the provider billing process, the possible connection between paper and confusion is hard to ignore.

Patients are ready for healthcare to embrace the digital world, as 79% still receive a paper medical bill but only 21% actually use checks to make healthcare payments.⁸ The digital world not only allows providers to deliver the payment experience that their patients want but would also reduce the considerable paper burden. Paper takes up twice the amount of time as clinical work, as every 1 hour spent with patients equates to 2 hours spent on documentation tasks, paperwork, and electronic health records.⁹

It should be acknowledged that healthcare is fundamentally different from most other industries. A person buys something from Amazon or hails a ride from Uber primarily because they want to, not because they have to. In healthcare, patients are not typically getting medical services by choice. Instead, they visit a provider when they are sick or in need of medical help. The healthcare industry was built to treat and heal in someone's time of need.

So while it is true that healthcare is not the same as other industries, most patients are not making that differentiation, especially when it comes to their payment experience. The data are clear: Patient loyalty is increasingly tied to the healthcare payment experience, as 65% of patients would consider switching providers for a better experience in this area.⁸

For more on these trends impacting the industry, the Trends in Healthcare Payments Eighth Annual Report: 2017 is now available to download. For the last 8 years, InstaMed has released this report to objectively educate the market and promote awareness, change, and greater efficiency through quantitative data from the InstaMed Network and qualitative data from healthcare providers, payers, and consumers surveyed nationwide.

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