



## 10 Facts You Need to Know About **Self-Pay Patient Accounts**

Self-pay is defined as the portion of the medical bill for which the patient is responsible. This includes co-pays and deductibles for insured patients, and the full medical bill for uninsured patients. With more and more patients entering healthcare facilities and emergency rooms as self-pay patients, healthcare service providers are facing the increasing challenge of collecting payments directly from individual patients.

As we address this changing landscape, following are some facts to consider. To quickly sum them up at the start, **self-pay accounts will only continue to rise, and healthcare providers must have systems in place to deal with them in order to remain financially viable.**

- 1. The uninsured and underinsured populations are continuing to grow.**  
The federal government estimates that 47 million individuals lacked health insurance coverage of any kind during 2006. Other research shows that tens of millions more Americans go without health coverage for shorter periods of time. In addition, 25 million U.S. adults, about one in every five younger than 65 years old, were underinsured in 2007, compared with 16 million in 2003 -- a 60% increase in just four years.
- 2. Over the past several years, federal and state lawmakers and consumer advocates have taken action to ensure that low-income uninsured and underinsured Americans are charged fair (e.g., discounted) prices for their care and are protected from aggressive debt collection practices.**  
Many healthcare providers are struggling to determine and implement proper, consistent processes for applying these discounts and sharing these prices at point of service.
- 3. Aged trial balance analyses run by nTelagent in the last 12 months reveal that approximately 65% of all bad debt is the result of insured patients, not uninsured patients. The outstanding insured patient portion ranges from \$700-\$1,100 depending on geography.** In 2006, registered community hospitals provided \$31.2 billion of uncompensated care (including charity care and bad debt), or 5.7% of their total expenses. This is up from \$28.8 billion in 2005. Bad debt is often cited as a top culprit of the healthcare industry's financial woes.

- 4. The growth of consumer-driven healthcare, with its increase in payments from patients and high-deductible insurance plans, threatens to make the bad debt problem much worse.** In 2005, consumers spent about \$250 billion out of pocket on healthcare, a sum that could grow to \$420 billion of 2015.
- 5. The average employee contribution to company-provided health insurance has increased more than 143% since 2000.** Average out-of-pocket costs for deductibles, co-payments for medications, and co-insurance for physician and hospital visits rose 115% during the same period.
- 6. The percentage of Americans under age 65 whose family-level, out-of-pocket spending for healthcare, including health insurance, that exceeds \$2,000 a year, rose from 37.3% in 1996 to 43.1% in 2003 -- a 16% increase.**
- 7. In today's environment, regardless of insured or uninsured status, healthcare service providers must collect payment from individual patients, instead of relying solely on private or government insurance organizations for reimbursement.** This is often an unsuccessful endeavor, due to inadequate systems in place to determine patient financial responsibility at the outset.
- 8. Collecting payments during registration as opposed to post-service leads to recovery percentages between 80% and 100%.** After discharge, the likelihood of collecting outstanding debts drops to less than 40%.
- 9. Without an effective system in place to manage self-pay accounts, healthcare service providers miss out a large number of collections opportunities.** After reviewing ATB reports from 40 healthcare service providers across the country, nTelagent found that of the accounts written off as bad debt, approximately 50% showed a capacity to pay -- 16% were classified as having a high household income and/or high net worth, and 33% were classified as having a moderate household income and/or moderate net worth. Instead of being written off as bad debt, these accounts with a high or moderate ability to pay could have been re-billed or outsourced for collections. Of the other accounts written off as bad debt, 17% were classified as having low household income and/or low net worth, indicating that they could have been evaluated for government assistance programs (e.g., Medicaid or local or state programs) or charity care processing.
- 10. In the case of self-paying patients, the best practice is to determine financial responsibility from the outset.** Screen for government program eligibility and charity care processing, as well as predict capacity to pay. Determine discounting and payment plan options. All these efforts will result in an improved patient experience as well as an improved revenue cycle process for the provider. Organizations that are unwilling or ill-equipped to take these steps will pay dearly; those that implement a system to manage self-pay accounts will quickly see impressive results.

Released August 2008 by nTelagent, Inc.

**Sources:**

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