Using Analytics to Improve Patient Revenue

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Patients are now responsible for hundreds of billions of dollars formerly paid to healthcare providers by institutional payers. Struggling to collect, many providers are applying analytical tools to improve the average yield from each patient statement while maintaining positive patient relationships.

In this article, we'll discuss six foundational metrics to track. By carefully monitoring these variables, healthcare providers can conduct controlled experiments to optimize results. But first, what are the pre-conditions for making this type of patient revenue cycle analytics successful?

To the extent possible, integrating systems and processes is an important preliminary step toward streamlining access to the financial performance data you need to measure results. In our experience, providers will not only experience significant initial improvements in financial results by integrating their patient revenue cycle tools, they will also establish the data framework they need for a clear view of which strategies are having the most positive impact on revenue and cost performance.

These preliminary steps often involve the electronic health records (EHR) system, patient billing platforms, online payment systems, patient portals, and financial communication tools used by patient-access personnel and call center staff. These early results can serve – in an encouraging way – to bring further institutional focus on meeting patient revenue challenges by analyzing revenue cycle data as a means to improve results.

For example, one large Southeastern health system experienced a $77 million reduction in cash collected from patients from one year to the next, together with an increase in bad debt and charity care from 29 percent of net patient revenues to 38 percent. These figures represented a severe decline in the health system's ability to collect cash from patients. The provider's revenue cycle team worked to streamline systems while adding flexibility. By integrating the way their billing and payment tools worked together, they were able to increase collection yield and lower billing-related costs.

Specifically, in the first six months after implementation, this Southeastern health system experienced a 10 percent improvement in collection yield, due to both e-payment increases and improved statement performance, which equated to an annualized increase of $1.3 million. They also saw a 10 percent decrease in statement costs, due to an overall decrease in the number of paper statements sent and the average number of cycles in which collection is required.

Once this kind of foundation is in place to provide visibility into the impact billing communications has on payment results, patient revenue cycle analytics becomes most useful. A flexible communication platform is also key, allowing a provider to use the messages within the various billing channels to get the right message to the right patients at the right time. Providers can apply “flexible logic” in the production of statements, eStatements, payment portals, etc., so that patient-relevant messages about payment plans, other payment options, and online payment portals are most likely to have an impact. In addition to taking into account the age of the patient's balance, the healthcare provider can optimize statements based on factors such as: balance due amount, payment plan status, prompt pay offerings, ZIP code, and other demographic information.

As a specific example, the statement message area could be dedicated to alerting the recipient to the availability of payment plans on statements with relatively high balances due. For lower balances, that message area could instead emphasize the availability of an online payment portal.

Analytics reveals the results of this type of fine-tuning. The revenue cycle team can review dashboard reports, identify challenges and opportunities, and continually optimize messaging, segmentation, channel communication strategies, and process changes based on results.

When implementing segmented messages and other patient-specific approaches, it's essential to measure the "before" and the "after." The key to continued progress is to analyze key variables that drive success, which brings us to the six recommended foundational metrics:

1. Cash collected

What's pivotal to patient cash success is measuring cash collections from different angles. Patient cash aging buckets and collection aging buckets will highlight trends and successes in patient billing practices, and patterns in overall cash collected. This provides insight into areas of challenge and opportunity in patient billing and collections versus normal business cycles.

Establishing overall patient financial success in terms of the dollars collected, and dollars collected as a percentage of total dollars billed, is integral. The former may be impacted based on changes in patient volumes, payer mix, and the average value of services provided, and should be benchmarked as such.

2. Statement billing costs

Perhaps the most clear and simple indicator of payment performance is volume-based reduction in your statement print costs. Lackluster eStatement adoption and ePayment performance falls short in offsetting more costly printed communications. And slow payment performance among any or all patient segments drives added print costs incurred through multiple print cycles.

It's important to understand the number of statements sent and the average number of billing cycles required to collect at both a macro level and by patient segment. Improvement tactics include patient segmentation, targeted messaging to drive patients to pay earlier, and use of alternative financial communication methods (i.e., patient access staff and text notifications) as part of the billing cycle.

3. eStatement performance

eStatements are important to billing and payment performance for two reasons:

- Adoption of eStatements reduces your billing costs and overall cost to collect.
- Patients who opt in for eStatements tend to pay faster through integrated ePayment portals because of the convenience.

Therefore, key metrics to track include total enrollments, total electronic statements sent, and electronic statements sent as a percentage of total statements. Despite the convenience, adoption won't happen by chance. A multi-touch effort to drive eStatement adoption through one-to-one interactions and messaging on bills and portals is required.

4. Payment performance by channel

Research shows that patients tend to pay faster when they have access to payment options that are appropriate and convenient for them. Yet, not any one channel is right for all patients, so segmentation is a clear factor in this analysis. Patient access staff, printed bills, eServices, mobile devices, and telecommunication channels, such as call center agents and IVR technologies, are all tools in the tool belt that provide different value at different times for different segments.

So what to use and when? By understanding which channels are performing for which patient segments, you can better tailor messaging and present preferred options more appropriately to increase yield and drive down costs. Factors include speed to payment by channel, the percentage of overall payments by channel, and the amount collected as a percentage of total dollars billed by channel.

5. Revenue Performance
As you balance the use of paper versus electronic services appropriately, and target your financial messaging and channels of communication to the right patient segments, you'll begin to see costs go down and the speed to collect increase. The financial rewards are significant! Yet, the greater opportunity comes when you begin to move beyond cost-cutting measures and collection speed, and into overall revenue improvements.

Metrics to track include collection yield, percentage write-offs to bad debt, and percentage write-offs to charity care. Although these are likely metrics you track today, the goal is to watch them with a keen understanding of what strategies you are applying to drive improvements so you can see what's working and further refine your patient financial engagement tactics.

6. Other Billing-Related Costs
As your integrated patient billing and payment strategy pays off in increased revenue, the benefit will be a reduction in the fees paid for in some of the less cost-efficient back-end tactics used for collections, such as collection agency fees and customer service calls. Collection agency fees can be analyzed by patient segment. Customer service calls should be measured on the average fee per billed statement.

In conclusion, healthcare providers can achieve relatively fast improvements in meeting patient revenue cycle challenges by implementing a modern, integrated approach. From there, a combination of organizational focus and careful measurement of key variables brings further progress. The familiar adage, “You can't manage what you can't measure” applies well in the context of the patient revenue cycle. By focusing on key metrics, providers can achieve sustained progress in improving financial outcomes while also connecting with patients in ways that strengthen the patient-provider relationship and improve patient satisfaction.

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