

PATIENT
 **PAY** | **2025**

CLEARBalance[®]
 HealthCare

Helping People When It Matters Most

In 2010 President Obama signed the Affordable Care Act into law, with lofty goals of healthcare insurance for all Americans and operational sustainability and cost management for the healthcare system. During the last decade, more than 20 million Americans have gained health insurance¹ due to policy changes for private and government insurance, along with the availability of insurance on the healthcare exchanges. Most – newly insured for the first time – opted for insurance with the lowest premium. What they didn't realize was that the cheap insurance came at a price – in the form of a high deductible.



A Ten-Year Toll: The Impact of HDHPs

Between the exchanges and employers that jumped on the high deductible health plan (HDHP) bandwagon, out-of-pocket medical costs have been mounting at an alarming rate. A KFF Employer Health Benefits Survey shows that today, more than 80 percent of covered workers have a deductible in their insurance plan, up from 63 percent in 2009.² The average individual deductible is \$1,655, an increase of more than 50 percent since 2009. KFF says that these two trends result

in a 162 percent total increase in the burden of deductibles across all covered workers during the past decade.

The burden has also been felt by healthcare providers. Within five years of the ACA's introduction, healthcare revenue cycle departments found themselves under pressure on several fronts:



Educating the newly insured – many consumers didn't realize they would have an out-of-pocket cost for medical services, forcing revenue cycle counselors into the additional role of insurance benefits educator



Helping all patients navigate their insurance coverage – even people with insurance don't always understand what services are eligible for coverage, the amount of their deductible, the difference between in- and out-of-network, etc.



Managing continued margin decline – due to lower reimbursements from government and private insurers



Shifting focus to treat patients as a critical payer – healthcare organizations could no longer afford to write off patient receivables to bad debt

Healthcare revenue cycle leaders took a renewed interest in patient financing services, many relying on ClearBalance® HealthCare to help them take control of patient pay. It was critical that they get the receivables off their books and get

reimbursed for services quickly, while helping patients manage their rising out-of-pocket costs due to the increased prevalence of HDHPs.

“I want a pleasant experience where you know me, you can anticipate my needs, you make my interactions with your facility — from check-in to check-out convenient and quick, you provide excellent customer service and care — all at the best possible price”

Jockeying for Patient Loyalty

From 2015-2020, the patient's role evolved from passive participant to active decision-maker. In today's on-demand, self-service world, retail experiences and expectations have inevitably spilled over to healthcare. The traditional care referral model – through the family doctor or surgeon who generated service for the hospital – was flipped by disruptors delivering convenience and appealing to a new generation of decision makers who relied on Yelp reviews and price discounts when deciding about their care provider. Once again healthcare organizations found themselves reacting to trends to find advantages that would ensure patient loyalty.

Unfortunately for healthcare providers, the idea of patient loyalty and competing for consumer mindshare isn't a level playing field. A trip to the hospital isn't always planned, nor is it typically a happy event. Yet, the reality today is that consumers still expect an experience that combines the best of Disney, Nordstrom, Priceline, Apple and Amazon.

The good news is that healthcare organizations have made strides over the past several years. In fact, five years' worth

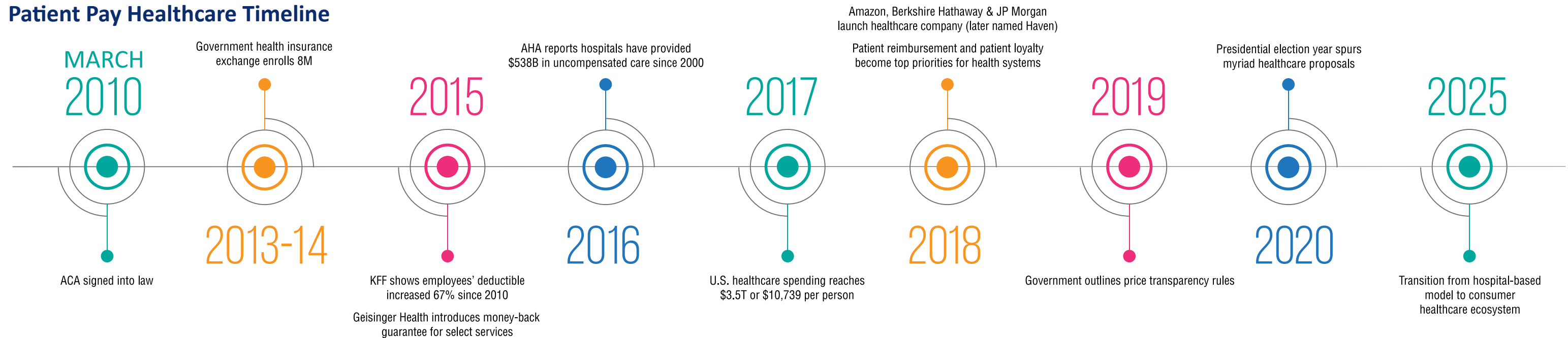
of survey data from the ClearBalance/Porter Research Healthcare Consumerism study reveals that patients are loyal to healthcare organizations that offer affordable payment options.³ In our research, we've seen definite shifts in consumer perceptions related to healthcare costs. There is greater awareness that patients likely will have out-of-pocket costs. What they expect, though, is that you'll act in a retail manner to provide financing options.

On another positive note, patient financing has proven to be very effective in increasing consumer loyalty and even locking them in for future services by eliminating the cost barrier to care. ClearBalance research and other studies shows more than one-third of consumers delay or don't seek care because they think they can't afford it. By offering payment options such as long-term, zero-interest financing where they can easily add on balances, you've made it more convenient for consumers to return to your facility the next time they need care.

CATEGORY	2015	2016	2017	2018	2019
Importance of the ClearBalance program	97%	95%	95%	96%	95%
Very likely to return	94%	90%	90%	92%	90%
Very likely to refer	91%	88%	88%	89%	88%
12+ months financing	Not asked	91%	92%	89%	89%
Defer care without financing	26%	34%	32%	36%	37%

Source: Healthcare Consumerism study, 2015-2019

Patient Pay Healthcare Timeline



Source: American Hospital Association, ClearBalance Patient Pay Report, Dept. of Health & Human Services/CMS, Harvard Business Review, Kaiser Family Foundation, The New York Times, US News & World Report

Patient Pay 2025 and the Consumer-Based Healthcare Ecosystem

Clearly, winning the hearts and minds of consumers is a priority. During the next five years, other healthcare constituents will make meaningful inroads to own the consumer – further leveraging retail expertise for convenience, self-service and affordability. According to Kauffman Hall, only eight percent of US hospitals and health systems demonstrate “top tier” consumer-centric performance,⁴ so players including Walmart Health, CVS Health Hub, Amazon Care and One Medical are real threats to the traditional hospital ecosystem.

Alternative players offering on-demand access to care via mobile apps and convenient locations will continue to disrupt the traditional healthcare “referral chain” of family physician to specialist and to hospital.

In a consumer-based healthcare ecosystem, owning the consumer financial relationship will dictate where, how and even what care is delivered – and at what cost to the provider

and the consumer. There's a nuance to consumer cost, though. Consumer medical debt isn't the same as retail debt. Whomever owns the consumer must ensure an ongoing medical financing infrastructure that's relatable, appealing and most importantly, manageable to ensure his or her loyalty. Apart from a healthcare savings account, healthcare cost will be a fixed line item in the family's monthly budget vs. a one-time cost event taken from savings or diverted to a high-interest credit card.

Along with some of the retail care heavyweights, payers, third party benefit administrators and even large-employer benefit departments are well-positioned to offer a consumer healthcare finance strategy. Savvy players will bundle patient financing with monthly premium payments to attract consumers into a comprehensive, long-term healthcare financing relationship.



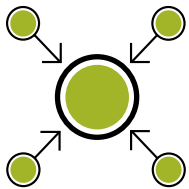
Market Forces that will Make Healthcare Consumerism Interesting

Of course, market forces for care treatment, delivery modes, the evolving workforce, generational preferences and technology will affect the availability and affordability of care in the next five years. Different forces and their implications to consider include:



Care Treatment

Preventive and wellness care will take on a whole new meaning thanks to genomics and DNA testing that are quickly becoming commonplace. PricewaterhouseCoopers' latest healthcare market trends study predicts that by 2030, a half-million Americans will have been treated with gene and cell therapies.⁵ PwC's Health Research Institute says these consumers will need access to creative financing to cover the cost and they'll want to ensure they're getting value. In addition, the worldwide spread of lethal viruses will continue to take a care-and-cost toll on individuals, the healthcare system and the economy.



Care Delivery Modes

Walmart Health and others are targeting traditional primary care settings. Wearable digital devices and telehealth are becoming de facto triage components to help direct patients to the appropriate physical care setting – if care is even needed. We'll continue to shift care to outpatient settings. According to Deloitte, US hospitals generated \$472 billion in outpatient revenue and only slightly more, \$498 billion, inpatient revenue (2017, most recent year for available data).⁶ Outpatient business likely will surpass inpatient revenue before 2025.



Workforce Evolution

We now have a "gig economy," where employers contract employees on a per-project – or per-gig – basis. It's estimated that up to 30% of Americans are part of this gig economy.⁷ The downside is that workers often don't have access to traditional employee benefits such as health insurance. Additionally, our self-employed workforce has grown from about 14.5 million in 2013 to 16 million as of December, 2019.⁸ Both of these groups represent a large number of Americans who, at best case have a "skinny" HDHP or worst case, have no insurance and will continue to put a strain on healthcare providers' bottom line.



Generational Preferences and Financial Needs

Millennials and GenX don't approach healthcare services as their parents or grandparents did. Especially in non-life-threatening situations, they will balance quality care and outcomes equally against convenience and cost. Millennials also are at financial risk. According to a 2019 CompareCards survey, one in three cardholders are in credit card debt due to medical bills. More than one-quarter of those are Millennials.⁹



Technology

There's no doubt technology will continue to play a role in how consumers access, receive and pay for medical care. What can't be forgotten, though, is the need to balance high-tech with high-touch. For every individual who wants self-service convenience, there's another person who needs hand-holding to navigate care treatment and payment options.

Are We Making a Difference?

At some point all of us are healthcare consumers. What can be avoided is the anguish and stress people feel about healthcare costs – often when they're at their most vulnerable. More than one-third of consumers avoid care because they think they

can't afford it.¹⁰ The way we can make a difference during the next five years is to do more to make care affordable.

Let's help people when it matters most.

About ClearBalance HealthCare

ClearBalance HealthCare has been helping people when it matters most, providing sensible patient financing solutions since 1992. We are at the forefront of patient pay management, always setting and delivering a high bar for patient financing solutions, patient reimbursement,

revenue cycle IT expertise and the consumer experience. The ClearBalance program features the only HFMA Peer Reviewed ROI Value Model™, which identifies a providers' cost to collect patient pay and sets nationally recognized benchmarks for a long-term financing alternative.



- ¹ [Accomplishments of the Affordable Care Act](#), March 2019, Center on Budget and Policy Priorities
- ² [2019 Employer Health Benefits Survey](#), Kaiser Family Foundation
- ³ [2019 Healthcare Consumerism study](#), Dec. 2019, ClearBalance HealthCare and Porter Research
- ⁴ [2019 State of Consumerism in Healthcare](#), Nov. 2019, Kauffman Hall & Associates
- ⁵ [Top Health Industry Issues of 2020: Will Digital Start to Show an ROI?](#), Dec. 2019, PWC Health Research Institute
- ⁶ [2020 Global Health Care Outlook](#), Dec. 2019, Deloitte
- ⁷ [Key Job Facts About the Gig Economy](#), Jan. 2020, The Balance Small Business
- ⁸ [Labor Force Characteristics](#), Dec. 2019, Bureau of Labor
- ⁹ [1 in 3 Cardholders are in Credit Card Debt Due to Medical Bills](#), Nov. 2019, CompareCards
- ¹⁰ [2019 Healthcare Consumerism study](#), Dec. 2019, ClearBalance HealthCare and Porter Research



Contact us for more information

858.200.9208

ClearBalance.org

Copyright © 2020 ClearBalance HealthCare.

All rights reserved. ClearBalance is a service mark of CSI Financial Services, LLC. Feb. 2020