



# PROMPT PAYMENT DISCOUNTS

## Improving Revenue Cycle Management and Business Operations

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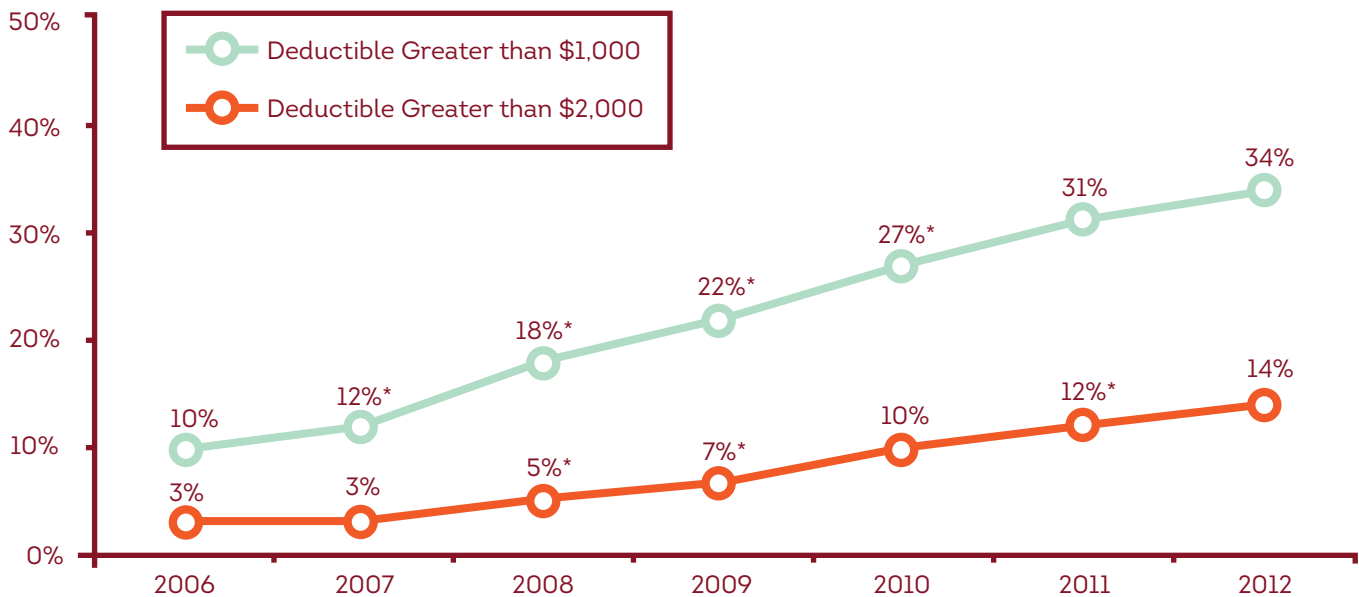
PROMPT PAYMENT DISCOUNTS

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## FEELING THE SQUEEZE

As the U.S. economy continues to falter, cost control is at the top of everyone’s mind—especially in health care. Employees are shouldering more of their own health care costs through higher deductible insurance plans and health savings accounts (HSAs). In fact, more than a third of Americans who get health insurance through their employers now have high-deductible plans. That’s well above the 10 percent who had them in 2006.<sup>1</sup>

Percentage of Covered Workers Enrolled in a Plan with a Higher General Annual Deductible for Single Coverage, 2006-2012




\* Estimate is statistically different from estimate for the previous year shown (p<.05)

Note: These estimates include workers enrolled in HDHP/SO and other plan types. Because we do not collect information on the attributes of the conventional plans, to be conservative, we assumed that workers in conventional plans do not have a deductible of \$1,000 or more. Because of the low enrollment in conventional plans, the impact of this assumption is minimal. Average general annual health plan deductibles for PPOs, POS plans, and HDHP/SOs are for in-network services.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits. 2006-2012

<sup>1</sup>Matthew Rae and others, “Snapshots: The Prevalence and Cost of Deductibles in Employer Sponsored Insurance,” The Henry J. Kaiser Family Foundation, November 2, 2012.



A Wellero study shows that discounts of 10% or more will motivate patients to pay promptly.

## FEELING THE SQUEEZE *CONTINUED*

In 2012, out-of-pocket expenses, not including premiums, increased to an average \$768 for each privately insured consumer. They are projected to skyrocket as much as 50% in 2015 under Obamacare's numerous mandates.<sup>2</sup> It's no surprise that 75 million people reported problems paying their medical bills or were paying off medical debt, up from 73 million in 2010 and 58 million in 2005.<sup>3</sup>

On the other end of the spectrum, providers are feeling the crunch as they try to collect payment for services rendered. A recent survey by Wellero found that most providers recover only about 23% of bad debt; if they use a collections agency, they pay them on average 30% of what's collected.<sup>4</sup>

The fact is patients, whether insured or not, are struggling to pay for their medical care—a reality that is taking its toll on cash flow for today's providers.

## MAKING THE CASE FOR PROMPT PAYMENT DISCOUNTS

To succeed in this new environment, providers will need to retool their business models.<sup>5</sup> This may be why an increasing number of them are offering prompt payment discounts to patients who pay on the spot or shortly after their claims have been processed.

A Wellero study shows that discounts of 10% or more will motivate patients to pay promptly.<sup>6</sup> It's a small sacrifice on the provider's side for positive returns: increased cash flow, fewer accounts receivable delays and lower debt collection costs.

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<sup>2</sup>"2012 Healthcare Cost and Utilization Report," Health Care Cost Institute, September 2013.

<sup>3</sup>The Commonwealth Fund, April 26, 2013.

<sup>4</sup>Results from Harris Interactive survey of providers, commissioned by Wellero. September 11, 2012.

<sup>5</sup>Medical Cost Trend: Behind the Numbers 2013," PricewaterhouseCoopers LLP, Health Research Institute, May 2012.

<sup>6</sup>Survey conducted by Wellero, August 31-September 3, 2012. Qualified respondents: A total of 1,000 completed surveys were collected from a national sample of smartphone owners who are currently insured, health care decision makers between the ages of 19 and 64. These responses include an oversample of respondents in five metropolitan statistical areas with a higher rate of smartphone use.

# Are Prompt Pay Discounts Legal?

## APPLYING BEST PRACTICES

Why aren't all providers jumping on the prompt-payment bandwagon? It may be because there has been confusion around whether the discounts are legal or fall under an anti-kickback statute.

On February 8, 2008, the Department of Health and Human Services Office of the Inspector General rules that, with respect to federal programs, prompt payment discounts are permitted if administered correctly. The opinion provides guidance that also can apply in non-federal program situations<sup>7</sup>:

- Having detailed, written policies that outline the practice's prompt payment program
- Offering the program for inpatient and outpatient services, and without regard to the patient's reason for admission, length of stay, or diagnostic-related group
- Offering the same discount to all patients, insured or not
- Ensuring that the discounted amount is reasonably related to the avoided collection costs; this applies to Medicare patients too
- Ensuring waived amounts are not claimed as bad debt or shifted to Medicare or Medicaid programs, other third-party payers or individuals
- Refraining from advertising the program, but rather informing patients during check out or billing
- Bearing all the costs associated with administering the program
- For Medicare cases, the program cannot be part of a price-reduction agreement between a health system and a third-party payer

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<sup>7</sup>Source: <http://oig.hhs.gov/fraud/docs/advisoryopinions/2008/AdvOpn08-03A.pdf>

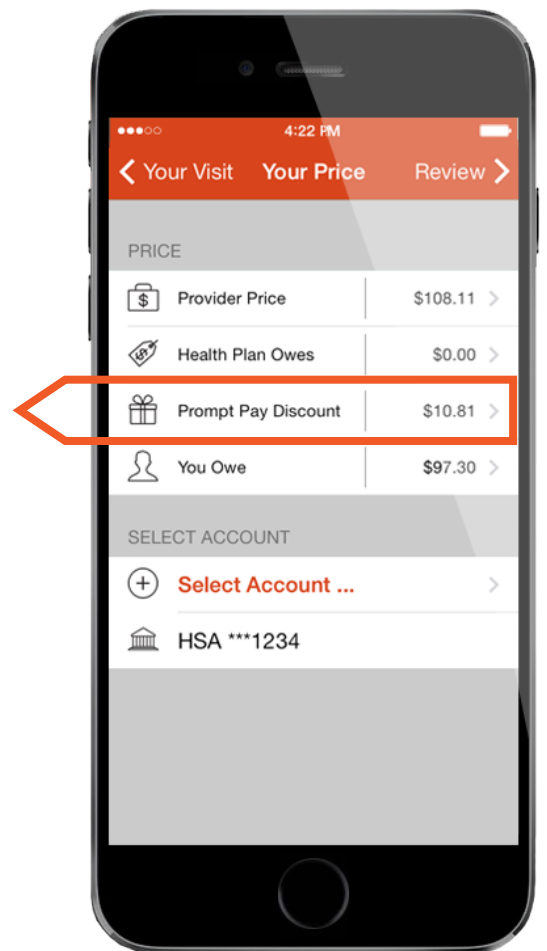
## GETTING STARTED

Despite the restrictions on advertising prompt payment discounts, there are still ways for providers to promote their programs, whether through signage in their offices, bill stuffers or information on their websites.

Another option providers should consider is technology that connects patients, providers and insurance companies, allowing them to verify patients' benefits and collect payments before they walk out the door.

According to [Physicians Practice](#), this strategy is working well for Holly Springs Pediatrics in Holly Springs, North Carolina. By using eligibility verification technology from its billing vendor, the practice has been able to offer prompt pay discounts and has improved collections, reduced patient no-shows and is seen as more flexible by patients.<sup>8</sup>

These days, providers can even take advantage of technology without having to invest in new software or equipment. That includes mobile applications that allow patients to pay for medical services on the spot. Patients can download an app for free and enter the names of their insurance carriers, policy numbers and other authenticating information on their smartphones. Once verified, patients have access to provider charges and their out-of-pocket costs. When they've finished an exam, their provider can select the services rendered and enter the corresponding diagnosis codes right in their patient's smartphone. Patients can then make payments through the app, using their credit, debit or HSA cards.



As enrollment in high-deductible health plans continues to grow along with pressure to contain health care costs, providers will need to find ways to optimize cash flow. Prompt pay discounts, if administered correctly, are a viable, legal option that can improve revenue cycle management and business operations.

<sup>8</sup>Marisa Torrieri, "Getting Patients to Pay Early at Your Medical Practice," [Physicians Practice](#), August 30, 2013.



## About Wello

Wello™ puts a powerful retail healthcare application in the consumer's pocket. This point of sale solution for both providers and consumers gives them access to the information they need to complete their health care transactions and offer prompt pay discounts at the time of service. Wello is a member of the Cambia Health Solutions family of companies, which brings nearly a century of experience in developing and providing health solutions to consumers, providers and business partners.

## REFERENCES



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Prompt Pay  
Discount Policies



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Opinion No. 08-03