



***Integrated  
Revenue  
Management***

# **The Patient as a Source of Revenue**

***Past, Present and Future***

***Presented by***

***Jack Duffy, FHFMA***



# Patient Revenue... the Past

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- ▶ The first 100 years of “modern” hospital care (1840-1940) the patient paid everything.
- ▶ Hospitals were largely funded by subscriptions paid by affluent citizens and supported through the labor of religious organizations.
- ▶ Patients were charged a modest day rate for care.



# Patient Revenue... the Past

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- ▶ Before 1920, most care was provided in the home with the physician going to the patient.
- ▶ As technology, particularly in surgery, became more complex, the home or even the physician's office was not sufficient.
- ▶ Hospitals became the place to house even more complex equipment and procedures.



# ... the Past

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- ▶ Increased complexity led to higher prices and questions of access. This led to a 35-year national debate over providing hospital coverage to the elderly and poor.
- ▶ This debate lasted from the 1930's to 1964, however...
- ▶ In 1941 America went to war and a national wage freeze led to the invention of healthcare benefits for working Americans.



# ... the Past

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- ▶ In 1946 workers fought to retain these benefits and because hospital care was not yet a multi-thousand dollar per day event, coverage was close to 100%.
- ▶ This remained stable while the nation took the next 25 years to complete the discussion that finally led to Medicare and Medicaid.



## ... the Past

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- ▶ Hospital prices were influenced by increased surgical practices and some imaging technology, but were relatively contained.
- ▶ America continued to be a manufacturing economy and the “globalization” of labor was not a concern.
- ▶ All this was soon to change.



## ... the Past

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- ▶ The Federal government made a fundamental error to pay for hospital services on a cost plus basis.
- ▶ Hospitals took this blank check and the remaining Hill-Burton funds and created unprecedented growth and prosperity.
- ▶ The industry was so profitable that it led to the invention of the investor-owned hospital.



## ... the Past

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- ▶ Medicare also introduced universal co-payments and first dollar deductibles to the initial payment program.
- ▶ As time passed, employers began the process of using government programs as a model and negotiating small but comprehensive patient balance amounts.
- ▶ At that moment, hospitals had an opportunity to recognize this trend and...



# ... the Past

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- ▶ ... did nothing.
- ▶ The balances were deemed too small to concern a hospital.
- ▶ Collection agencies were formed to collect medical debt.
- ▶ A request for money was considered detrimental to patient care... and still is.
- ▶ The patient was persistently trained that these payments were optional at best.



# ... the Past

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- ▶ There was an uneasy status quo for many years, with the hospitals slowly increasing patient balance exposure and continuing to ignore the consequences of these decisions.
- ▶ This truce ended about the year 2000 and the present environment is bringing those many decades of neglect in full focus.



# Patient Revenue... the Present

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- ▶ Compared to the “good old days,” we find hospitals struggling with:
  - ▷ Pricing transparency
  - ▷ Class action law suits
  - ▷ Consumer-directed healthcare
  - ▷ Consent agreement for charity care
  - ▷ International competition
  - ▷ Health savings accounts



# ... the Present

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- ▶ Each day, in particular around open enrollment periods, hospitals see an erosion of coverage in their communities.
  - ▷ Are you measuring this change in coverage?
  - ▷ Erosion is occurring in several dimensions:
    - ✓ Premium support
    - ✓ Co-payment and deductibles
    - ✓ Coverage



# ... the Present

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- ▶ External pressures:
  - ▷ Politicians have rallied around the transparency flag as a way to create good will without expending political favors.
  - ▷ What they fail to understand is the complexity of healthcare finance, and thus the consequences of their interventions.
  - ▷ Trial lawyers have also discovered how to get a million dollars in “go away” fees.



# ... the Present

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- ▶ As we learned from the past, benefits were founded on two great principles:
  1. Work for 30 years and get a company-funded pension; and
  2. The company will provide comprehensive healthcare benefits for life.

Pensions went first - to go with the wholesale destruction of company funded plans. Their loss, as we say, is a “done deal.”



# ... the Present

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- ▶ The next benefit under siege is healthcare.
- ▶ Under the friendly name of “*Consumer-Directed Healthcare*” who does not want the consumer in the equation? Employers have started to replace defined benefit plans with defined contribution.
- ▶ The distinction is critical because the defined contribution allows for the purchase of high deductible options.



## ... the Present

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- ▶ The missing ingredient in Consumer-Directed programs is the patient's ability to pay or finance the increased co-payments. The average patient has made no provisions to save these dollars and fully expects the hospital to react in the same way we have for the last 50 years.
- ▶ The national media continues to confuse the uninsured with the large co-pay patient.



# ... the Present

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## ▶ Key Concept

- ▶ The skills, tools, and effort required to collect from the uninsured are completely different from those needed to collect from the semi-insured.
- ▶ When determining what level of poverty is appropriate for your community, consider that at 400% of poverty, over 90% of all people in Georgia will qualify.



# Patient Revenue... the Future

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- ▶ **Elements of a successful response:**
  - ▷ Huge investment in community education and communication
  - ▷ Highly skilled hospital employees
  - ▷ Hospital-sponsored financing options
  - ▷ Open dialogue with employers
  - ▷ Evaluation of third party assisted collection



# ... the Future

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## ▶ On the edge:

- ▷ Hospital-sponsored credit option
- ▷ Ask everyone for a credit card before service or post-initial evaluation
- ▷ Direct contracting
- ▷ Shared database for calculating co-payments and other coverage issues

Also, when co-payments exceed international prices, you will have competition from overseas.



# ... the Future

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- ▶ Discussion
- ▶ Rebuttal
- ▶ Best Practice
- ▶ Understand that progress will only be made when your board and management team are willing to change.

