Crowe RCA Benchmarking Analysis

# Hospital collection rates for self-pay patient accounts

The odds are against hospitals collecting patient balances greater than $7,500

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Higher out-of-pocket medical bills for patients are hitting hospitals hard. The effect comes in the form of lower collection rates and higher bad debt.

## “Vanishing point” isn’t just an art concept anymore

It’s now also the point at which hospital collections practically vanish on self-pay patient accounts, according to this Crowe RCA Benchmarking Analysis report.

As out-of-pocket payment responsibilities continue to rise for patients, hospitals employ more and different efforts to collect these self-pay amounts. But Crowe analytics are showing that after the patient portion reaches into the thousands of dollars, collectability drops off starkly. And that “vanishing point” threshold is now $7,500.

To study this topic, Crowe used its proprietary Crowe Revenue Cycle Analytics (Crowe RCA) solution, which gathers every patient transaction every day from more than 1,600 hospitals and more than 100,000 physicians nationally. Data through calendar year 2021 has uncovered some trends that place greater strains on providers’ ability to collect self-pay patient service revenue. And as sudden operational cost pressures (including nursing shortages and higher wages) frustrate hospital financial leaders, an inability to collect all expected revenue further challenges razor-thin operating margins.

One of the leading sources of this net revenue challenge is bad debt – that is, write-offs associated with patient balances that are deemed uncollectible after significant collection efforts by the provider. Whereas most of the bad debt in the past was attributed to uninsured patients, the majority of bad debt now is associated with patients with insurance, according to Crowe research. Self-pay after insurance accounts for almost 58% of bad debt. At the same time that patients without insurance seem to have greater access to charity care, the increased number of high-deductible health plans (HDHPs, also termed “catastrophic” insurance) has changed the makeup of what it means to have health insurance coverage. For most hospitals, the change just means the hospitals have to collect more from the patient.

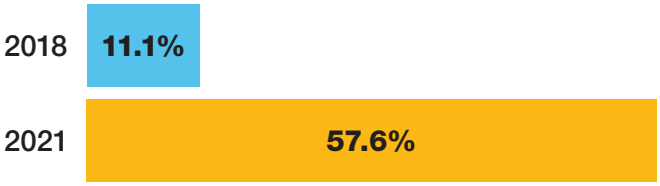
Crowe research reveals revenue cycle KPIs that quantify the healthcare revenue challenge.

# Self-pay after insurance

Crowe research has found that self-pay-after-insurance patients (the deductible amount and/or the residual amount due from the patient after insurance payment) represented nearly 60% of patient bad debt in 2021, a five-fold increase in just three years. This metric has been on the rise since HDHPs have proliferated in the market, and 2021 marked the first time self-pay-after-insurance accounts were the leading source of bad debt for hospitals.

"The complexities of new insurance programs such as HDHPs, health savings accounts, and various Affordable Care Act 'metal' plans – for example, bronze, silver, gold, and platinum – have created confusion for patients and healthcare providers alike, as most of these newest options create greater out-of-pocket medical expenses for the patient. And the patient is paying less of it for a variety of reasons," explained Brian Sanderson, a principal in the healthcare consulting group at Crowe.

### Bad debt attributable to self-pay after insurance accounts

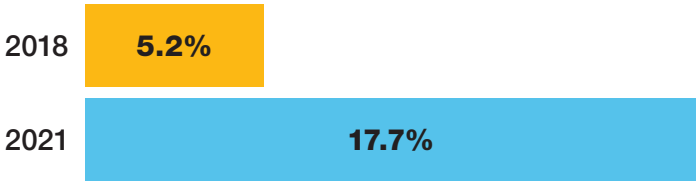


# Higher patient responsibilities make up a larger proportion of total patient balances

The proportion of total patient statements with balances of more than $7,500 has more than tripled since 2018, up to 17.7%. Balances greater than $14,000 nearly quadrupled from 4.4% in 2018 to 16.8% in 2021. This increase creates new challenges for providers to collect higher balances that are more difficult for patients to pay either prior to services or during the typical 120-day collection window after the insurance balance has been resolved.

“This represents a complete sea change for many hospitals regarding self-pay collections,” Sanderson said. “It’s one thing to ask patients for the $75 or even $200 copay amounts at the point of service. But it’s a completely different conversation to guide them through paying thousands of dollars. This is why we see collection rates dropping so dramatically.”

**Per-claim amounts over $7,500**



# Self-pay-after-insurance collection rates

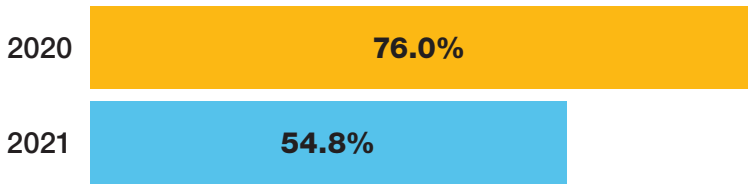
The percentage of patients with health insurance who paid their out-of-pocket bill dropped more than 20 percentage points last year to about 55% from 76% in just one year.

The break point at which most patients with insurance pay their out-of-pocket bills is $7,500. After a bill crosses that threshold, the percentage of patients who pay it off drops significantly.

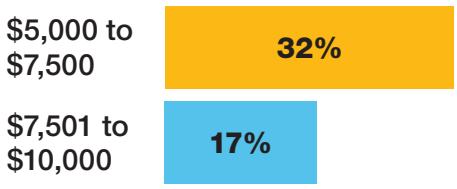
“Hospitals are left in the lurch with these trends,” Sanderson said. “Labor scarcity makes for fewer experienced personnel looking to navigate increasing complexities of insurance coverage, while patient out-of-pocket costs continue to rise dramatically.” Sanderson said the highest-performing revenue cycle operations at hospitals and health systems have been able to maintain their higher collection rates on larger balances through a combination of targeted analytics and resource segmentation.

For example, some successful hospitals and health systems have separated their self-pay revenue cycle teams into three squads: one for low-dollar accounts (typically less than $1,000), one for medium-dollar accounts (typically $1,000 to $5,000), and one for large-dollar accounts (typically more than $5,000). Such data-driven specialization leads to better collection results.

**Self-pay-after-insurance collection rate**




**Self-pay-after-insurance collection rate by total claim amount in 2021**



# What to expect

Given these trends in self-pay claims and collection, the healthcare industry likely will see more direct patient-to-hospital negotiations for complex medical care, more consumer financial companies offering payment plans on behalf of patients, and more sophisticated models for hospitals to align their already thin workforce to patients who have the means to pay their out-of-pocket expenses.

For more on how to successfully navigate these trends and maintain and improve the revenue cycle performance of your hospital or health system, please contact the dedicated and experienced revenue cycle team at Crowe.

# Learn more

For more information on the Crowe RCA benchmarking program, please visit crowe.com/benchmarking or contact:

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The Crowe Revenue Cycle Analytics (Crowe RCA) solution was invented by Derek Bang of Crowe.
The Crowe RCA solution is covered by U.S. Patent number 8,301,519.

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