MARCH 2021

Healthcare Payments

INNOVATION PLAYBOOK

Modernizing The Payments Experience

PYMNTS.com

Rectangle HEALTH

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The Healthcare Payments Innovation Playbook was done in collaboration with Rectangle Health, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

Executive Summary

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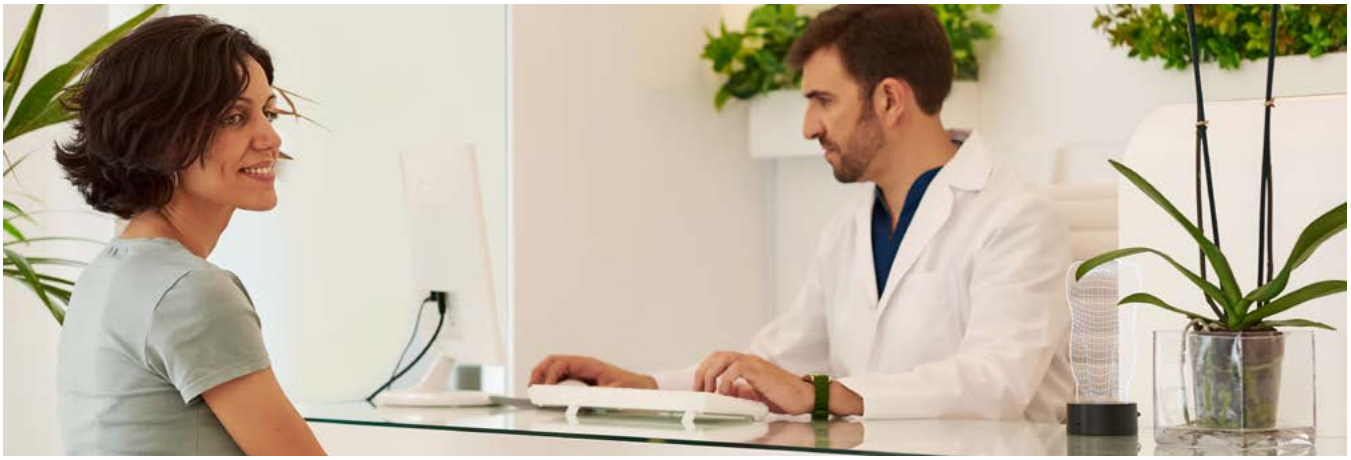
The early days of the pandemic marked an irrefutable disruption to consumers' healthcare experiences. America's one million practicing physicians were thrust into an area unfamiliar to many: the rapid implementation of digital healthcare. Faced with a sudden consumer demand for digital healthcare services at a rate that was 50 to 175 times that of pre-pandemic levels, healthcare practitioners were suddenly placed at the vanguard of customer service innovation for millions of patients unable or unwilling to chance an in-person visit.[1]

The onus to make healthcare easier to access and pay for digitally was upon physicians and physician groups, many of whom had little experience with digital marketing, managing payments or digitally extending healthcare services. The urgency — and the financial impetus — to innovate successfully was undeniable, however, and intensified as the pandemic wore on.

Hospitals across the country were confronted with thousands of patients in need of urgent care, requiring them to dedicate an ever-increasing share of physical and human resources to care for those who had contracted COVID-19. Group and private practices suffered as hospitals canceled nonurgent procedures en masse and millions of consumers put off their yearly physicals. Group practices, facing the loss of their key revenue source, laid off physician employees, and thousands of practices closed.[2]

Getting patients in and out of the practice safely, eliminating the waiting room and significantly changing in-office process flows became an urgent priority. Frictionless digital payments became an essential component of healthcare access for many patients and a lifeline for the 80 percent of group and private practice physicians who lost one-third or more of their incomes due to the pandemic.[3]



PYMNTS, in collaboration with Rectangle Health, surveyed 2,091 patients of private and group medical practices last year to learn about the quality of their experiences when paying for visits. We discovered that consumers want their healthcare experiences to be more like their digital retail experiences. The majority of patients want user-friendly digital payment options that are easy to understand and access. They also want comprehensive information on their payment options from their healthcare providers so that they can make informed payment choices.

This first installment of our Healthcare Payments Innovation Playbook series seeks to provide private and group practice physicians with a roadmap to leverage payments innovations to transform their patients' customer experiences.

1. Zarefsky, M. 5 huge ways the pandemic has changed telemedicine. American Medical Association. 2020. https://www.ama-assn.org/practice-management/digital/5-huge-ways-pandemic-has-changed-telemedicine. Accessed February 2021.

2. Harris, S.; Schneider, G.S.; Sondel, J. Cash-starved hospitals and doctor groups cut staff amid pandemic. *Washington Post.* April 2020. https://www.washingtonpost.com/health/starved-for-cash-hospitals-and-doctor-groups-cut-staff-amid-pandemic/2020/04/09/d3593f54-79a7-11ea-a130-df573469f094_story.html. Accessed February 2021.

3. Robeznieks, A. Physician survey details depth of pandemic's financial impact. American Medical Association. 2020. https://www.ama-assn.org/practice-management/sustainability/physician-survey-details-depth-pandemic-s-financial-impact. Accessed February 2021.

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THE PAYMENTS INNOVATION GAP:

How Group And Private Practices Are Improving Their Customer Service

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Our research shows that 22 percent of private practice patients are likely to have difficulty paying out-of-pocket costs, compared with just 13 percent of group practice patients. Part of this may be due to cost.

Group practices have more resources at their disposal and can divide costs among several partners, but private practice physicians must do more with fewer resources to meet competitive marketplace standards.[4] These differences in financial and human resources add to the opportunity costs of healthcare management innovation, impacting how private practice physicians use digital communication tools and manage payments.[5]

That means private practices tend to lag behind group practices in essential customer experience tools, like user-friendly, informative websites or digital payment options. It is perhaps not surprising that 31 percent of group practice patients use their providers' websites, compared with just 20 percent of private practice patients.

Even though our study found that patients at private practices are more likely to be offered and use payment plans, costs can still be prohibitive. More than one-third of private practice patients are likely to pay the entire cost of their visits out of pocket, compared with just 11 percent of group practice patients.

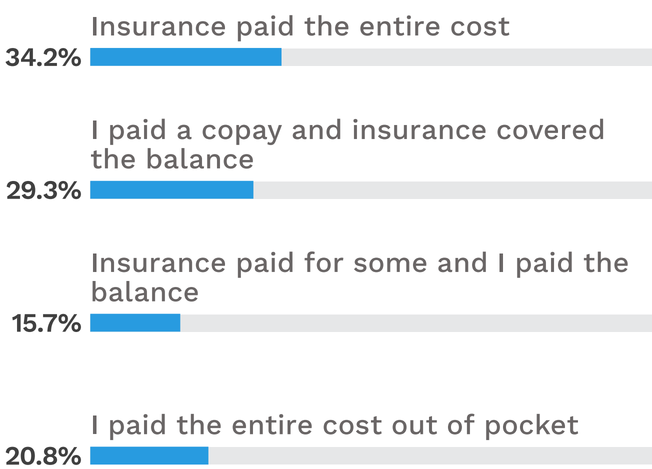
4. Ho, V; Short, M. Weighing the Effects of Vertical Integration Versus Market Concentration on Hospital Quality. Medical Care Research and Review. 2019. https://doi.org/10.1177/1077558719828938. Accessed February 2021.

5. Buntin, M; Everson, J; Richards, M. Horizontal and vertical integration's role in meaningful use attestation over time. Health Services Research. 2019. https://doi.org/10.1111/1475-6773.13193. Accessed February 2021.

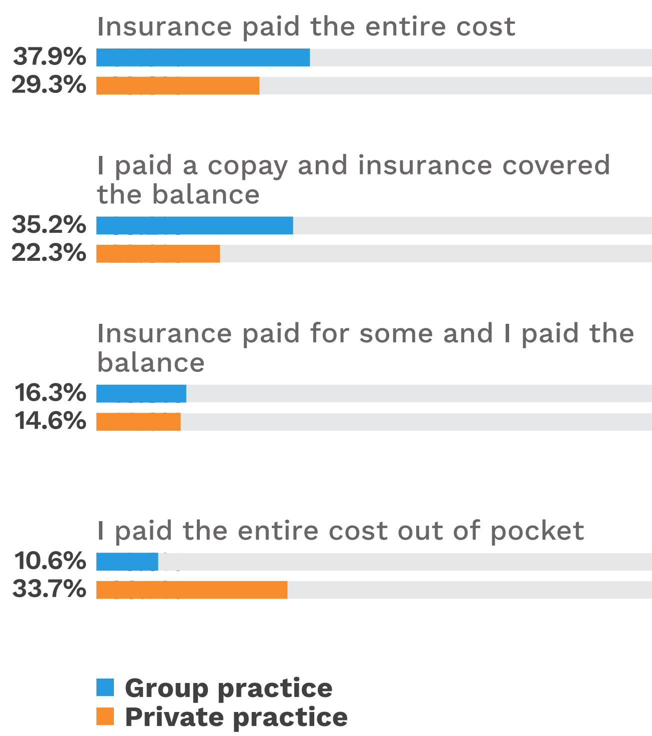
FIGURE 1:

Share of patients paying for their most recent visits with insurance or out of pocket, by practice type

1a: How consumers paid for their most recent visits to their healthcare providers



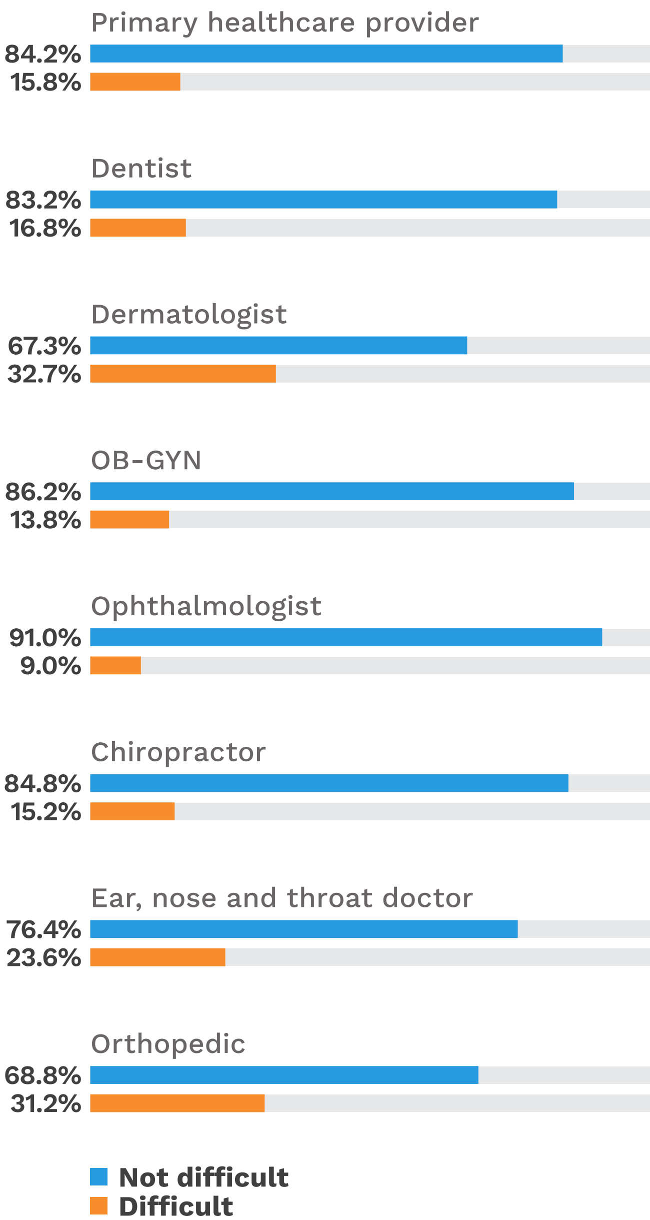
1b: How consumers paid for their most recent visits, by healthcare provider type



Private practice physicians are often specialists, and such care is sometimes not included in insurance plans. Services like adult dental surgeries, weight loss surgeries, fertility treatments, dermatology treatments and nonessential eye care are not covered by publicly funded insurance and are often left out of employer-sponsored insurance policies as well. That means these patients will often have to cover the cost of the entire medical service themselves.

FIGURE 2:

Share of consumers who had difficulty paying for their most recent visits, by medical specialty



Our research shows that nearly one-third of patients who visited dermatologists or orthopedic doctors had difficulty paying for their visits. For example, 57 percent and 53 percent of private practice orthopedic and dermatology patients, respectively, paid the entire cost of their visits, compared with 10 percent and 4 percent of the same patients, respectively, visiting a group practice. This means that both a greater range of payment options and improved patient education about billing, insurance copays and payment arrangements are essential for private practices to remain competitive. Private practices also tend to have higher expenses than group practices, and these costs may make their services more expensive for some healthcare consumers.

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CLOSING THE INNOVATION DEFICIT:

How Private And Group Practices Can Make Payments Work

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Smaller practices have historically been slow to adapt their business models to accommodate digital payments and modernize patient-provider communications, despite the digital shift in payments in most sectors.[6] This affects the overall efficiency of patients' healthcare delivery processes as well as their satisfaction.[7]

Our research reveals that providers' websites are an underutilized resource for payments management and consumer engagement. This is not just true for private practices, either. Group practices are also falling behind when it comes to modernizing payments.

Enabling patients to make payments through a website and offering them payment plan options could help providers retain the 22 percent of private practice patients and 13 percent of group practice patients who report having difficulty paying their bills.

22%

of private practice patients have **difficulty paying** for their visits.

6. Vanderbilt University Medical Center. New research finds private practice physicians less likely to maintain electronic health records. https://www.eurekalert.org/pub_releases/2019-07/vumc-nrf071919.php. Accessed February 2021.

7. Ahn, S; Balaa, F; Brehaut, J; McIsaac, D; Moloo, H; Rich, S; Wallace, T; Zwiep, T. Group practice impacts on patients, physicians and healthcare systems: a scoping review. BMJ Journals. 2021. https://doi.org/10.1136/bmjopen-2020-041579. Accessed February 2021.

Digital payments mean **fewer billing surprises** for patients and **easier revenue cycle** management for healthcare providers.

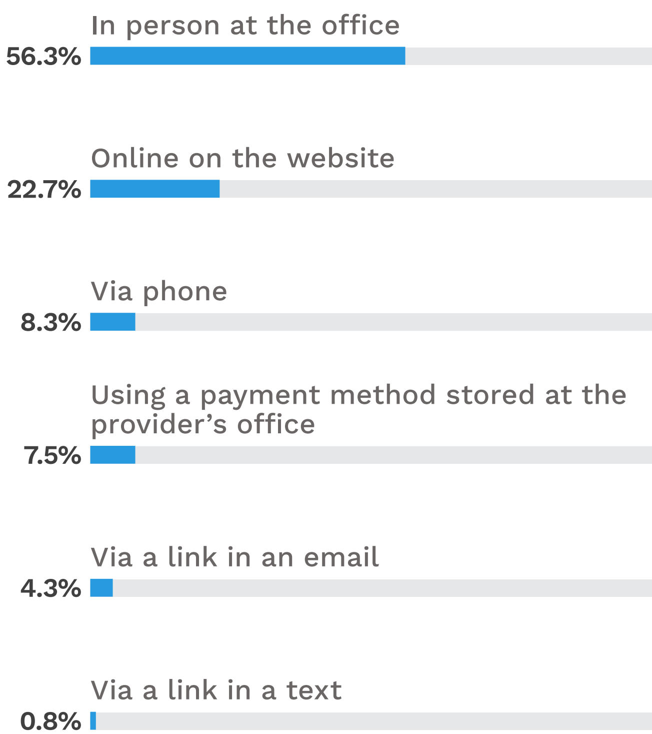
Our study found that less than one-quarter of consumers paid their bills on their healthcare providers' websites, despite the fact that 78 percent of group practice and 66 percent of private practice patients use debit and credit cards to pay for their visits. Fifty-six percent of patients instead made payments in person when visiting their doctors' offices. Online digital payments can be more convenient and faster for healthcare providers to process. Contactless payment options and automated payment plans put consumers in control of the registration process and automate insurance copay management. This means fewer billing surprises for patients and easier revenue cycle management for healthcare providers.

There are some significant ways that private practices and group practices are getting payments innovation right, but there is still room for further improvement.

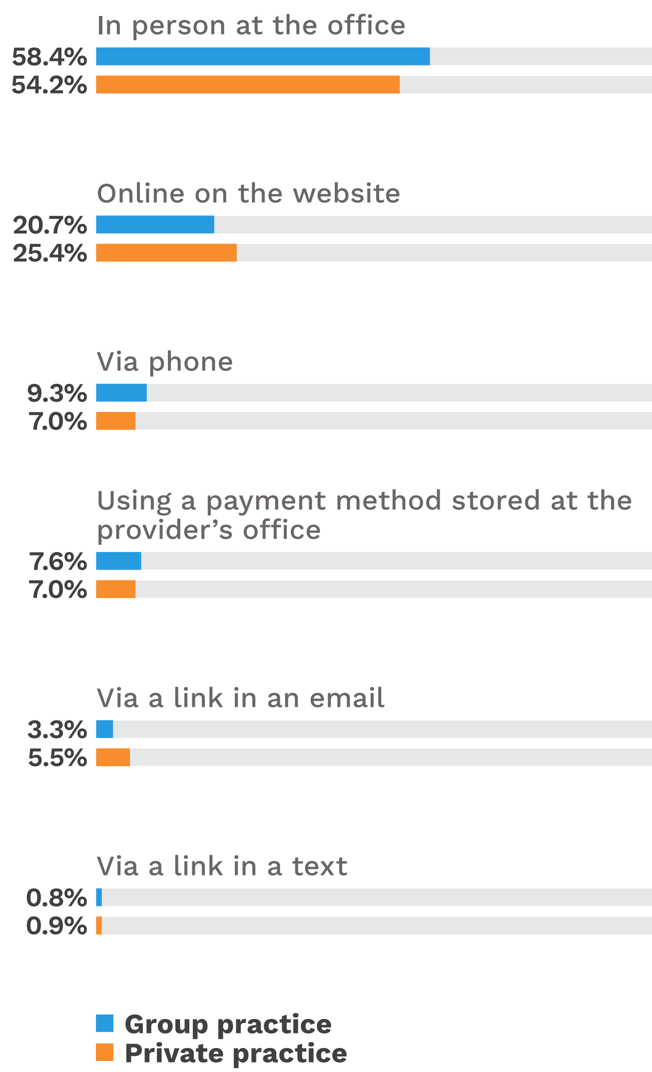
FIGURE 3:

How patients paid for their last visit, by provider type

3a: How patients paid for their last visit



3b: How patients paid for their last visit, by provider type



Private practices are becoming payment plan savvy.

Private practices are more likely than group practices to offer their patients payment plans and make them aware of their payment plan options. Fifty-three percent of private practice patients are aware that their healthcare providers offer payment plans, while only 37 percent of group practices report the same.

Missed opportunity: Private and group practices can make payment plan awareness universal through a website that is payment-enabled, allowing consumers to easily manage appointments and payments through a single interface.

Healthcare providers are targeting Generation Z and millennial patients with payment plan options to build loyalty.

Fifty-eight percent of bridge millennials, 59 percent of millennials and 54 percent of Gen Z patients have been made aware that they can use payment plans to cover the costs of their visits, while only 26 percent of baby boomers know that their providers offer payment plans.

Missed opportunity: Eighty-two percent of Gen Z patients have an overwhelming interest in payment plans, but only 54 percent have been made aware that they are available and just 25 percent used one to pay for their last visit. Healthcare providers can improve engagement with this demographic by ensuring that payment plan options and access are available online as well as in physical offices.

Group providers more commonly leverage digital communication channels to engage their patients.

Thirty-one percent of group practice patients are likely to communicate via their providers' websites, compared with 20 percent of private practice patients. Communicating digitally not only saves providers time and human resources but also provides patients with a single source of accurate information on billing procedures, copay rates and payment method options.

Missed opportunity: Group practices can use their websites as a means of providing patients with automated information regarding upcoming or current bills.

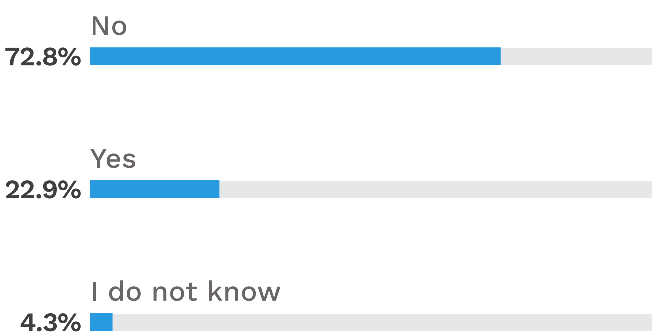
63%

of all patients were interested in payment plans, but **83 percent** of group practice patients and **60 percent** of private practice patients did not use these plans.

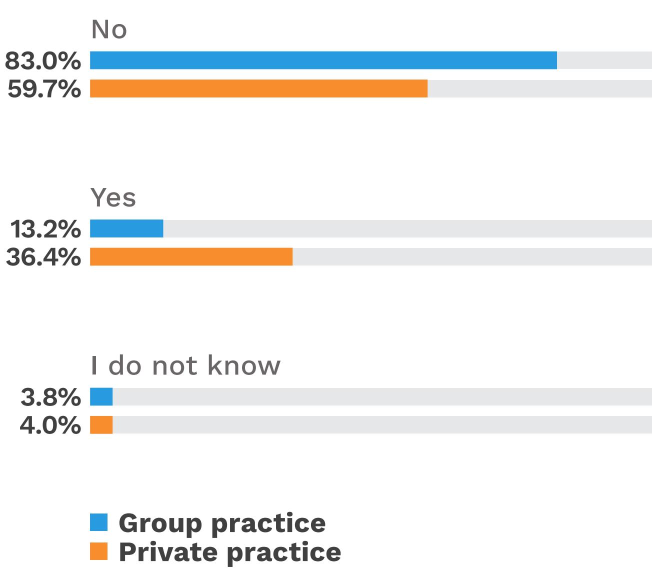
FIGURE 4:

Share of patients who used payment plans, by provider type and generation

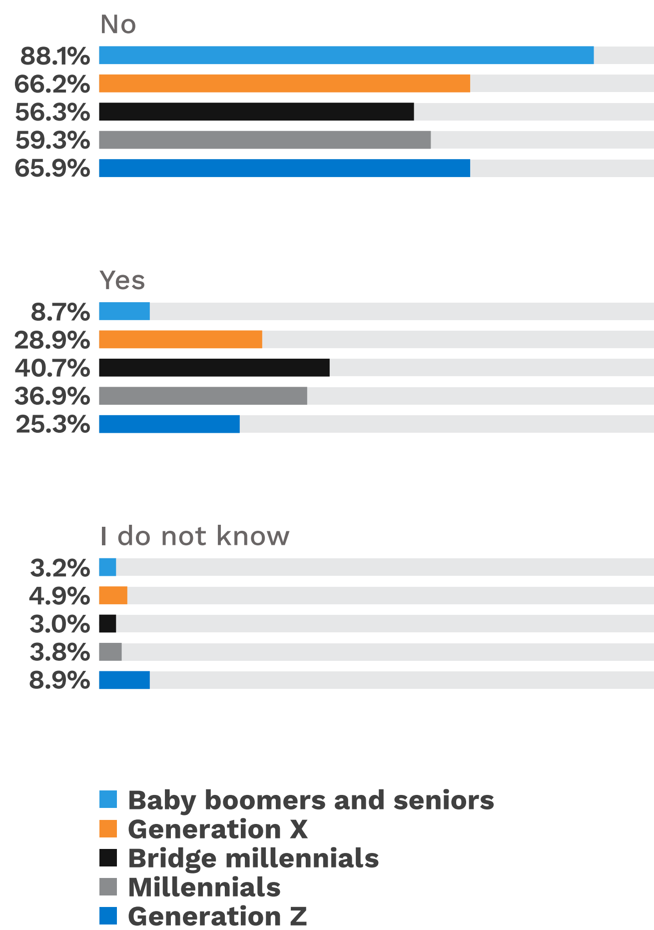
4a: Share of patients who used payment plans



4b: Share of patients who used payment plans, by provider type



4c: Share of patients who used payment plans, by generation



Both private practice and group practice physicians have been confronted with new financial challenges as they continue to face significant revenue losses due to the pandemic. These healthcare providers thus need to deploy payment innovations that make paying bills online easy and hassle-free.

82%

of Gen Z patients are interested in payment plans.

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A PAYMENTS INNOVATION CHEAT SHEET

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Group and private practice providers can take five simple steps to streamline payments processes, regardless of their practices' size or maturity.

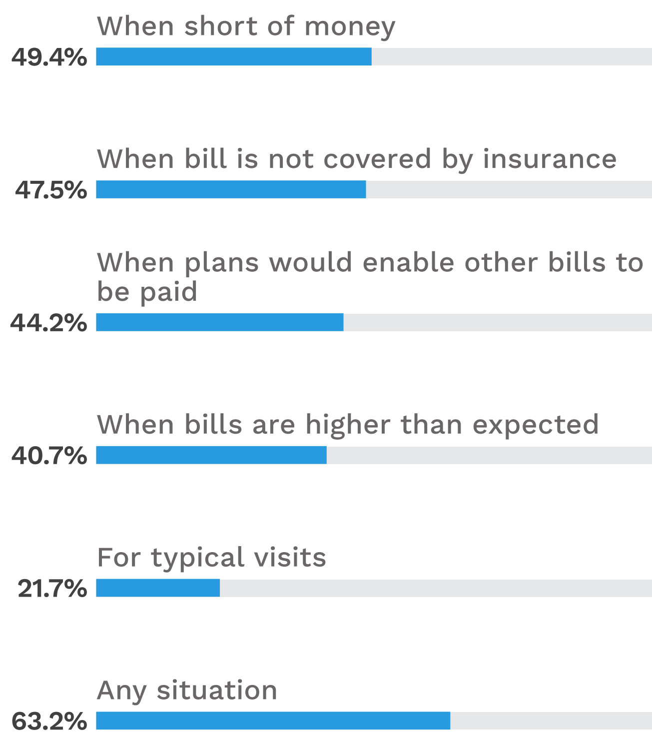
1. Create a comprehensive self-service portal for digital payments.

Most patients are interested in payment plans and simplified payment processes, but many have experienced unpleasant surprises when paying their bills. Frictions at checkout can be removed by offering clear, highly visual information that details the billing process, payment options and copays. Healthcare providers must also enable their customers to easily manage their accounts and pay their bills online or while in the office through a web interface that removes layers of complexity from patients' billing and payments experiences.

FIGURE 5:

Consumers' interest in payment plans

Share of consumers "very" or "extremely" interested in payment plans



2. Make digital payments easier — even for those who often pay with cash.

Even patients who often manage their copays or full payments with cash can be encouraged to pay digitally when offered payment plans and other incentives. Digital payments make it easier for providers to streamline collections and payment reminders while ensuring that consumers with payment challenges can receive the help they need. Providers can also improve engagement with patients facing economic challenges by creating a digital "onboarding" page that allows them to compare and select payment plan options online. Tools that permit new registrants to easily transition from cash payments to prepaid cards or digital and mobile wallets should also be used.

3. Create a multigenerational payments education strategy.

Our research shows that Gen Z patients are more likely to pay with digital wallets than other age groups, but this does not mean that baby boomers and Gen X patients are resistant to paying digitally. Education often means show-and-tell: Providers should show how digital payments can make patients' lives easier by offering these options as part of an overall improvement to customer service. Connecting digital payments to easy payment plans and bundled self-service account management features like digital appointment reminders and mobile check-in can make it easier to get consumers who are used to cash and checks to pay online.

CONCLUSION

Consumers and healthcare providers have a common goal when it comes to payments management: efficiency and ease of use. The overwhelming majority of healthcare consumers are interested in payment plans, but adoption is far less than expressed interest.

A significant number of private practice and group practice patients experience trouble paying their bills and may fall behind on payments or abandon their healthcare providers altogether. Digital payments modernization solves the efficiency and consumer loyalty puzzle at the same time. Offering payment plans can make it easier for financially challenged consumers to pay their bills affordably and allow healthcare providers to track and manage payments.

Private and group practices face different challenges, but both can benefit from simplified payment procurement and deeper customer engagement. Payments modernization means better customer experiences for patients as well as long-term, sustainable growth for private and group practices alike.

METHODOLOGY

Our survey assessed more than 2,000 survey responses from patients who received healthcare services within the past 12 months. Survey respondents represented a broad range of demographics reflective of the current population. Survey responses were screened for inconsistencies and verified before inclusion in our findings.

ABOUT

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

Rectangle Health

Rectangle Health, a leading healthcare technology company, empowers practices with seamless and secure solutions to drive revenue by increasing patient payments and streamlining practice management. Since 1992, the company's innovative technology has reduced administrative burden and rebalanced the ledger for its thousands of healthcare providers in the U.S., reliably processing billions of dollars in payments annually. To learn more, visit: www.rectanglehealth.com

THE Healthcare Payments INNOVATION PLAYBOOK

The Healthcare Payments Innovation Playbook, a PYMNTS and Rectangle Health collaboration, presents insights from a survey of more than 2,000 consumers regarding their healthcare experiences in 2020. Our findings reveal a clear portrait of the increasing importance of digital healthcare management options as a key component of customer satisfaction.