



Trends in Healthcare Payments Fifth Annual Report: 2014

Published: May 2015

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The U.S. healthcare payments market is expected to reach an estimated \$5 trillion by 2022.¹
.....

9 *in* 10

consumers want to pay healthcare bills **online**

page 23



1 *in* 3

payers **did not** meet the January 2014 ERA/EFT mandate

page 19



7 *in* 10

providers said that it took more than **one month** to collect in 2014

page 14



Source

¹ Centers for Medicare & Medicaid Services (2015)

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Executive Summary

2014 Trends in Healthcare Payments

The U.S. healthcare payments market is expected to reach an estimated \$5 trillion per year as a total of both payer and consumer payments by 2022.² However, more than 30 percent of those dollars are considered to be wasted due to inefficient, disjointed payment processing and costs associated with paper-based billing and administrative processes.³

These costs are expected to continue to increase unless the healthcare industry recognizes and addresses the critical role of consumer choice, the impact of the digital economy on payment options and data security best practices. InstaMed Network's historical data and surveys of consumers, providers and payers in 2014 confirms this reality in more detail in the sections that follow.

Shift to Consumer-Centric Healthcare

One of the many challenges currently facing the healthcare industry is the shift to a more consumer-centric service model. Driven in large part by steady increases in consumer payment responsibility and subsequent out of pocket payments, consumers are demanding greater transparency from their healthcare providers and payers. Consumers are accustomed to the simplicity and convenience of shopping experiences, like Amazon and Geico insurance, and expect the healthcare industry to offer simpler, more efficient billing and payment options.

As of January 2014, 17.4 million consumers were enrolled in HDHPs — an increase of 12 percent from the previous year.⁴

As of January 2014, 17.4 million consumers were enrolled in high-deductible health plans (HDHP) — an increase of 12 percent over the previous year.⁴ The Affordable Care Act (ACA) has driven millions of new consumers into the healthcare system through both public and private exchanges. As a result, many more consumers are now responsible for health insurance premiums and co-payments to a variety of providers and health plans.

Nearly 20 percent of consumers have unpaid healthcare bills due to the unfamiliar and confusing healthcare payment process.⁵

Sources

²Centers for Medicare & Medicaid Services (2015)

³Consumers Union (2013)

⁴America's Health Insurance Plans (2014)

⁵Consumer Financial Protection Bureau (2014)

Demand for Multiple Payment Channels

Due to the changes referenced above, many consumers are confused and frustrated by an unfamiliar and expensive healthcare payments process. As a result, nearly 20 percent of those consumers have unpaid healthcare bills.⁵

With the increase in consumer payment responsibility, payers and providers alike need to identify tactics that accommodate consumers' expectations for simple billing and convenient ways to pay. A focus on streamlining the consumer payment experience will ultimately improve collection rates, increase customer satisfaction and enhance profitability and cash flow.

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The purpose of this report is to present key market trends that affect the healthcare payments industry and educate while promoting awareness, change and greater efficiency within the marketplace.

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Managing Risk and Data Security

The proliferation of digital and mobile payment channels used by both payers and consumers is setting the stage for payment and personal identity data to be at greater risk of compromise through breaches and cyberattacks. However, with enhanced data security options, providers and payers now have access to protocols that protect consumer privacy, prevent fraud and proactively defend critical payment data from falling into the wrong hands.

Well-prepared and informed healthcare providers and payers are investing in payment technology solutions that allow them to accommodate changing consumer preferences for more convenient and simple electronic payments. This is especially critical at a time when healthcare consumers are being held responsible for a larger percentage of payments. Healthcare providers and payers must adopt innovative payment solutions while managing the risk to both their business and their consumers' private data and payment information.

Adoption of ERA/EFT

In addition to meeting consumer demands and ensuring payment security, payers are consistently challenged with high administrative costs due to inefficient paper statements and payments to providers. To reduce these costs, many payers have promoted the adoption of electronic remittance advice

(ERA) and electronic funds transfer (EFT) transactions across their provider networks. When fully implemented, these best practices could result in an annual savings to the healthcare industry of up to \$8 billion.⁶

Survey of Industry Drivers

This report identifies the business drivers for payers and providers and the changes they are making to focus on consumer preferences, improve cash flow, enhance data security and operate more efficiently.

The purpose of this report is to present key market trends that affect the healthcare payments industry and educate and promote awareness, change and greater efficiency within the marketplace. These trends highlight quantitative data derived from the InstaMed Network and feature qualitative proprietary survey data from healthcare providers, payers and consumers nationwide.

Sources

⁵ Consumer Financial Protection Bureau (2014)

⁶ Council for Affordable Quality Healthcare (2014)

TRENDS

in CONSUMER PAYMENTS

Consumer Healthcare Payments in 2014

As payment responsibility increases, consumers are increasingly paying in new ways, via payment cards and mobile devices.

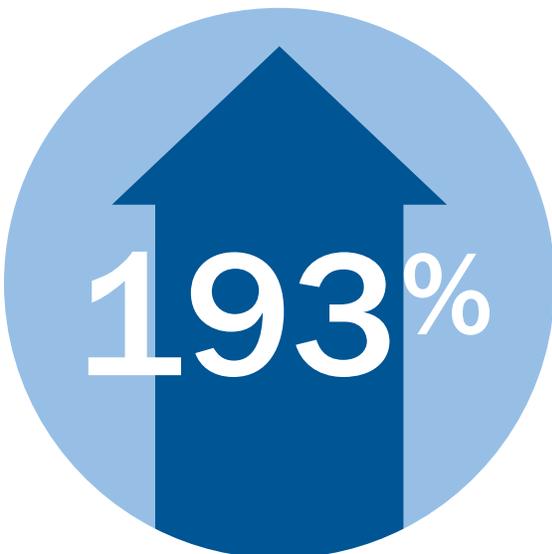
Consumer Payment Responsibility Increases

As the amount of payments from payers to providers is decreasing, consumer payment responsibility, including co-payments, deductibles, co-insurance and balance billing is on the rise. During the period from 2011 to 2014, the InstaMed Network experienced a 193 percent increase in the total number of direct consumer payments to providers. The challenge now is that providers, who previously relied on payments from just a few payers, need to bill and collect payments directly from hundreds or even thousands of consumers (Figure 1.1).

1.1

Increase in the Total Number of Consumer Payments to Providers

From 2011 to 2014, the total number of consumer payments to providers increased by 193%.



Payment Amounts to Providers Increase

Due to the large increase in HDHP enrollment, the total dollars paid by consumers directly to providers and payers is experiencing significant growth. Data from the InstaMed Network confirms that the average dollar amount that consumers owe their providers for each bill is higher than in previous years. Last year alone, consumers spent \$824 billion for healthcare services including out of pocket and deductible payments.⁷

In 2014, the average amount paid by a consumer to a provider on the InstaMed Network grew by 11 percent to \$142, from \$128 in 2012 (Figure 1.2). Combined with growth in the total number of transactions, consumers not only received more healthcare bills, but they were billed for increasingly larger balances.

Source

⁷ Centers for Medicare & Medicaid Services (2015)

1.2

Rise in Average Ticket

The average ticket size of a consumer to provider payment rose from \$128 in 2012 to \$142 in 2014.



Preference for Card Payments Growing

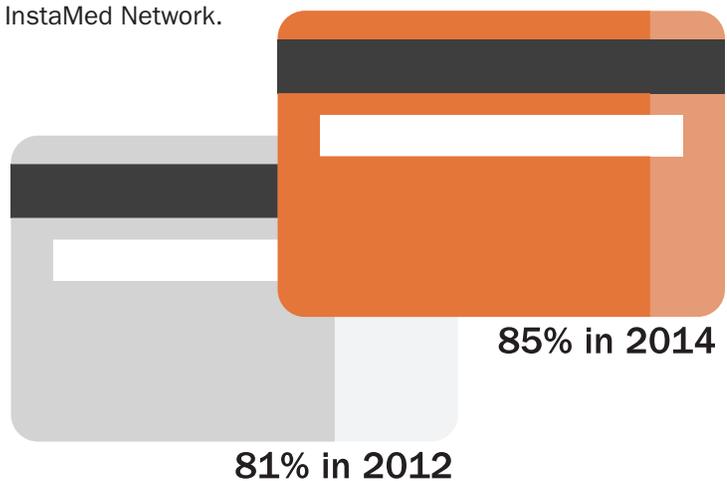
As consumer payments become a larger portion of provider revenue, providers must meet consumer payment expectations set by other industries, such as offering convenient card payment channels and leveraging automated payment technologies. This is a major change from providers' traditional method of receiving consumer payments by check and through the mail.

Recently, more providers are offering consumers the option to pay with a card, over the phone and through online portals. Data from the InstaMed Network confirms this trend, as card payments made by consumers represented 81 percent of the gross dollar volume of payments in 2012, expanding to 85 percent in 2014 (Figure 1.3). This steady shift to card payments demonstrates that more providers are accepting payments electronically to meet consumer demand for convenience and most likely, will continue to do so.

1.3

Shift to Card Payments

In 2014, card payments to providers expanded to 85% of all consumer healthcare payments on the InstaMed Network.



Increase in Automated Payments

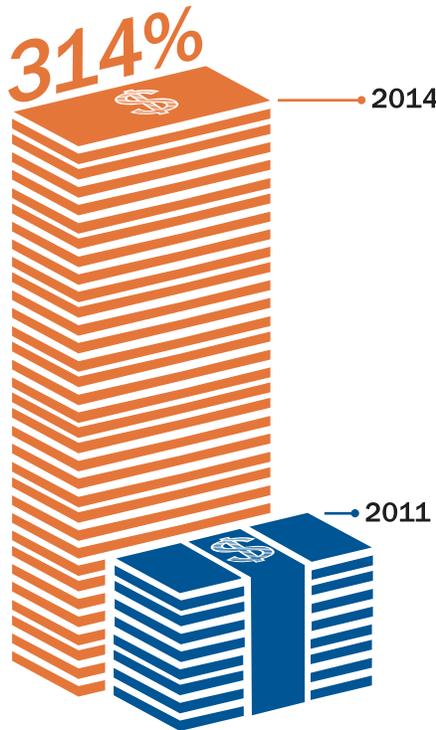
With the increase in consumer obligations for medical expenses, more providers are enabling consumers to pay larger balances over time through automated payment plans. As a best practice, these plans allow providers to automatically collect payments on a recurring basis in a compliant and secure way. Automatic payments reduce collection time and costs by eliminating paper statements and follow up phone calls.

Comparable data from the InstaMed Network shows that the total number of annual transactions for payment plans grew by 314 percent from 2011 to 2014 (Figure 1.4). This is evidence that, when given options that simplify the payment process, consumers are willing participants.

1.4

Growth of Automated Payment Plans

From 2011 to 2014, the number of automated payment plans grew by 314%.



Increase in Mobile Payments

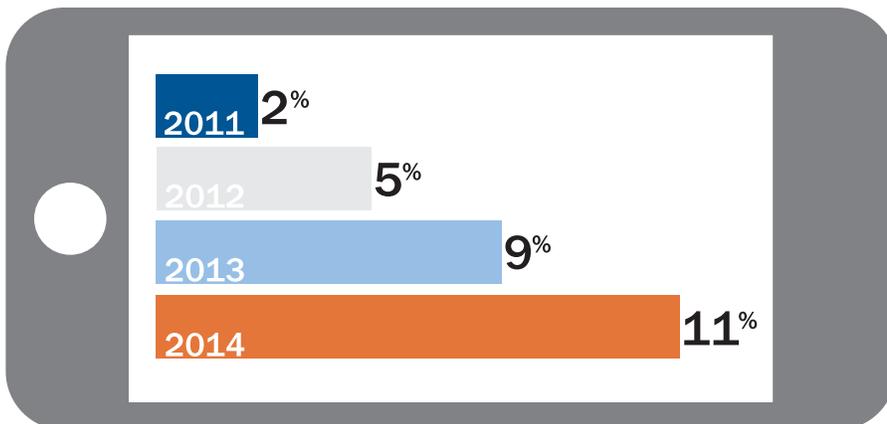
The growing use of mobile devices has enabled 24/7 consumer access to email and online services – 63 percent of consumers use their mobile devices exclusively to go online.⁸ Consumers now have the ability to manage their healthcare payments through a website or portal from anywhere, at any time.

Accordingly, the number of healthcare payments made from a mobile device through an online portal are increasing. In fact, data from the InstaMed Network shows online payments made from a mobile device represented 2 percent of gross dollar volume of online payments in 2011, expanding to 11 percent in 2014 (Figure 1.5). This data confirms that when medical providers adapt their payment options to accept mobile payments, consumers will take advantage of those options.

1.5

Expanding use of Mobile Payments

Payments from a mobile device expanded to 11% of all online payments in 2014.



Source

⁸ Pew Research Center (2013)

TRENDS

in PAYER PAYMENTS

Payer Payments in 2014

Payers are promoting ERA/EFT adoption among providers to increase cost savings with automated transactions.

Increase in ERA/EFT Provider Adoption

Since January 2014, all payers are required by the federal government to support electronic funds transfer (EFT) and electronic remittance advice (ERA) in accordance with the requirements specified in the Affordable Care Act (ACA). As more payers offer ERA/EFT options, savvy providers are accepting these transactions. With automated posting and reconciliation, providers receive payments faster and improve their operational efficiencies. To increase cost savings, payers can achieve increased provider adoption of ERA/EFT with best practices that include promotional outreach to providers and convenient registration processes.

These efforts have effectively increased provider adoption of ERA/EFT based on data from the InstaMed Network. Overall growth of total payments made via EFT from payers to providers increased 169 percent from 2011 to 2014 (Figure 2.1).

2.1

Surge in ERA/EFT Payments to Providers

From 2011 to 2014, ERA/EFT adoption by providers increased by 169%.



LATEST TRENDS

and BEST PRACTICES

Prepare for the Future of Healthcare Payments

By 2015, 50 percent of healthcare organizations will have experienced one to five cyberattacks.¹⁰

Consumers with HDHPs have average deductibles that range from \$1,000 to \$2,000 – a 50 percent increase since 2009.⁹

The trend toward consumer responsibility for healthcare payments is accelerating. However, fickle consumers expect to pay healthcare bills when and how they choose. Payers and providers must work together to help consumers manage their responsibility and utilize innovative technologies to facilitate that process. Otherwise, providers risk further consumer dissatisfaction, higher processing costs, delays and ultimately reduced profitability and revenues.

Learn More: www.instamed.com/impacts-of-consumerism

93 percent of consumers want to pay their healthcare bills online.

Since its release in 2014, Apple Pay has been implemented in nearly a million locations with considerable consumer adoption. This early success and adoption is an example of the growing trend to enable consumers to pay electronically utilizing any device – when it's convenient for them. As the healthcare payment system becomes more dependent on direct consumer payments, it is imperative that they adopt a similar consumer-centric approach to consumer payment responsibility.

Learn More: www.instamed.com/apple-pay

By 2015, 50 percent of healthcare organizations will have experienced one to five cyberattacks.¹⁰

Consumer payment channels in all industries are expanding rapidly as new technologies enable consumers to pay virtually anywhere, from any device, in any way they choose. With this expansion of online payment channels comes greater risk of a data breach.

Innovation in payment security technologies has offered merchants new options that protect cardholder data, prevent fraud and shield their businesses and reputations from the risk of a data breach. As healthcare organizations begin to accept more payments from consumers, it is important for those organizations to become aware of the risks and vulnerabilities inherent in electronic payments.

Learn More: www.instamed.com/innovation-security

Sources

⁹ Kaiser Family Foundation (2014)

¹⁰ International Data Corporation (IDC) Insights (2014)

Streamline Healthcare Payments, All in One Place

An integrated network simplifies healthcare payments – saving time and money for all.

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79 percent of consumers indicated that payers should allow them to make all of their healthcare payments, all in one place.

.....

79 percent of consumers indicated that payers should allow them to make all of their healthcare payments all in one place.

Premium. Deductible. Co-payment. Do consumers really know the difference? Do they understand? For most, the answer is a resounding “No.”

To effectively engage consumers, health plans must focus on effectively communicating payment responsibility to consumers and making it easy for them to pay – regardless of the payment channel, all in one place, like an integrated payment portal.

91 percent of consumers indicated that payers should allow them to make their payments in any way they choose.

The healthcare payments process must begin to meet consumers where they are. Healthcare consumers want to know how much they owe and how to pay with as many options as possible. Health plans can simplify this process by integrating payment functionality within their portals for both premium and provider payments.

The healthcare payments process must evolve to meet the needs of today’s consumer. They demand more choice, flexibility and simplicity in the payments process.

As a best practice, health plans should enable consumers to:

1. View payments owed to all providers across multiple family members
2. Pay with any preferred card or account
3. Make mobile payments through Apple Pay and Google Wallet
4. Securely save payment information for future payments
5. Understand the impact of provider payments on deductibles
6. Manage payments all in one place including a mobile phone or tablet

Furthermore, health plans should consider supporting enhanced email and text communications with consumers for balance information, payment receipts, voids, rejects and all other relevant transactions.

Learn More: www.instamed.com/impacts-of-consumerism

Implement the Price Transparency Model

Leverage technology and best practices to deliver payment assurance, just as the hotel industry does.

63 percent of consumers said that they did not know their payment responsibility during a provider visit.

The well-known “hotel check-out model” demonstrates how price transparency at the time of “check-in” can prevent consumer confusion at “check-out.” Often consumers are not aware of the total cost of healthcare services at the time of treatment. By providing a patient with an estimated price for service prior to treatment, providers can establish payment responsibility and manage consumer expectations.

Learn More: www.instamed.com/price-transparency

75 percent of providers indicated that it takes more than one billing statement to collect a consumer payment.

Providers can do more to ensure that they collect payments in a timely manner with the adoption of estimating best practices. By setting payment expectations upfront, consumers are aware of what they may owe and are more likely to pay their responsibility. Providers can use integrated technology to estimate payment responsibility, clearly communicate the estimate and secure a payment method upfront.

When a provider discusses a payment responsibility with a consumer upfront, they have the ability to provide the consumer with choices and options. Options for payment can include convenient, automated payment plans that enable the provider to maintain payment information on file that reduces collection time. A provider then automatically collects payments after the claim is processed by the health plan.

Technology and best practices that deliver payment assurance, just as the hotel industry achieves, help providers to solve the challenges of consumer confusion, slow payment and provider bad debt.

Learn More: www.instamed.com/payment-expectations

75 percent of providers indicated that it takes more than
one billing statement to collect a consumer payment.

Expand Provider Adoption of ERA/EFT

Approximately 33 percent of payers indicated that they did not meet the requirements mandated by the ACA.

EFT payment volume from payers rose 169 percent since 2011, indicating that provider adoption of electronic payments is continuing to rise.

A critical decision when evaluating how to implement ERA/EFT is whether to “build or buy” – whether to use internal resources to build ERA/EFT capabilities or to buy from a third-party vendor. Irrespective of which model a payer chooses to achieve compliance, there are several key considerations that should be included in the project scope from the very beginning:

Provider Adoption

Easily reach providers and quickly enroll them in ERA/EFT, minimizing print and mail costs.

Financial Controls and Daily Monitoring

Establish resources and processes dedicated to monitoring all payment activity on a daily basis, supporting financial regulatory requirements, protecting against fraud when enrolling providers and supporting bank account changes and Know Your Customer (KYC) verifications in a timely manner.

Compliance Requirements

To avoid penalties, identify the resources necessary to understand the reform mandate and verify compliance.

Third-Party Relationships

If payers choose to work with a third-party vendor, they need to ensure they know the company they are buying from and any downstream third-party relationships that the vendor may require to deliver a complete solution. It is crucial for a payer to understand all of the relationships in the supply chain which will help to assess potential points of failure and the continuity of service.

Learn More: www.instamed.com/achieving-eraeft

Provider *Sentiment*

7 *in* 10

providers said that it took more than one month to collect in 2014

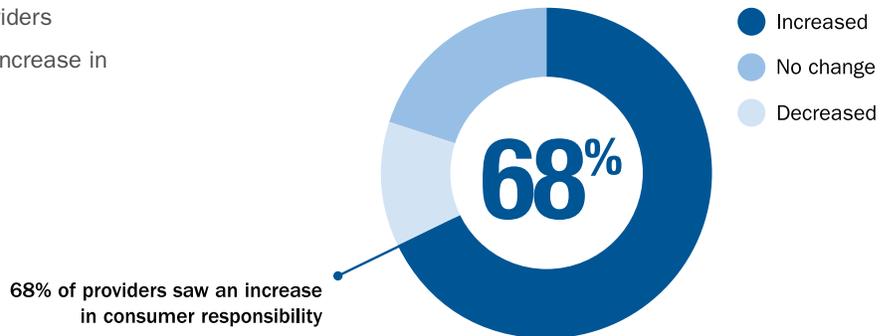


Summary

The observations in InstaMed's 2014 Trends Report, surrounding both payer and consumer payments, have had a significant impact on healthcare providers. Digging deeper into the experience of providers, InstaMed conducted a nationwide healthcare provider survey. Survey participants ranged from solo practitioners to billion dollar healthcare systems. The following key data points highlight the most relevant and revealing facts from that survey.

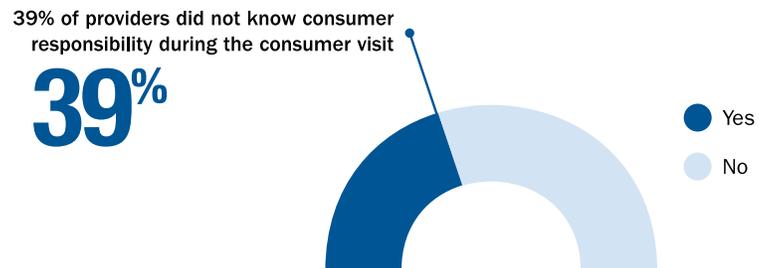
3.1

In 2014, 68 percent of providers indicated that they saw an increase in consumer responsibility.



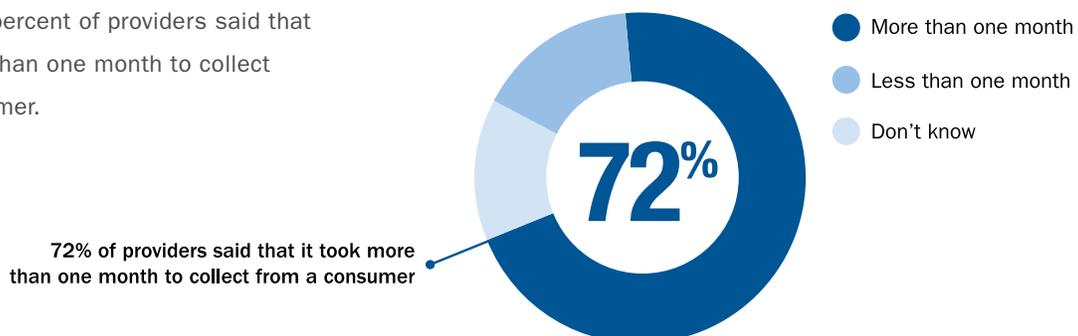
3.2

In 2014, 39 percent of providers said that they did not know the amount of consumer responsibility during the consumer visit.



3.3

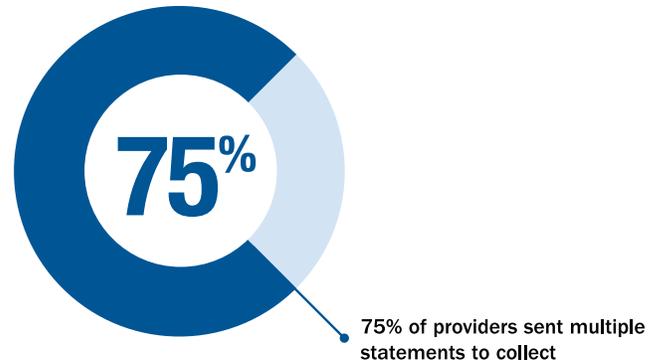
In 2014, 72 percent of providers said that it took more than one month to collect from a consumer.



3.4

In 2014, 75 percent of providers indicated that they consistently mailed more than one paper statement to collect a consumer payment.

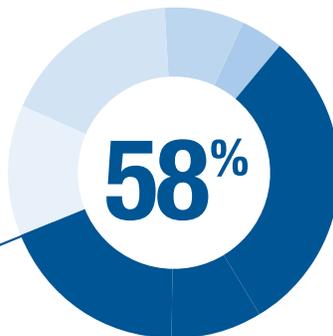
One statement 
More than one statement 



3.5

In 2014, 58 percent of providers said that their primary revenue cycle concern was related to consumer collections.

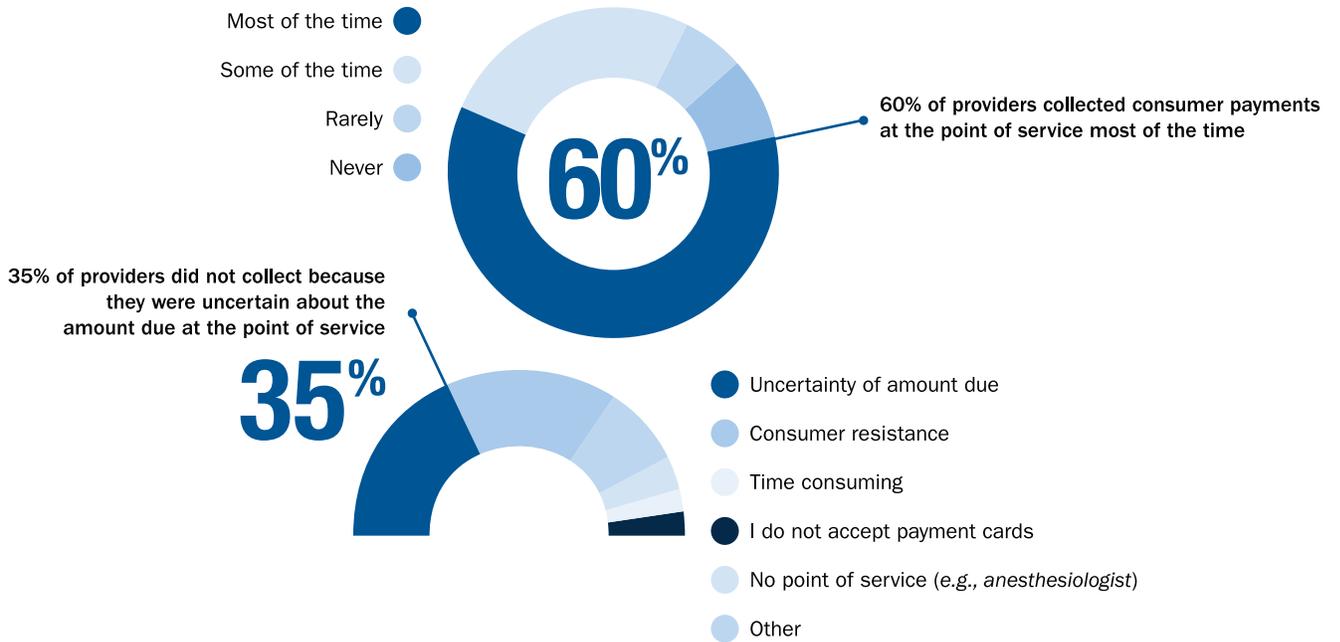
58% of revenue cycle concern for providers was related to consumer collections



-  Increase in consumer responsibility for payment
-  Rise in bad debt due to low consumer collections
-  Days in accounts receivable
-  Changes associated with healthcare regulations
-  Contractual payer payment accuracy
-  Rise in operational costs
-  Other

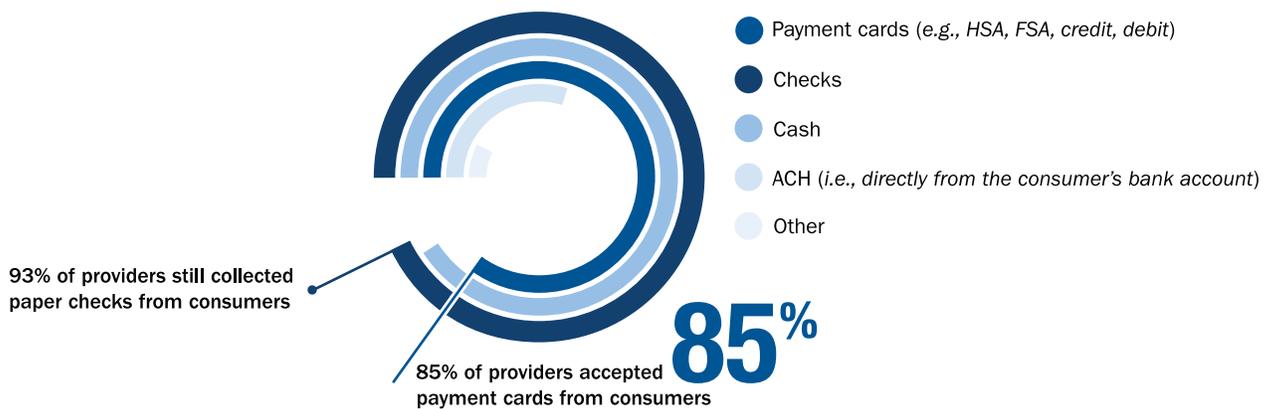
3.6

In 2014, 60 percent of providers said that they collected at least some money due at the point of service for the majority of their consumer visits. When they did not collect at the point of service, 35 percent said that it was due to uncertainty of the amount due and 35 percent said that it was due to consumer resistance to pay.



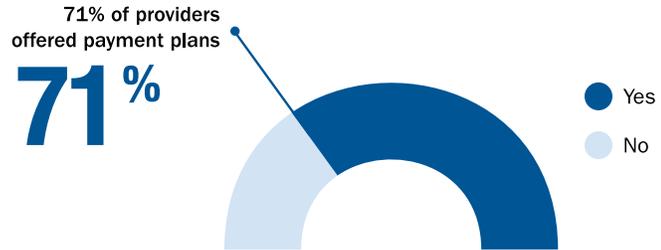
3.7

In regard to the various collection methods providers made available in 2014, 85 percent said that they accepted payment cards from consumers. However, 93 percent of providers said that they also still collect paper checks.



3.8

In 2014, 71 percent of providers said they offered payment plan options to their consumers.



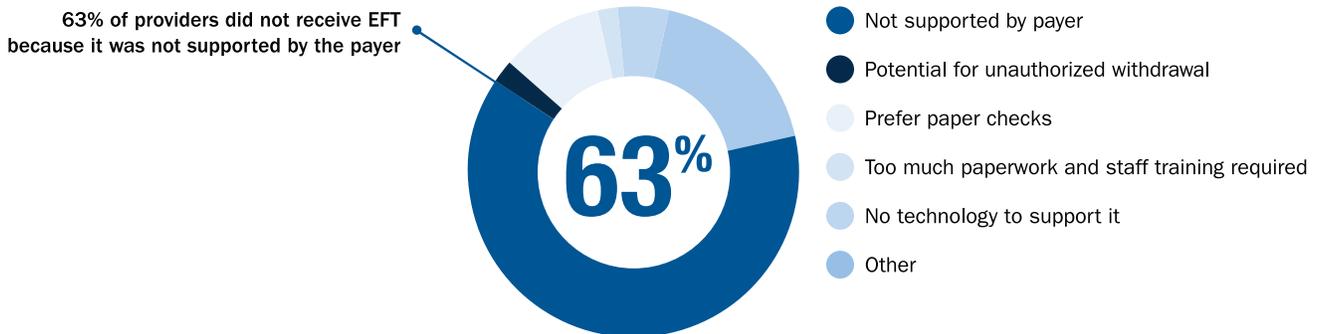
3.9

In 2014, 96 percent of providers said that they received payer payments via EFT from one or more payers. However, almost all providers indicated that they still received payments in the form of paper checks (86 percent) and virtual payments (46 percent) from some payers, which are not compliant with the ERA/EFT mandate.



3.10

Of the providers that did not receive payer payments electronically, 63 percent said that it was because payers did not support electronic payments.





1 *in* 3

payers did not meet the January
2014 ERA/EFT mandate

Payer *Sentiment*

Summary

Trends in healthcare payments made a large impact on healthcare payers. To improve the understanding of payers' experiences, InstaMed conducted a survey of healthcare payers nationwide. The following key data points from this survey provide insights into these experiences.

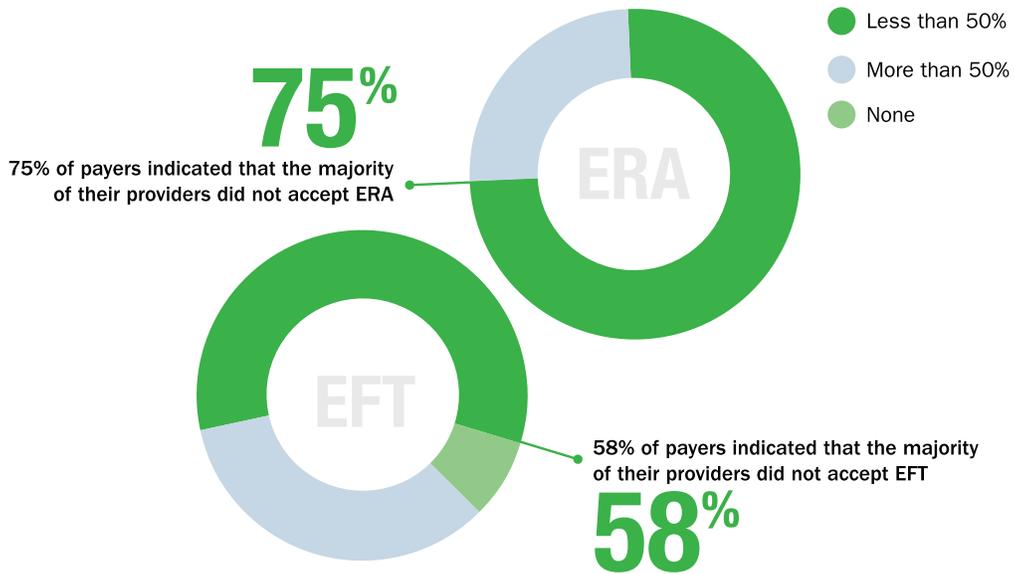
4.1

In 2014, 33 percent of payers indicated that they did not currently meet the January 2014 ERA/EFT mandate of the ACA requirements.



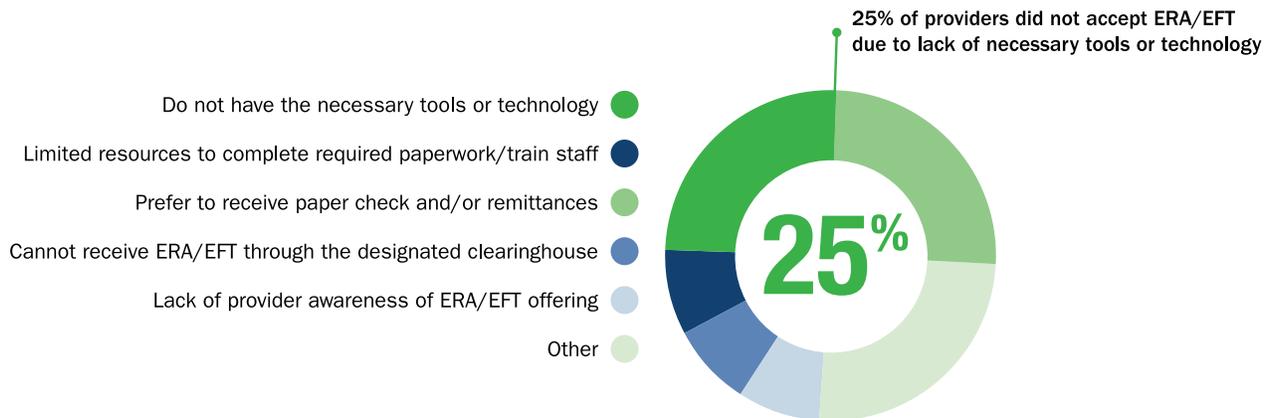
4.2

Of the payers that offered ERA/EFT to their providers in 2014, 58 percent indicated that less than half of their providers accepted EFT payments and 75 percent indicated that less than half of their providers accepted ERA.



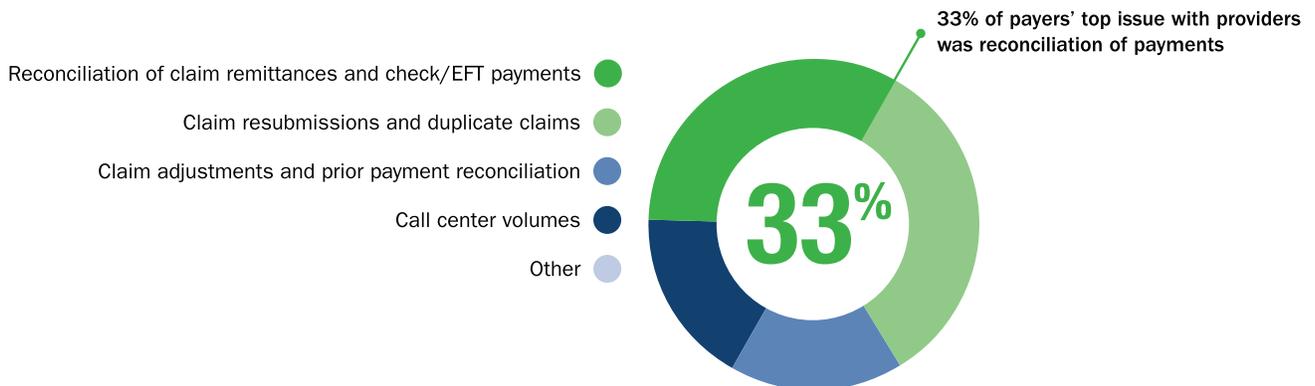
4.3

When asked for the primary reason why providers did not accept ERA/EFT in 2014, 25 percent indicated that it was due to a lack of the necessary tools or technology.



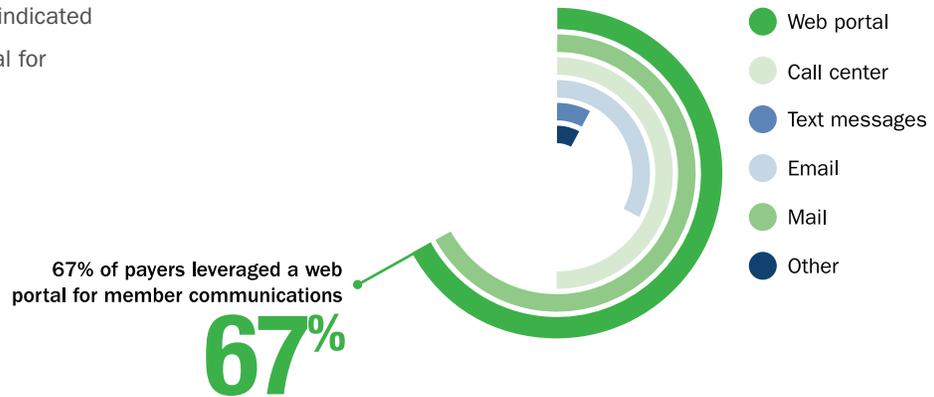
4.4

When questioned about their top issue when dealing with their provider networks in 2014, 33 percent of payers said that it was reconciliation of claim remittances and check/EFT payments.



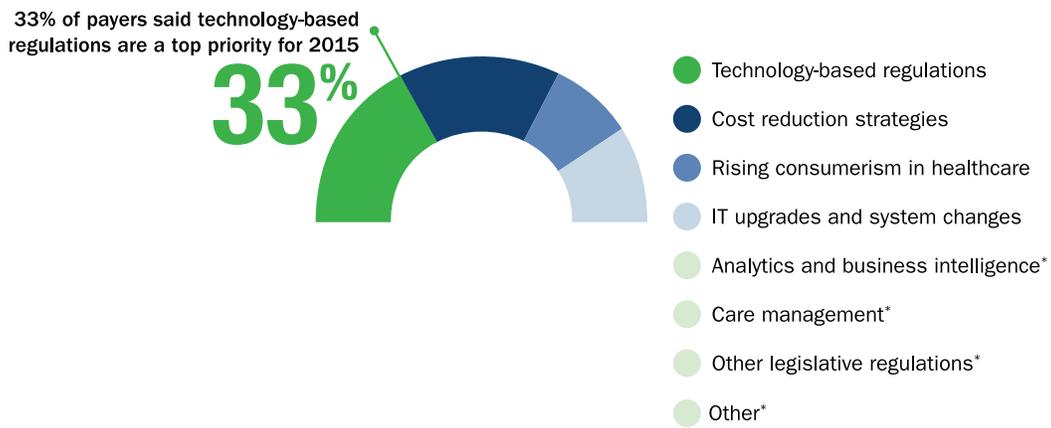
4.5

In 2014, 67 percent of payers indicated that they leveraged a web portal for member communications.



4.6

When questioned about their top priority for 2015, 33 percent said that it is technology-based regulations, such as ACA, CAQH CORE and ICD-10.



*results less than 1 percent

Consumer *Sentiment*

9 *in* 10

consumers want to pay
healthcare bills online

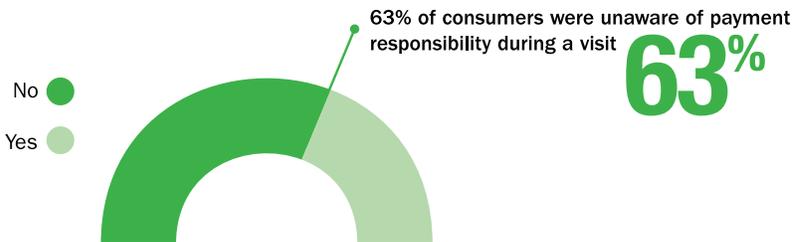


Summary

The 2014 Trends Report indicates that consumer perceptions and behavior continue to be increasingly important in the healthcare payments process. With the rise in healthcare consumerism, it is becoming more important to focus on the consumer's payment experience. To better understand this experience, InstaMed conducted two nationwide surveys: consumers with health insurance in 2014 and consumers who visited a healthcare provider in 2014. The following key data points from these surveys provide insights into current consumer sentiments.

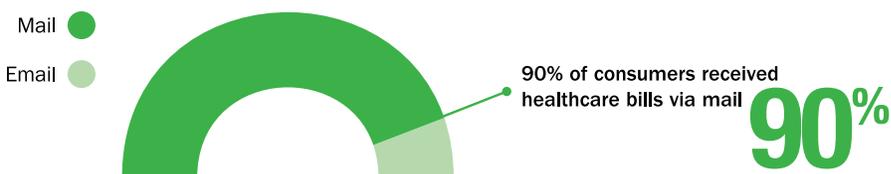
5.1

In 2014, 63 percent of consumers said that they did not know their payment responsibility prior to a provider visit.



5.2

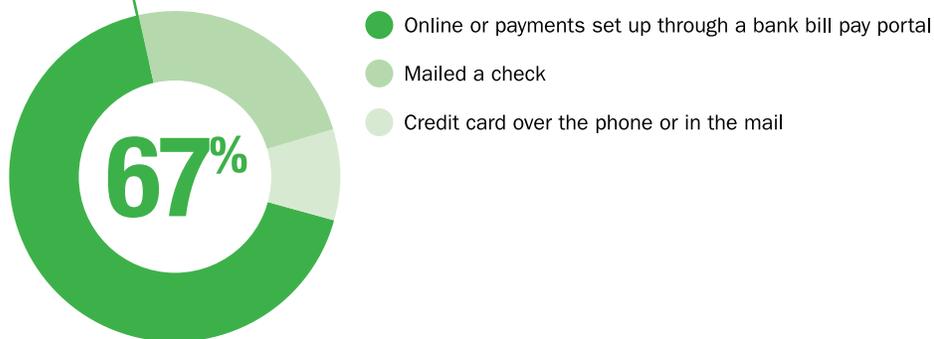
Only 10 percent of consumers said that they received their healthcare bills via email in 2014.



5.3

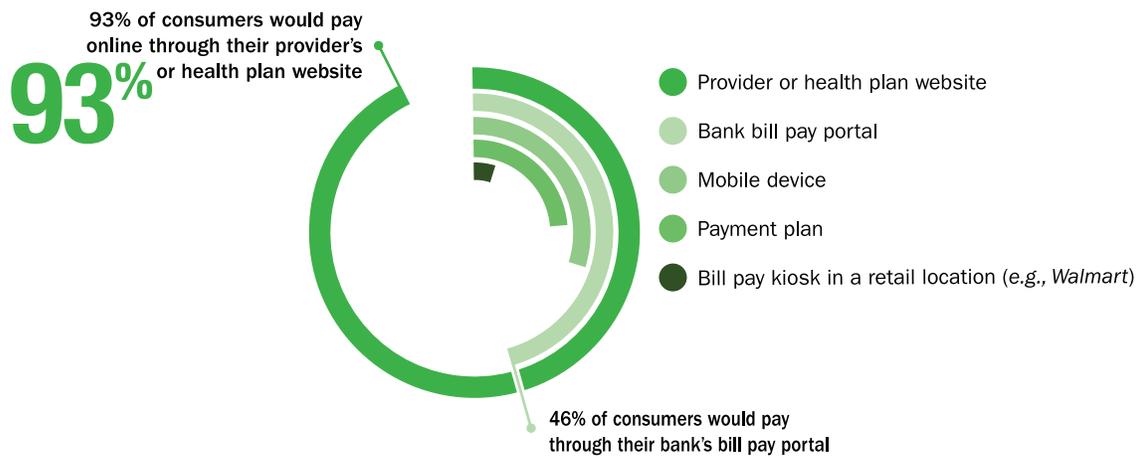
When asked how they normally pay their non-healthcare bills, such as utility or cable bills, 42 percent of consumers said that they paid online and 25 percent said that they paid via their bank's bill pay portal.

67% of consumers paid their non-healthcare bills online or through their bank's bill portal



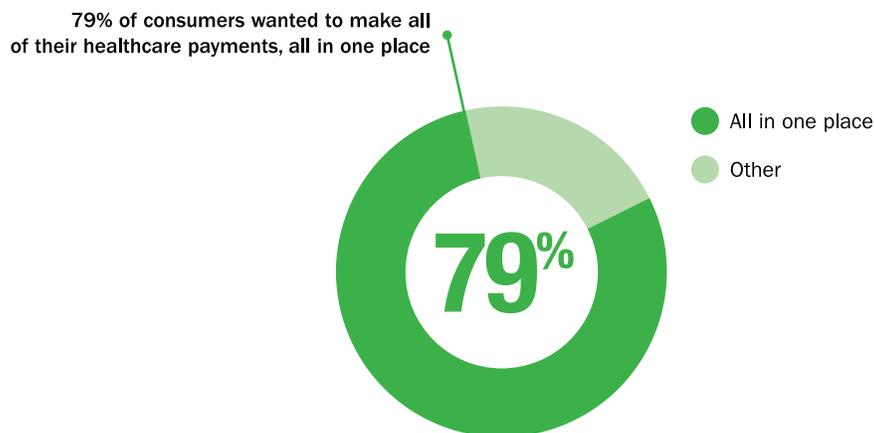
5.4

If given the option of various methods to pay their healthcare bills, 93 percent of consumers indicated that they would pay online through their provider or health plan website and 46 percent indicated that they would pay online through their bank's bill pay portal.



5.5

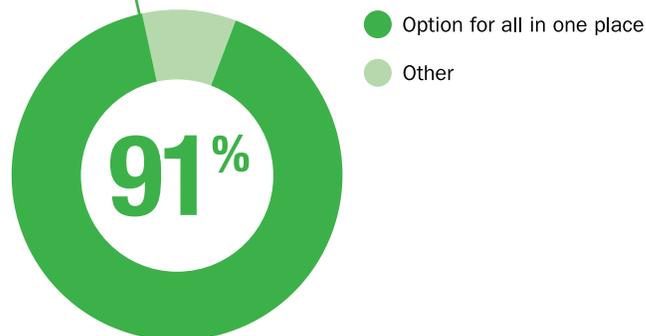
In 2014, 79 percent of consumers indicated that payers should allow them to make all of their healthcare payments, all in one place.



5.6

In 2014, 91 percent of consumers indicated that payers should allow them to make their payments in any manner they choose.

91% of consumers want to make their payments however they want to pay



5.7

In 2014, 42 percent of consumers were very confused by bills from their providers.

42% of consumers were very confused by provider bills



5.8

In 2014, 47 percent of consumers were very confused by the explanation of benefits (EOB) they received from their payer.

47% of consumers were very confused by the EOB from their payer



Conclusions

Conclusion

The 2014 Trends in Healthcare Payments Annual Report demonstrates that meeting consumer demand for payment processing must include the following options: mobile technologies, online payment availability and multiple payment acceptance methods. As the industry continues to evolve, many providers and payers have taken significant steps to adapt to these changes. For the industry as a whole to thrive, it must understand today's changing consumer preferences, and apply process and policy changes to their ongoing operations. At the same time, efficiency, payment best practices and enhanced data security will be crucial to their continued success.

Methodology

The 2014 Trends in Healthcare Payments Annual Report includes quantitative data from the InstaMed Network, with a volume of \$118 billion since inception, in healthcare payments. The InstaMed Network powers healthcare and payment transactions for a wide range of providers – from solo practitioners to billion dollar health systems – and health plans of all sizes, nationwide. Quantitative data represented in this report includes transactions processed between 2011 and 2014.

Qualitative data includes provider sentiment derived from survey respondents representing over 100,000 healthcare providers nationwide. These providers are comprised of 69 percent medical practices or clinics; 4 percent durable medical equipment (DME), labs and other offices; 5 percent billing services; 4 percent hospitals, health systems and integrated delivery networks (IDN); and 18 percent other providers, which include ambulatory surgery centers and physical therapy organizations.

Payer survey data came from respondents representing over 3,000 payers nationwide including 8 percent regional payers; 25 percent national payers; 42 percent third-party administrators (TPA); and 25 percent Blue Cross Blue Shield plans.

Consumer data includes responses from 1,000 consumers nationwide who had health insurance in 2014 and 200 consumers nationwide who visited a healthcare provider in 2014.

About InstaMed

InstaMed simplifies every healthcare clearinghouse and payment transaction for providers and payers, all in one place. Providers collect more money, get paid faster and reduce the time and costs to collect. Payers cut their settlement and disbursement costs with electronic payments. InstaMed's single, integrated network simplifies the healthcare payments process for 1,500+ hospitals, 70,000+ practices and clinics and 100+ billing services; connects to 3,000+ payers; and integrates with 60+ practice management systems. InstaMed processes tens of billions of dollars in healthcare payments each year at a rate of more than \$2,000 per second.

Visit InstaMed on the web at www.instamed.com or contact info@instamed.com for more information.

