



How to Improve Cash Flow and Reduce Bad Debt By Adopting a Credit Card on File Billing Policy

Bad debt has long been considered a necessary evil to healthcare providers. There will always be a percentage of costs that will go uncompensated, and either designated as charitable care, or written off as bad debt.

However, providers could always count on recovering the majority of revenue from insurance payers and government programs (Medicare and Medicaid).

That being the case, the healthcare industry's revenue cycle has traditionally focused on perfecting and automating the hard science of medical billing and coding, insurance verification, and claims and denial management.

The constantly evolving science of collecting from payers is still a critical part of the revenue cycle, however, the most accurate and effective coding and claims denial processes are now recovering 20% less of medical costs. Many providers are finding out too late that the traditional patient billing process is not working on higher balances and they are seeing more

uncollected revenue finding its way into third-party collections—the last stop before bad debt.

This is where a proactive billing strategy that captures a payment method and creates payment plan parameters prior to service is crucial for revenue cycle integrity.

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Whether a healthcare provider realizes it or not, they are entering into an informal financing arrangement

with patients the moment they leave the hospital, urgent care clinic, or doctor's office.

- 81% of medical offices with five or fewer physicians reported that collecting from patients with HDHPs was their top revenue concern.

Unfortunately for providers, patients leave hospitals and doctors offices without a formal financing agreement in place.

Strategy: Provide patients with payment plan options based on their estimated balances after insurance

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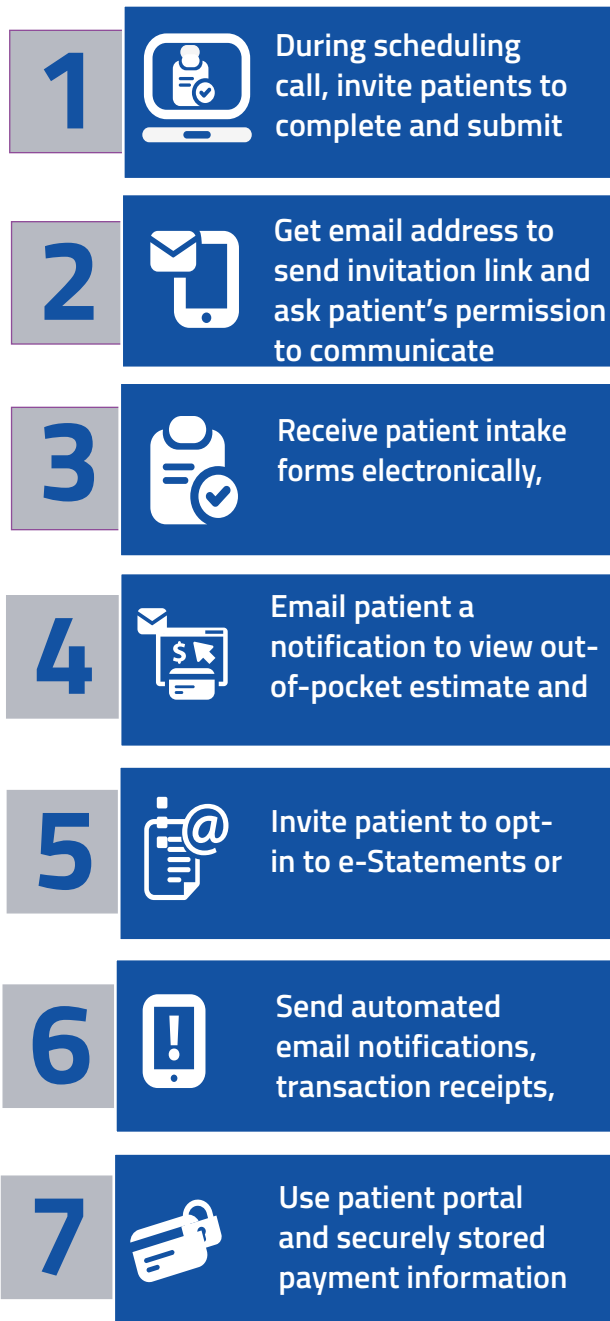
Using an online patient portal, healthcare providers can invite patients to log in and choose a payment plan that works for them, securely store a method of payment, and receive electronic updates and alerts concerning their account.

In general, healthcare providers who adopted a Credit Card on File (CCOF) policy, have seen drastic improvements in their accounts receivable results.

- 34% reduction in collection costs
- 36% decrease in patient bad debt
- 34% reduction in DSO

Another consumer study revealed 78% of patients felt comfortable providing a credit card on file to their provider. Yet, only 28% of providers asked in that same study exercise this option.

Based on these stats, capturing a payment method prior to service will likely become standard operation procedure in healthcare.



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