

Out of Cont

Adopting digital platforms to meet consumer demand

■ **By Deirdre Ruttle**

Physician practices face widespread challenges from the ongoing pandemic, including financial losses due in part to disruptions in non-essential care. For many, future strategies must focus on recovering from the pandemic's worst impacts, particularly the financial fallout.

More than half of workers nationwide participate in high-deductible health plans, which increase the likelihood a patient will owe a balance and require practices to increase patient collections.¹ However, a disconnect exists between patient expectations of the payment experience and the reality of provider collections. For instance, 85% prefer an electronic payment method for medical bills, yet 93% of providers rely on manual and paper-based transactions to collect.

In 2020, 54% of providers changed their contactless payment strategies, with 36% adopting contactless

payments for patient collections, such as online payments, according to the *Trends in Healthcare Payments Annual Report: 2020*.² Contactless payment addresses patient expectations and will likely continue for many years to come. In fact, 78% of patients want contactless options to remain in the future.

Trends indicate that the clearest path forward is paved with digital, contactless payment and communication channels, which improve the patient experience and, ultimately, increase low-cost collections.

Pandemic Forces New Models

The negative effects of the COVID-19 pandemic have devastated countless and varied industries and segments. However, physician practices were particularly hard hit by mandated lockdowns and social distancing guidelines at the beginning of the pandemic. Due to decreased visits,

healthcare spending was down over the previous year, the first decrease in recent years.³

More than 40% of patients skipped medical care in 2020.⁴ Reasons patients cited for missed appointments included closed medical practices (63%) and fear of COVID-19 exposure (57%). In addition, 29% missed a preventive care visit, and 26% didn't show for a general outpatient medical appointment. Between February and August 2020, physician practices reported that revenue declined by one-third.

Telehealth presented an opportunity to connect in a contactless way for both patients and providers. From March 2019 to March 2020, telehealth claims to private insurers ballooned 4,347% year-over-year.⁵ The number of telehealth visits has dropped since then but continues at higher levels than those seen pre-pandemic.⁶ The Cleveland Clinic projected that 20% of patient visits

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would be remote in 2020, with a 40% projection at Stanford Health-care. Physicians see the continued utility of remote visits, including 73% who want to continue remote chronic disease management; 64%, remote medical management; 60%, remote care coordination; and 53%, remote preventive care.

Even as the worst of the pandemic subsided, the momentum behind contactless interactions continues and includes both telehealth and payments. In fact, 52% of providers continued to promote contactless options, including telehealth and online payments, after the initial pandemic impacts.

Disconnect

Outside of the pandemic, provider organizations have not kept pace with the digital growth experienced in other industries. Throughout the healthcare industry, paper and manual processes still dominate provider processes related to

patient check-in and collections. Consider that 81% of providers reported leveraging paper and manual processes for collections.

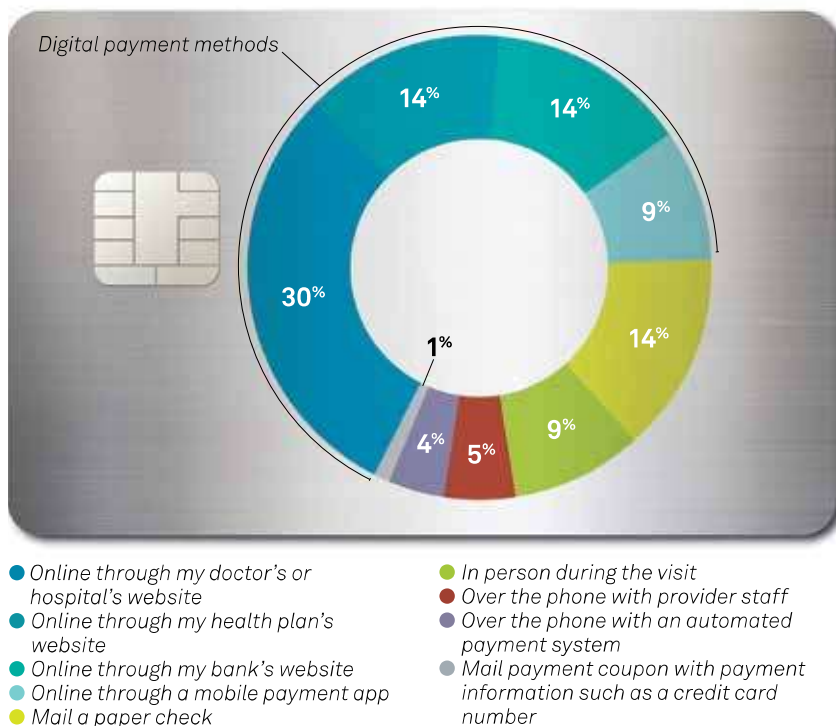
While most patients want electronic healthcare statements, that option is not widely available. Overall, 75% of patients want electronic statements from providers, while 89% under the age of 40 want electronic statements from providers. However, 28% of consumers say they cannot sign up for electronic statements with their providers. This disconnect could be why 80% of patients are surprised by a medical bill.

Further, 66% of patients receive medical bills in the mail, although only 14% of patients prefer to



Figure 1

Consumer Payment Preferences for Health Care



Source: InstaMed, 2020, Trends in Healthcare Payments Annual Report: 2020

pay medical bills by mailed paper checks. Considering household bills, 86% of patients pay recurring bills online, while 58% of providers still rely on mailed paper statements.

The benefits of electronic payment for providers are clear. Research from the Council for Affordable Quality Healthcare (CAQH) shows that manual transactions across the healthcare lifecycle carry \$5.42 more in costs than electronic ones and take nine minutes more to handle.⁷ Adopting electronic payments saves providers money while adding minutes to daily staff schedules, which can increase throughput.

Current paper-based processes for patient collections require valuable time and resources. However, that investment does not guarantee that a payment is received. Many

providers report that a balance can take more than a month to collect, including large balances over \$400. Even after a balance is collected, there is no guarantee that the amount owed is the same as the amount paid. Nearly all providers report issuing patient refunds.

Electronic Transactions Are Key

Year after year, data in the *Trends in Healthcare Payments Annual Report* consistently show a disconnect between patient preferences and their actual healthcare payment experience. However, almost half of providers still do not see how that disconnect may impact their organization.

When considering their loyalty to a provider organization, more than half of patients think about

the healthcare payments experience, including understanding costs upfront and paying how they prefer. Additionally, two-thirds of patients are either likely or very likely to switch health systems if their expectations are not met.⁸ The same study shows that reforming the patient experience could increase revenue from 5% to 10% of pre-2020 levels within 12 months.

Data from the *Trends in Healthcare Payments Annual Report* show that organizations with 15 or fewer physicians saw growth in contactless payment channels in 2020. These providers may have been well positioned for the pandemic challenges by relying on streamlined payment channels and processes already in place. InstaMed Network Data showed that small organizations increased online payments by 55% and payment plan volume by 64%. Contactless payments that rely on electronic transactions are key for providers of all sizes to recover from the financial consequences of the COVID-19 pandemic.

Embracing the Paperless Office

For over a decade, patient sentiment has shown an increasing preference for contactless and digital healthcare payment options. An important component of digital channels in healthcare payments is electronic payment methods. Electronic methods enable contactless channels for patients to connect with health care, including online payments. More than 80% of patients prefer to manage all their healthcare payments in one place, such as an online portal.

Patients are moving to pay online through mobile devices and systems, including for health care. More than one-half of patients expressed interest in mobile payment systems for medical bills, and 58% would download a mobile app

to pay their healthcare bills. Mobile payments on the InstaMed Network comprised more than one-third of all online payments in 2020, a 48% increase since 2017.² (See “Secure Your Data.”)

Electronic payments also allow providers to securely accept consumer debit or credit card payments. Patient pushback is not to be feared: a Mastercard study showed that 83% of consumers have placed a card on file for payments or are willing to do so.⁹ Conversely, 65% of providers do not allow for patient debit or credit card automatic payments.

For providers that do, the number of cards enrolled increased significantly, according to data from the InstaMed Network. Between 2017 and 2020, the total number of cards on file within the InstaMed Network increased 206%, for an annual growth rate of 45%. Over the same period, the total number of automatic payments increased 121%, or 30% year over year.²

Data Insights

Over the years, the most startling yet persistent trend in healthcare payments is the disconnect



Secure Your Data

When opening new payment options for patients, prioritize data security. The recent growth in contactless interactions has exposed provider organizations to increased security risks, including data breaches. This was made clear by attacks on telehealth domains in 2020, with a 30% increase in cybersecurity alerts and issues per domain.

The cost of just one data breach is significant, and increased in 2020. The average cost of a data breach is \$7.13 million, up 10% from the previous year. Provider organizations, especially hospitals and health systems that are hit hardest by the COVID-19 pandemic, are unlikely to be able to afford the high costs of a breach.

between consumer expectations and payment realities. This year's data give insight into why providers have not prioritized payments: They do not consider payments as part of the overall patient experience.

However, consumers increasingly want to manage their healthcare payments with digital and contactless channels. Payment trends for small provider organizations offer a glimpse into the possibilities for contactless channels. Regardless of your size, the focus on recovery will likely dominate your budget discussions long after the pandemic is declared over or manageable.

The financial consequences of the COVID-19 pandemic will be difficult to overcome without streamlined and effective approaches to healthcare payments. Contactless payments and communication channels must be the path forward.

For a deep dive into these trends, the full *Trends in Healthcare Payments Annual Report: 2020* is available to providers online.² [GRU](#)

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