Patient out-of-pocket payments are skyrocketing. Providers urgently need to implement new collection strategies if they want to avoid potentially dire financial consequences.

Thanks to the Affordable Care Act (ACA), the number of uninsured patients is falling fast. Congressional Budget Office (CBO) estimates say that as more people gain coverage under the ACA the number of uninsured will drop by more than 25 percent over the next five years, to about 26 million by 2020.¹

Good news, to be sure, but it’s only half the story. Accenture analysis suggests that the rise in insured patient cost sharing will far outweigh the benefits of declining numbers of uninsured.

The cost-sharing crunch
Insured patient cost sharing—financial responsibilities in the form of deductibles, co-insurance and co-pays—will rise by 40 percent over the next five years, Accenture found.

¹Data refers to number of non-elderly uninsured;
To put that in perspective, a provider organization with $1 billion in net annual revenues could experience a 40 percent, or $27 million, increase in insured patient cost sharing over the next five years (Figure 1).

What’s driving the surge? Cost sharing for traditional, employer-sponsored insurance plans has continued to grow year-over-year. What’s more, entrants into the public and private exchange markets tend to have high-deductible health plans, compounding the growth of patient responsibilities. The consequences—a reduction in insured revenue and an increase in patient payments—should be of concern to providers.

A surge in bad debt
Patient payments are both less predictable and slower than provider payments. In fact, if payment is not secured before or at the time of service, the likelihood of collecting balances drops significantly. Even those patients who pay up eventually do so at a rate that is more than twice as slow as insurance companies.

Given the complexity of collecting patient payments, providers will likely also face a substantial increase in insured bad debt. Although Accenture analysis found that uninsured bad debt could decline by as much as 26 percent, insured bad debt could rise by 39 percent—a 20 percent increase in net bad debt overall. For a provider organization with $1 billion in net annual revenues, that could amount to more than 5 percent of net revenue, or $51 million (Figure 2).

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**Figure 1. Insured patient cost sharing is set to soar**

A provider with $1 billion net annual revenues could see a 40 percent increase in patient cost sharing by 2020.

**Figure 2. The rise in insured patient cost sharing will boost net bad debt by 20 percent by 2020**

A provider with $1B net annual revenues could see net bad debt of $51M by 2020.

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5 Ibid.
Effective payment strategies

To address the evolving financial environment, providers need to prioritize the following:

Focus on complex liabilities

Traditionally, providers have pursued up-front collections strategies that favor simple liabilities such as co-pays, which are relatively easy to identify without specialized tools and processes. However, complex liabilities such as deductibles and coinsurance now make up a much larger portion of a provider’s net revenue and are the key driver of the impact illustrated above. Effective collection of all liability types requires robust pre-service financial clearance strategies, an enhanced operational structure, skilled resources, and enabling technology.

Expand financial counseling capabilities

As insured cost sharing increases, so will the numbers of “underinsured”: those patients who have insurance but also experience affordability challenges. Providers will need effective programs of financial education and assistance. And rather than relying on patients to self-identify post-billing, when they are less likely to engage, they will also need to embrace a proactive screening and outreach approach.

Employ customer relationship management

Providers have lagged in their ability to meet consumer demands that tie to customer satisfaction and ultimately to financial performance. But the rise of consumerism in healthcare will drive the need for change: up-front price transparency, more self-service options, and an omni-channel customer service experience supported and managed by strong contact-center strategies.

Accenture analysis reveals that providers equipped with such enhanced capabilities could boost their total net revenues by more than 0.5 percent, or $5 million for every $1 billion in net revenue (Figure 3).

Plainly, providers need to adjust their payment and collections strategies—and fast. The potential benefits of taking a more transparent approach are just too significant to ignore. The time to start building new capabilities is now.

Figure 3. Proactive patient payment strategies focused on pre-service processing can significantly decrease bad debt

Estimated value proposition

\[ \sim 0.5\% \]

of Total Net Revenue (Annual Recurring Run Rate) or

\[ \$5M \]

for every

\[ \$1B \]

in Net Revenue

Sources: Accenture analysis, America’s Health Insurance Plans (AHIP), Aon Hewitt, Assistant Secretary for Planning and Evaluation (ASPE), Centers for Medicare and Medicaid, Congressional Budget Office, Health Affairs, Instamed, Kaiser Family Foundation, Modern Healthcare, RAND, Truven Health Analytics
Methodology

Accenture analyzed insurance coverage status and change in coverage using publicly available data from the following sources: Congressional Budget Office (CBO), Health Affairs and RAND Corporation. To model the trends and actuarial value in cost sharing, Accenture referenced data from Assistant Secretary for Planning and Evaluation (ASPE), Aon Hewitt, America’s Health Insurance Plans, Centers for Medicaid and Medicare Services, Instamed and the Kaiser Family Foundation. To benchmark health system financials, Accenture referred to national average profiling and benchmarking from Truven Health Analytics and Modern Healthcare. Examples cited were based on a health system with a national average payer mix and bad debt experience in net annual revenues.

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