

**PwC Health Research Institute**  
**Money matters: Billing and payment for a New Health Economy**  
*First Illinois HFMA Fall Summit*  
**November 13, 2015**

PwC Health Research Institute

**pwc** **hfma** first illinois chapter  
 healthcare financial management association

**Learning objectives**

Following our presentation, attendees should be able to:

- Identify key trends driving change in the New Health Economy
- Identify critical shifts occurring in the healthcare industry
- Identify pain points for consumers in healthcare billing and payment
- Explain solutions in billing and payment desired by consumers
- Identify practical solutions for healthcare stakeholders, both near-term and longer-term
- Identify practical solutions being used by peer organizations to modernize payment and billing

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**About this report**

A horse-and-buggy in a world contemplating driverless cars, the healthcare industry's consumer payment system is an inefficient antique.

Much can be done in the near-term to improve the system, but longer-term fixes will require a new structure for a New Health Economy.

Published May 7, 2015

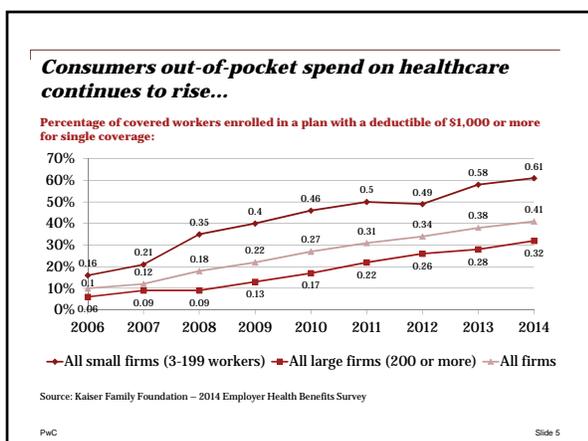


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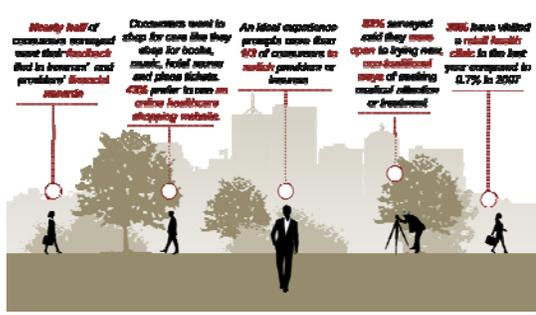
**Background**



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**...and they want healthcare to mirror other parts of their lives**



- Nearly half of consumers surveyed want their deductibles tied to bonuses' financial incentives
- Consumers want to shop for care like they shop for books, music, hotel rooms and phone tickets. 45% prefer to use an online healthcare shopping website.
- An ideal experience prompts more than 90% of consumers to switch providers or insurers
- 83% surveyed said they were open to trying new, non-traditional ways of meeting medical education or treatment
- 39% have visited a retail health clinic in the last year compared to 0.7% in 2007

Source: PwC Health Research Institute, April 2014, "Healthcare's New Economy: Who will be the industry's Amazon.com?"

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### A new era of healthcare is emerging



- Value over volume
- Sophisticated customer segmentation
- Fueled by technology
- Built on analytics

**New Health Economy™**

The New Health Economy is a trademark of PwC.  
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### Consumer-centricity: Healthcare is following other industries

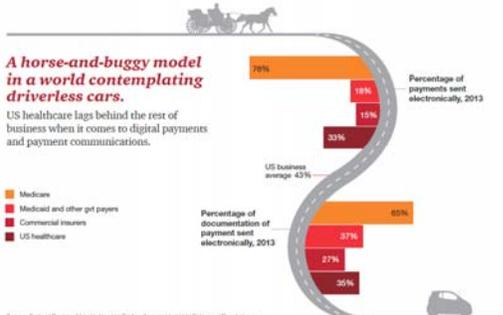
<p><b>Past</b></p> <ul style="list-style-type: none"> <li>Teller-based</li> <li>Limited travel agency availability</li> <li>Standardized marketing and inventory</li> </ul>	<p>1980 - present</p>	<p><b>Present</b></p> <ul style="list-style-type: none"> <li>24/7 banking, real-time payments</li> <li>Online booking</li> <li>Customized and data-driven</li> </ul>
<p><b>Present</b></p> <ul style="list-style-type: none"> <li>Limited hours and standardized treatment plans</li> <li>Blockbuster drug model</li> </ul>	<p>Ongoing shift</p>	<p><b>Future</b></p> <ul style="list-style-type: none"> <li>Personalization of treatments and protocols</li> <li>Personalized medicines</li> </ul>

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### And yet payment and billing is stuck in the past

**A horse-and-buggy model in a world contemplating driverless cars.**

US healthcare lags behind the rest of business when it comes to digital payments and payment communications.



Source: Federal Register/Mail, 77, No. 105/Friday, August 15, 2012/News and Regulations

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### To modernize, billing and payment must embrace consumer-oriented principles

- Transparency
- Quality
- Reliability
- Convenience
- Seamlessness
- Affordability

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## Findings



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### Many consumers are dissatisfied, except when it comes to retail pharmacies

US consumers were asked survey questions designed to measure opinions on various aspects of the payment and billing processes for hospitals, pharmacies and health insurers:

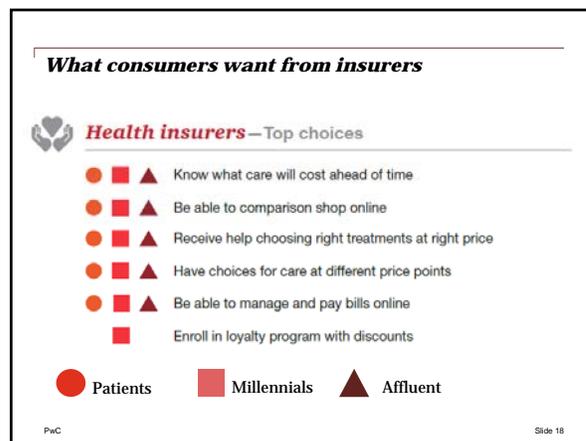
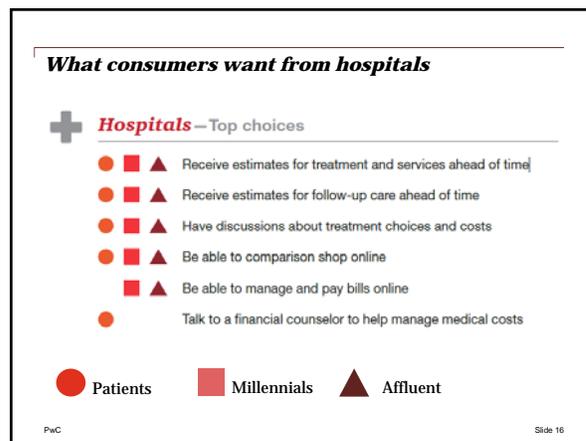
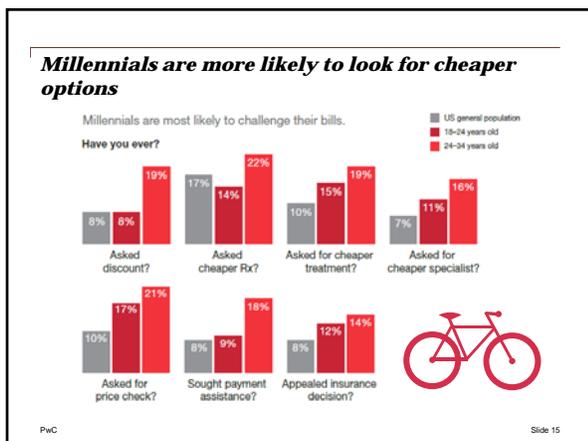
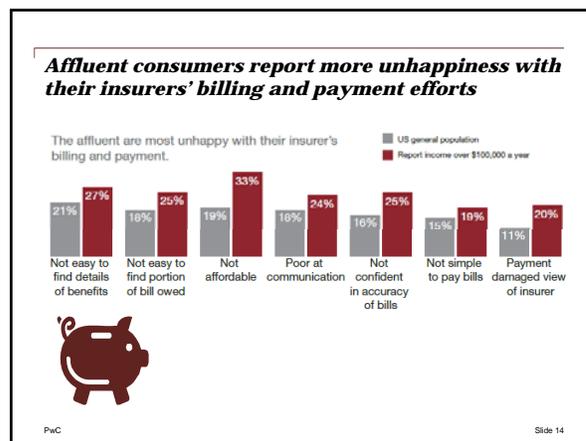
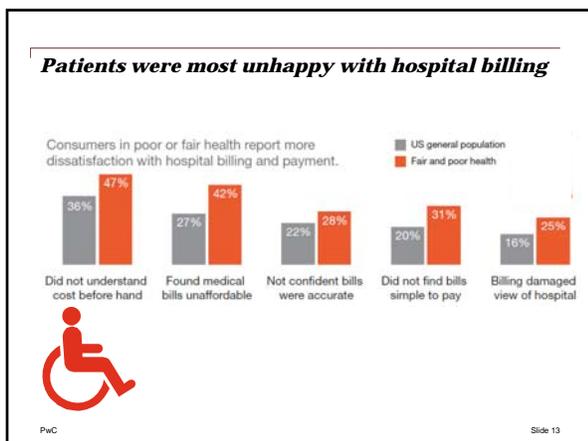
	Hospitals	Pharmacies	Insurers
Convenient	Orange	Green	Orange
Transparent	Orange	Yellow	Orange
Affordable	Orange	Green	Yellow
Reliable	Orange	Green	Yellow
Seamless	Yellow	Green	Yellow

Legend:

- <10% of consumers dissatisfied (Green)
- 11-20% of consumers dissatisfied (Yellow)
- 21-30% of consumers dissatisfied (Orange)
- >31% of consumers dissatisfied (Red)

Source: 2015 HRI consumer survey

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## Strategies: Accelerate the migration to digital



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## 1 Accelerate the move to digital

**Digital case study: Money<sup>2</sup> for Health**

"It is a clunky, cumbersome process. We knew that we had a great opportunity to solve the providers' issues as well, by solving the consumer's primary pain point. A true win-win."

*Erin Hatzikostas, Aetna's PayFlex*

- Launched last year by Citibank and Aetna, the Money<sup>2</sup> for Health portal pulls together medical bills, allowing consumers to link their bank accounts, most credit cards, health savings accounts and flexible savings accounts.
- Consumers can schedule one or multiple payments in advance and also pay bills with different funds with just a few clicks.
- Healthcare providers who sign up receive payments electronically and pay Citi a percentage of the transaction in exchange for the quicker electronic payment.

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## 1 Accelerate the move to digital

- Don't ignore the front-end
- Think "Health-Wealth" 2.0
- Embrace transparency
- Involve cybersecurity early in plans

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## Strategies: Sidestep claims



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## 2 Sidestep claims

The growth of high-deductible plans means more consumers will pay for care out-of-pocket. New entrants are reconsidering whether these cash payments require claims, and consumers are interested.

Percentage of consumers with commercial insurance with out-of-pocket costs of less than \$1,000 a year

82%	81%	76%
All consumers with commercial plans	Consumers with a Preferred Provider Organization plan	Consumers with a High-Deductible Health Plan



Source: HIR analysis, 2012 Towers Health MarketScan® Database

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## 2 Sidestep claims

**Sidestep claims case study: Alii Healthcare**

"The traditional insurance pathway introduced so many barriers for a startup. We could not afford the 40-to-50-day lag in accounts receivable. That is a deal breaker for a startup."

*Dr. Sylvan Waller, Alii Healthcare*

- Atlanta-based startup Alii Healthcare is sidestepping the claims-based payment system, charging consumers \$100 for an e-visit an emergency room doctor via smartphone. Insurance is not accepted.
- Alii found that typical users have some things in common – they describe themselves as healthy, busy, and always on their smartphones.

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## 2 Sidestep claims

- Partner with a sidestepper
- Consider eliminating claims for some services
- Think wellness

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## Strategies: Embrace simplicity



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## 3 Embrace simplicity

**Embrace simplicity case study: Banner Health**

"We have a very positive response. It was our consumers that drove the change."

*Betsy Sullivan, Banner Health*

- Several years ago, Phoenix-based Banner Health took on some added complexity in order to offer its customers simplicity.
- The seven-state network of 25 acute-care hospitals and health facilities knew its customers frequently complained about receiving cascades of medical bills.
- Banner decided its customers would receive one bill, which they could pay down without having to worry which doctor or department to pay.

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## 3 Embrace simplicity

- Resist the urge to do too much
- Focus on the empowered consumer

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## Strategies: Multiply payment options



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## 4 Multiply payment options

**Multiply payment options case study: CarePayment**

"One of the top reasons people fail to pay their medical bills is a lack of viable financing options. Hospitals across the country are dealing with almost \$50 billion in bad debt even though lots of people are willing and able to pay."

*Craig Hodges, CarePayment*

- CarePayment works with healthcare companies to provide patients with flexible, 0% APR open-ended lines of credit to pay for medical bills across 700 healthcare providers, health systems, and physician groups.
- CarePayment's "secret sauce," said Craig Hodges, CEO, is working with consumers whose accounts would have gone straight to bad debt. With lines of credit, the company can create longer term payment plans.

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## 4 Multiply payment options

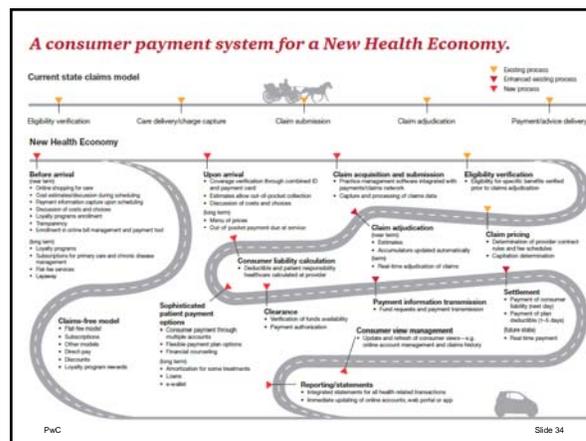
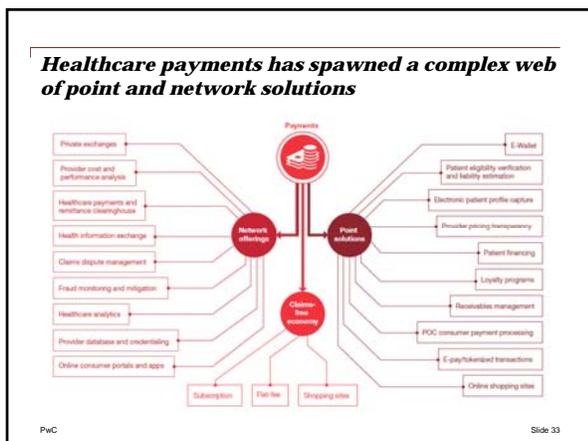
- Engage early
- Talk about cost
- Carefully consider extending credit
- Build for tomorrow

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## Conclusion: A roadmap



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## Questions?



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### For more information:

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