

New Way to Self-Pay

A Michigan hospital lets patients pay their portion of the bill over time—and interest-free.

Some patients at Mercy Hospital in Cadillac, MI, are getting an offer they can't refuse at registration: 90 days, same as cash. That pitch sounds more likely to appear in a used car commercial than at a hospital's registration desk, but patients who take advantage of the opportunity at Mercy don't face the withering interest charges that usually accrue on such deals at the end of the grace period. In fact, patients have 25 months to pay off the balance that is their responsibility—at 0 percent interest.

"If you read the fine print at furniture stores, an interest rate of 20 percent adds up pretty quickly once the grace period runs out," says Dan Hogan, the hospital's chief financial officer. "With us there's no interest-rate kicker."

As long as patients pay 4 percent of their final bill or a minimum of \$25 each month, they incur no further charge for the privilege of paying over time. The best part of the program, according to Lori Weedon, the hospital's director of patient financial services, is that Mercy, owned by Trinity Health in Novi, MI, gets paid at the time of service.

Mercy uses a third-party vendor, Aequitas Capital Management subsidiary CarePayment, to administer the program. And although the hospital gets paid right away, CarePayment takes between 8 percent and 15 percent of the bill as payment for its credit services, depending on the vendor's recourse rate—the rate at which patients who enroll in CarePayment go delinquent for three straight months. But Weedon and Hogan say the hospital makes up that loss and then some in savings. Since Mercy started using the system a year ago, it's

been able to reassign many employees from back-office collections to registration and has saved on collection costs, not to mention the fact that more than 80 percent of the bills handled by the vendor are currently on

time and being paid promptly by the patients who signed up. So far, about 20 percent of the bills have been sent back to the hospital for assignment to a local collection agency after the patient missed three straight months; initial predictions were that as much as 50 percent would be returned.

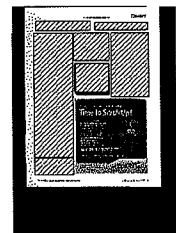
"This helps reduce bad debt and provides a better way of collecting for

self-pay accounts," says Hogan, who emphasizes that the new program has taken a lot of administrative burden off of Mercy, as well as increased its cash collections by 50 percent. "Defining self-pay in today's world is a challenge. It's starting to become a wider population."

Hogan and Weedon say their hospital is now regularly seeing deductibles for insured patients ranging from \$200 to \$5,000, a development that was dramatically increasing the hospital's bad debt when patients couldn't pay such large amounts up front or within 12 months—the time limit for the hospital's previous in-house credit plan.

"We're not a bank, and we couldn't do this ourselves," Weedon says. "We're just not real good at collecting."

—PHILIP BETBEZE
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