



# Trends in Healthcare Payments Sixth Annual Report: 2015

Published: May 2016

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By 2024, it is estimated that  
nearly \$1 of every \$5 will be spent  
on healthcare in the U.S.<sup>1</sup>

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Source

<sup>1</sup> Centers for Medicare & Medicaid Services (2015)

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# Executive Summary

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## 2015 Trends in Healthcare Payments

### The Healthcare Payments Market Is Growing and Changing Rapidly

The U.S. healthcare payments market is growing at a rapid pace, estimated at \$3.3 trillion in 2015.<sup>1</sup> In recent years, the market's growth has accelerated due to the influx of consumers enrolling in individual insurance as part of Patient Protection Affordable Care Act (PPACA) requirements and an industry-wide shift in payment responsibility to consumers.

During Open Enrollment 2016 alone, 12.7 million consumers enrolled in a health plan through public and private exchanges – an increase of one million enrollees over 2015.<sup>2</sup> The most popular plans selected by 90 percent of consumers are high-deductible health plans (HDHP) that offer the lowest premiums, yet have the highest out-of-pocket costs for medical care.<sup>3</sup>

However, consumer responsibility and its impacts reach far beyond the exchanges and HDHPs. Overall in the market, the amount a consumer must pay before a health plan pays any portion has increased by 255 percent since 2006.<sup>4</sup> At the same time, the average health insurance premium for family coverage has increased by 83 percent since 2005.<sup>5</sup> These rising healthcare costs are compounded by the decline in inflation-adjusted average household incomes, down 6.5 percent from 2007.<sup>6</sup>

The amount a consumer must pay before a health plan pays any portion has increased by 255 percent since 2006.<sup>4</sup>

### Consumers Are Driving Change in Healthcare Payments

This combination of rising healthcare costs and stagnant to declining incomes has made consumers more sensitive than ever to how much they are spending on healthcare. Consumers also bring experiences from innovators in other industries, like Uber and Amazon, where costs are clearly communicated and payments are convenient to set their expectations for the healthcare payments experience.

The average health insurance premium for family coverage has increased by 83 percent since 2005.<sup>5</sup>

Sources

<sup>1</sup> Centers for Medicare & Medicaid Services

<sup>2</sup> Centers for Medicare & Medicaid Services

<sup>3</sup> Centers for Medicare & Medicaid Services

<sup>4</sup> The Kaiser Family Foundation

<sup>5</sup> The Kaiser Family Foundation

<sup>6</sup> U.S. Census Bureau

Historically, providers received most or all of their revenue from a small group of payers. As consumers collectively have larger payment responsibility, providers are challenged to collect higher balances from patients. This has a direct impact on revenue as providers can only expect to collect 50-70 percent of a patient balance after a visit.<sup>7</sup>

Likewise, the future of business for payers depends heavily on the new role of consumers in healthcare. Every year during Open Enrollment, consumers purchasing individual insurance have the choice to select a new health plan – leaving payers vulnerable to losing members and needing to focus on retention. Additionally, once a consumer is enrolled for an individual health plan, if premiums are not paid, the consumer loses coverage.

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The purpose of this report is to objectively educate the market and promote awareness, change and greater efficiency.

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### **There's Still Too Much Paper in Healthcare**

The end-to-end healthcare payments process involves multiple touchpoints and constituents. The industry has primarily relied on print-and-mail methods for the payments process including mailed payer to provider payments, mailed explanation of benefits (EOB) from payers to consumers, mailed statements from providers to consumers and mailed payments from consumers to providers.

This reliance on paper costs the industry billions of dollars. For example, the cost of electronic remittance advice (ERA) and electronic funds transfer (EFT) is 43 percent less than paper remittance advice and manual claim payment.<sup>8</sup>

### **Security Is Top of Mind**

To meet the demands of consumerism and comply with the technical requirements of the ACA, healthcare organizations are building new technical integrations and connections. Without enterprise-level security, healthcare organizations leave sensitive information exposed for potential breach. Healthcare is considered a prime target for data breaches with 8 of the 10 largest hacks into any type of healthcare organization happening in 2015 alone.<sup>9</sup>

Healthcare and payments are among the most closely scrutinized and regulated industries, required to comply with strict and complex compliance and security regulations. Staying current with compliance regulations can be a drain

on a healthcare organization's resources, especially with the Europay, MasterCard and Visa (EMV) fraud liability shift and updates to Payment Card Industry Data Security Standards (PCI-DSS).

### **Survey of Industry Drivers**

The 2015 Trends in Healthcare Payments Annual Report identifies the healthcare payments industry shifts that are business drivers for payers and providers to make changes to address consumerism, improve cash flow, operate more efficiently and enhance data security. The purpose of this report is to objectively educate the market and promote awareness, change and greater efficiency. These trends highlight quantitative data derived from the InstaMed Network and feature qualitative proprietary, independently gathered survey data from healthcare providers, payers and consumers nationwide.

Sources

<sup>7</sup> McKinsey & Company

<sup>8</sup> 2015 CAQH Index

<sup>9</sup> U.S. Department of Health and Human Services

# TRENDS

in HEALTHCARE PAYMENTS

## The Healthcare Payments Market Is Changing Fast

*Increases in consumer payment responsibility and growth in individual insurance are impacting both providers and payers.*

### High Deductibles Are Only Part of the Story

As of January 2015, 19.7 million consumers were enrolled in HDHPs, representing a 22 percent increase for each of the last two years.<sup>1</sup> These plans require consumers to meet a minimum deductible amount before their health plan covers any portion of their services.

Yet, HDHPs are only one contributing factor to the rise in consumer payment responsibility as the average deductible for all covered workers has risen 255 percent since 2006.<sup>2</sup> Consumer cost sharing in healthcare translates into out-of-pocket costs including deductibles, copayments and/or coinsurance. From 2012 to 2015, the total volume of consumer payments to providers on the InstaMed Network increased by 94 percent, growing 25 percent on average each year (Figure 1.1).

### Trends in Consumer Payments Impacting Providers

Healthcare providers are seeing the trend in increasing patient payments firsthand as nearly three out of four providers reported an increase in patient responsibility in 2015 versus 2014.<sup>3</sup> This trend challenges providers to collect a growing portion of revenue directly from patients. However, providers can only expect to collect 50-70 percent of a balance after a patient visit.<sup>4</sup> In addition, 70 percent of providers reported that it takes one month or longer to collect from a patient (Figure 1.2).<sup>5</sup>

Therefore, it is no surprise that more than half of providers reported that their primary revenue cycle concern in 2015 was related to patient collections.<sup>6</sup> Missing or late patient payments directly impact the bottom line of a provider's business, potentially threatening the future of the organization. To maintain cash flow, providers need to look at other industries that meet a high level of payment assurance through a more consumer-friendly payment experience.

Sources

<sup>1</sup> America's Health Insurance Plans 2015

<sup>2</sup> The Kaiser Family Foundation

<sup>3</sup> Provider Healthcare Payments Survey 2015

<sup>4</sup> McKinsey & Company

<sup>5</sup> Provider Healthcare Payments Survey 2015

<sup>6</sup> Provider Healthcare Payments Survey 2015

**Trends in Consumer Payments Impacting Payers**

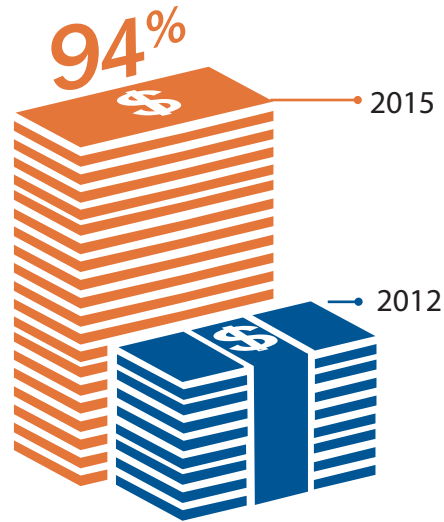
By 2018, the ACA's Open Enrollment is projected to reach 40 million consumers who can enroll in a health plan through public and private exchanges – many receiving health insurance for the first time in their lives.<sup>7</sup> This influx of consumers to the healthcare market, coupled with new ACA plan requirements, has changed how payers do business.

Previously, consumers enrolled in health plans exclusively through employer groups or insurance brokers. With the introduction of individual insurance, consumers now have the ability to purchase a plan directly from a payer without a third-party to manage the relationship including facilitating recurring payments for the health plan's premiums. This consumer-payer relationship is treading new ground in the industry. Payers need to take a close look at the member experience of individual insurance from the selection, initial purchase and ongoing interaction points, such as monthly bills. The collection and reconciliation of premium payments impacts both payers and consumers. Payers have to build the technical and operational infrastructure to receive individual premium payments and ensure accurate posting and reconciliation. Consumers are faced with the addition of a new, monthly household bill with premium payments.

**1.1**

**Increase in the Total Volume of Consumer Payments to Providers**

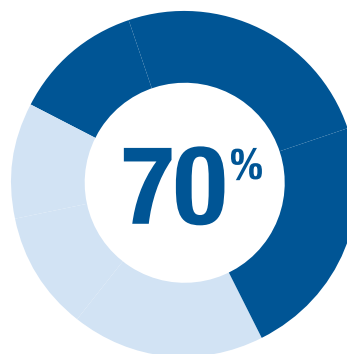
From 2012 to 2015, the total volume of consumer payments to providers on the InstaMed Network increased by 94%, growing 25% on average each year.



**1.2**

**Significant Delays to Collect From Patients**

70% of providers reported that it takes one month or longer to collect from a patient.



Source  
<sup>7</sup> Accenture

# TRENDS

## in HEALTHCARE PAYMENTS

### Consumers Are Driving Change in Healthcare Payments

*As payment responsibility increases, consumers are demanding a more transparent, convenient healthcare payments experience.*

#### Pushing Back Against the “Mystery” of Healthcare Costs

Rising consumer payment responsibility has changed how consumers approach visits to providers. Consumers want to know upfront how much they will owe and then understand how to make payments. Questions like “how much is this going to cost?” and “what are my payment options?” have become common in the provider-consumer relationship. In 2015, 91 percent of consumers reported that it was important to know their payment responsibility prior to a provider visit (Figure 2.1).<sup>1</sup> This consumer demand goes beyond providers making their retail pricing available. The need is for consumers to understand an estimate of what they will actually pay based on their benefit information which can include variables like their deductible, copayments and coinsurance.

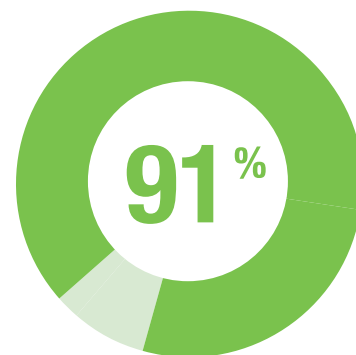
Today’s typical healthcare bill experience is wrought with consumer confusion and subsequent frustration. After a provider visit, a consumer typically receives an EOB from their health plan that looks like a bill including an amount they might owe, yet there is a bold disclaimer – “this is not a bill.”

In 2015, 77 percent of consumers reported that they were confused by EOBs they receive from their health plan (Figure 2.2).<sup>2</sup> The confusion continues when the consumer receives a bill from their healthcare provider for their payment responsibility, which is often printed and mailed weeks or months after a visit and does not clearly indicate what is due or how to pay.

#### 2.1

#### Consumers Want to Know Payment Responsibility Upfront

91% of consumers reported that it was important to know payment responsibility prior to a provider visit.



Sources

<sup>1</sup> Consumer Healthcare Payments Survey 2015

<sup>2</sup> Consumer Healthcare Payments Survey 2015



In 2015, 76 percent of consumers were confused by bills from their providers (Figure 2.2).<sup>3</sup>

The impacts of consumers no longer putting up with the mysteries of healthcare costs are real: consumers will switch healthcare providers for responsiveness and convenience. 47 percent of consumers will switch providers for the ability to understand cost upon scheduling and to easily understand and pay a bill using a preferred method.<sup>4</sup>

#### Expecting an Online and Mobile Experience

In 2015, 84 percent of American adults use the internet, and 64 percent of them have smartphones.<sup>5</sup>

This hyper-connectedness has changed consumer behavior and expectations. The digital experience offers consumers the freedom of choice to make payments whenever it is convenient for them. 75 percent of consumers opt to pay their household bills through an online channel, such as a bank bill pay portal, website or mobile app (Figure 2.3).<sup>6</sup>

## 2.2

### Consumers Are Confused by Healthcare Bills

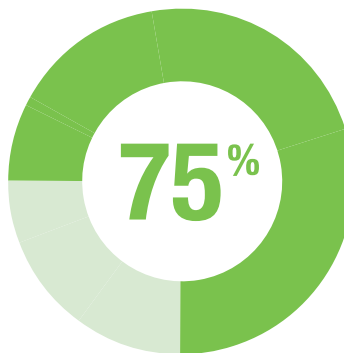
77% of consumers reported that they were confused by EOBs, while 76% were confused by bills from their providers.



## 2.3

### Consumers Use Online Payment Channels to Pay Household Bills

75% of consumers opt to pay their household bills through online payment channels, including bank bill pay portals, websites and mobile apps.



Sources

<sup>3</sup> Consumer Healthcare Payments Survey 2015

<sup>4</sup> Accenture 2014 Global Consumer Pulse Survey

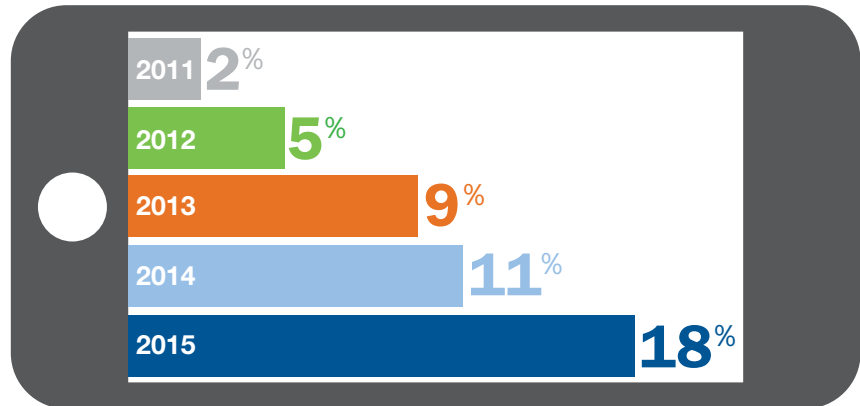
<sup>5</sup> Pew Research Center Surveys

<sup>6</sup> Consumer Healthcare Payments Survey 2015

The average consumer has 150-200 mobile moments a day.<sup>7</sup> Companies like Apple and Uber are shining examples of how to use mobile to disrupt traditional consumer experiences, including how consumers make payments. Data from the InstaMed Network confirms this shift as payments from a mobile device have increased to 18 percent of all online payments in 2015 (Figure 2.4), while 64 percent of consumers reported having interest in using a new mobile payment system such as Apple Pay, Samsung Pay or Android Pay to make a healthcare payment (Figure 2.5).<sup>8</sup>

## 2.4 Expanding Use of Mobile Payments in Healthcare

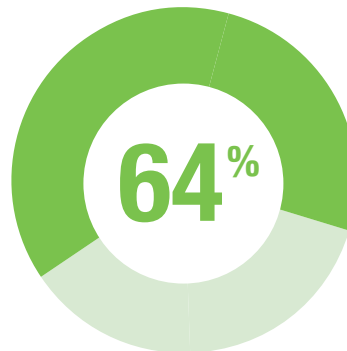
Payments from a mobile device expanded to 18% of all online payments in 2015.



## 2.5

### Consumer Interest in Mobile Payment Systems for Healthcare Bills

64% of consumers reported an interest in using a new mobile payment system such as Apple Pay, Samsung Pay or Android Pay to make a healthcare payment.



Sources

<sup>7</sup> Forrester Research

<sup>8</sup> Consumer Healthcare Payments Survey 2015

## Demanding Convenience

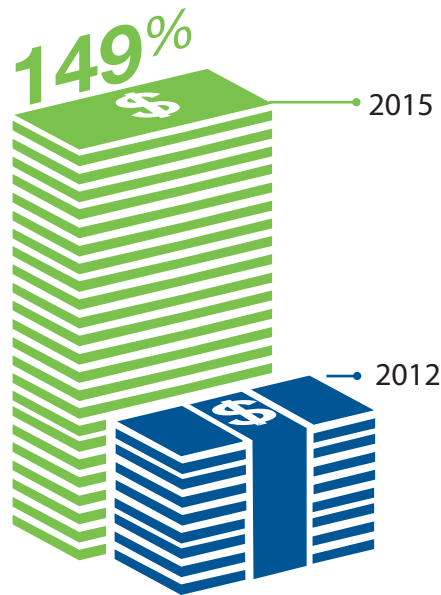
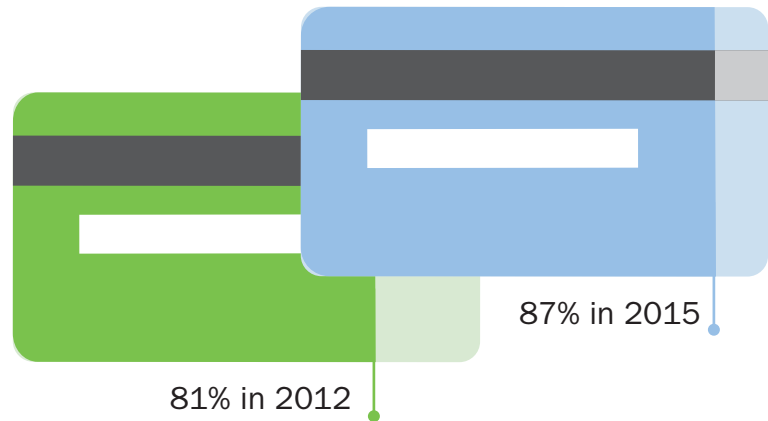
When given the option of various payment methods to pay healthcare bills in 2015, more than 70 percent of consumers indicated that they preferred to pay with an electronic payment method, including payment cards and eCheck.<sup>9</sup> In 2015, 87 percent of all consumer payments to providers on the InstaMed Network were card payments (Figure 2.6).

Beyond using a preferred payment method, consumers also want the convenience of payment options that are common in other industries. Whether it is saving payment information on file for automatic payments for outstanding balances or recurring bills, or paying down a large balance over time with a payment plan, consumers expect healthcare organizations to offer alternatives to manual payments and large, lump sum transactions. From 2012 to 2015, the total number of automated payment plans on the InstaMed Network increased by 149 percent, growing by 35 percent on average each year (Figure 2.7).

Finally, convenience includes a consistent, centralized place to make payments. In 2015, 71 percent of consumers indicated that they would prefer to make all of their healthcare payments to all of their providers in one place.<sup>10</sup>

## 2.6 Shift to Card Payments

In 2015, card payments to providers expanded to 87% of all consumer healthcare payments on the InstaMed Network.



## 2.7 Increase in Automated Payment Plans

From 2012 to 2015, the total number of automated payment plans on the InstaMed Network increased by 149%, growing 35% on average each year.

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### Thinking About Premium Payments Like Utility Bills

Prior to the launch of individual insurance through the ACA, premium payments to health plans were almost exclusively handled without any consumer insight into the payments process. With millions enrolled in individual insurance over the past several years, these consumers now face the new experience of managing their monthly premium payments similar to other monthly utility bills.

Unpaid premiums have the potential to terminate a member's enrollment with a payer, which puts the consumer relationship and overall experience with the health plan in jeopardy. Payers should look at how consumers pay their other household bills to ensure premiums are paid. In 2015, two-thirds of consumers wanted to pay their premiums online (Figure 2.8)<sup>11</sup> and 57 percent preferred the option to schedule automatic deductions for their recurring payments (Figure 2.9).<sup>12</sup>

### 2.8

#### Consumers Want to Pay Premiums Online

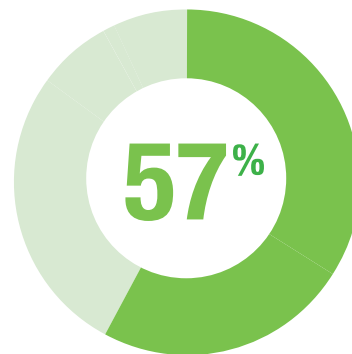
65% of consumers reported that they wanted to pay their health plan premiums online.



### 2.9

#### Consumers Want Automated Payments for Premiums

57% of consumers reported that they wanted the option to schedule automatic deductions for their recurring premium payments.



Sources

<sup>11</sup> Consumer Healthcare Payments Survey 2015

<sup>12</sup> Consumer Healthcare Payments Survey 2015

# TRENDS

## in HEALTHCARE PAYMENTS

### There's Still Too Much Paper in Healthcare

*Providers, payers and consumers are all experiencing the costly inefficiency of paper in healthcare payments.*

#### Too Much Paper: Provider Impact

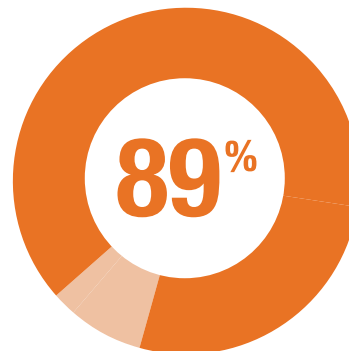
Historically, the healthcare payments lifecycle has heavily depended on paper and manual processes to be completed. The industry is supposed to be moving toward fully electronic transactions using standards adopted by the Health Insurance Portability & Accountability Act (HIPAA), however adoption across transaction types varies significantly. Of the 16 billion administrative transactions that took place between commercial payers and providers in 2014, payers processed an estimated 900 million manually and providers processed 2.5 billion manually.<sup>1</sup>

Once a claim is adjudicated, the payer sends the provider the claim payment and remittance advice. In 2015, 89 percent of providers received paper checks and explanation of payments (EOPs) from one or more of their payers (Figure 3.1).<sup>2</sup> Within that same group of providers, 84 percent said that they preferred to receive payer payments via ERA/EFT.

#### 3.1

#### Almost All Providers Are Receiving Paper Payments From Payers

89% of providers reported that they received paper checks and EOPs from one or more of their payers.



Sources

<sup>1</sup> 2015 CAQH Index

<sup>2</sup> Provider Healthcare Payments Survey 2015

Only 14 percent of providers said that they prefer payments in the form of paper checks and two percent preferred virtual card payments from payers (Figure 3.2).<sup>3</sup>

Once the provider has received payment from the payer, the vicious cycle of paper continues. An average of three statements are printed and mailed by a provider per healthcare encounter to collect from a patient.<sup>4</sup>

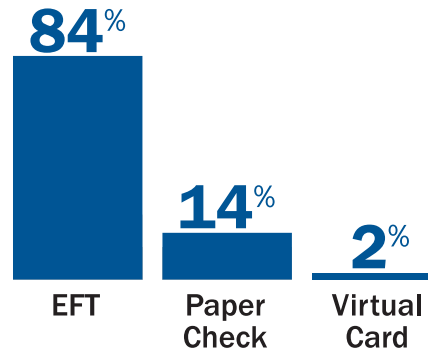
#### Too Much Paper: Payer Impact

41 percent of payers said that cost reduction strategies were their top priority for 2016.<sup>5</sup> Moving from paper transactions to electronic transactions represents the potential for significant cost savings for payers. Yet, 96 percent of payers report sending a portion of their provider payments via check.<sup>6</sup> From 2012 to 2015, ERA/EFT payments increased by 92 percent, growing 22 percent on average each year (Figure 3.3). However, that growth is not being seen in the industry as a whole. According to the 2015 CAQH Index, the rate of adoption for EFT is 61 percent and for ERA is 49.6 percent,<sup>7</sup> leaving significant opportunity for cost savings and efficiency for both payers and providers.

### 3.2

#### Providers Prefer ERA/EFT Significantly Over Paper Payments

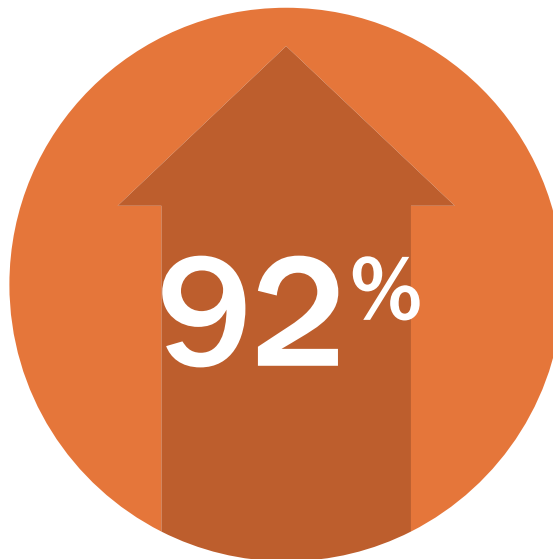
84% of providers reported that they prefer to receive payer payments as ERA/EFT, while only 14% prefer paper checks and 2% prefer virtual card payments.



### 3.3

#### ERA/EFT Payments Growth on the InstaMed Network

From 2012 to 2015, ERA/EFT payments increased by 92%, growing 22 percent on average each year.



Sources

<sup>3</sup> Provider Healthcare Payments Survey 2015

<sup>4</sup> MGMA

<sup>5</sup> Payer Healthcare Payments Survey 2015

<sup>6</sup> Payer Healthcare Payments Survey 2015

<sup>7</sup> 2015 CAQH Index

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### Too Much Paper: Consumer Impact

The percentage of paper bills versus electronic bills is almost double in medical bills versus all other consumer bills (utilities, loans, rent, insurance, etc.).<sup>8</sup> 87 percent of consumers received a paper medical bill from their providers in 2015.<sup>9</sup> Within that same group of consumers, only 24 percent of consumers actually want to use checks to make healthcare payments (Figure 3.4).<sup>10</sup> Providers need to look to paperless statements and electronic payment options to increase their revenue and improve consumer satisfaction.

#### 3.4

#### Consumer Expectations Versus Reality in Healthcare Payments

87% of consumers reported receiving a paper medical bill, while 24% wanted to use paper checks for healthcare payments.



Sources

<sup>8</sup> Aite Group

<sup>9</sup> Consumer Healthcare Payments Survey 2015

<sup>10</sup> Consumer Healthcare Payments Survey 2015

# TRENDS

in HEALTHCARE PAYMENTS

## Security Is Top of Mind

*Healthcare has become a prime target for data breaches.*

### The Significant Downside to Healthcare Data Breaches

Risks to data security have all stakeholders in the healthcare payments market concerned about threats of data breaches – the costs and potential reputational damage are real. Over half a billion personal information records were stolen or lost in 2015, and the largest number of breaches took place within the Health Services sub-sector, which comprised 39 percent of all breaches in the year.<sup>1</sup>

81 percent of providers reported that payment security is a top concern when collecting payments (Figure 4.1),<sup>2</sup> while one in three Americans have been a victim of a healthcare data breach (Figure 4.2).<sup>3</sup> The downside cannot be ignored as data breaches have major reputational and financial impacts to the healthcare economy: the average cost per exposed record is \$363; the average economic impact per organization is \$2+ million; and the annual cost of healthcare data breaches is \$6 billion.<sup>4</sup>

A new type of threat has quickly emerged in the healthcare industry with ransomware, which is a type of malware that essentially freezes a system until a ransom is paid to the hackers. In the last year alone, more than 50 percent of U.S. hospitals are estimated to have been victim to ransomware.<sup>5</sup>

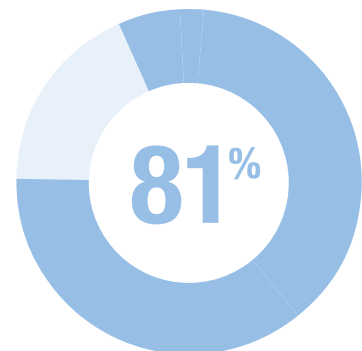
### Ever-Evolving Financial Regulations

Compounding these risks, financial regulations are evolving quickly and can be a drain of an organization's resources if not handled properly. In the past two years, healthcare merchants were challenged with two major changes in the financial industry. The Payment Card Industry (PCI) standards were updated in January 2014 to a new version 3.0+ that contained 20 evolving requirements from the previous version, including updates to requirements regarding penetration testing and vendor relationships.

#### 4.1

### Payment Security Is on the Minds of Providers

When questioned about security for patient payments, 81% of providers said that it was of high importance.



Sources

<sup>1</sup> Symantec Internet Security Threat Report

<sup>2</sup> Provider Healthcare Payments Survey 2015

<sup>3</sup> Bitglass 2016 Healthcare Breach Report

<sup>4</sup> Ponemon Institute

<sup>5</sup> Healthcare IT News and HIMSS Analytics Quick HIT Survey



More recently in October 2015, the U.S. was introduced to the fraud liability shift of Europay, MasterCard and Visa (EMV) which is the global standard for authenticating credit and debit card transactions with integrated circuit cards, or “chip cards” at capable point-of-service terminals. With the liability shift, providers that accept a fraudulent card on a non-EMV capable device will not be reimbursed for that fraudulent transaction. There are now more chip cards in the U.S. than in any other country.<sup>6</sup> Seven out of 10 Americans have at least one EMV-chip card in their wallet, and about 93 percent of consumers are aware of the EMV migration whether or not they have a chip card.<sup>7</sup> EMV, however, is not a comprehensive answer to all fraud. EMV will protect from fraud at the point of service, but it will not protect payment card data in the event of a network breach.

Instead, leveraging encryption to isolate payment data at the point of entry keeps the data from ever touching an organization’s servers or networks and significantly reduces the risks of a breach to payment card data. EMV coupled with point-to-point encryption (P2PE) at the point of service makes payment card data unreadable until it is decrypted by the payment processor at the endpoint, which significantly reduces the risk of data breach where the threat is the highest.

Healthcare organizations must be cognizant of how consumers want to pay, while protecting their systems from a breach. For instance, 64 percent of consumers are interested in using a new mobile payment system such as Apple Pay, Samsung Pay or Android Pay to make a healthcare payment.<sup>8</sup> New mobile payment systems actually add a layer of security as they leverage tokenization, which converts payment card information to a “token” associated with only one organization. The token has no value outside of the payment transaction it was being used for because it is exclusively associated with that merchant’s ID. This allows consumers to securely save payment information without re-entering it for each transaction, while preventing someone from using the stolen token to pay for something else.

These new and any future requirements from the financial industry must be carefully implemented in healthcare to meet the necessary standards to accept any payment method, while offering the highest convenience for consumers and lowest risks for healthcare organizations.

## 4.2

### Security Risks for Consumers in Healthcare

One-third of Americans have been a victim of a healthcare data breach.



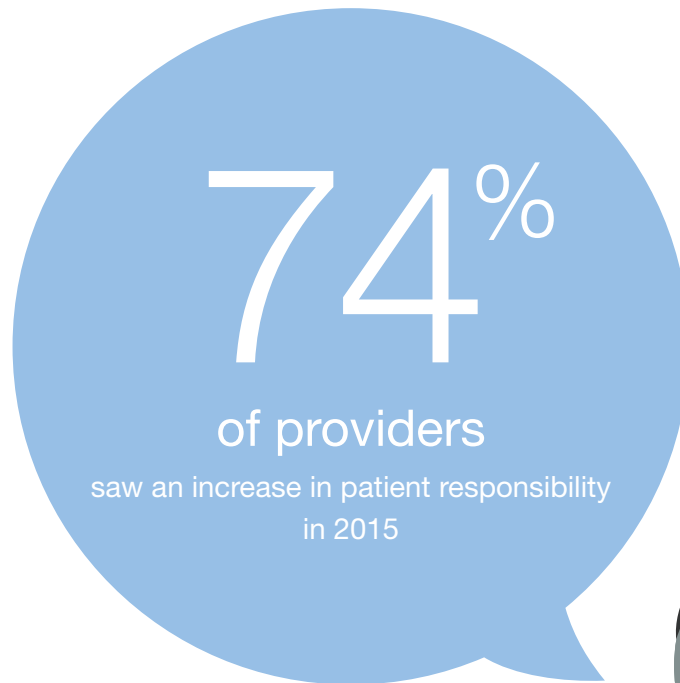
Sources

<sup>6</sup> Visa

<sup>7</sup> Visa

<sup>8</sup> Consumer Healthcare Payments Survey 2015

# Provider *Sentiment*

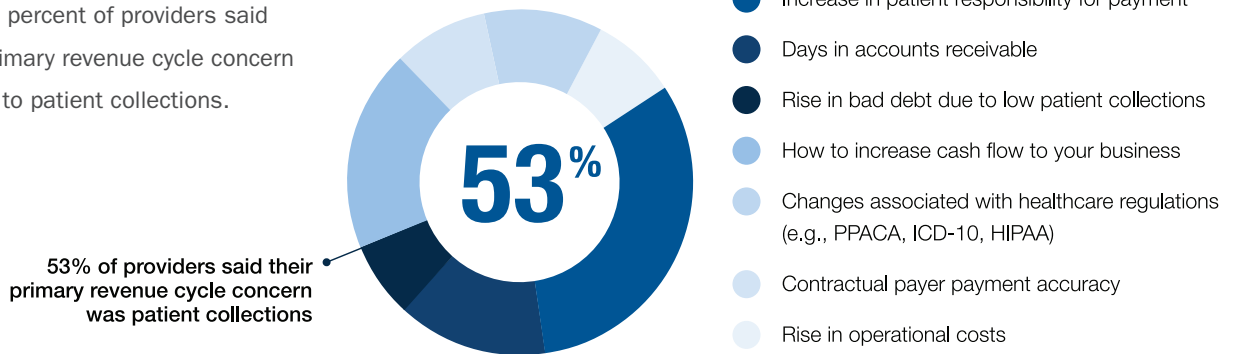


## Summary

The 2015 industry trends have had a significant impact on healthcare providers. To better understand the experiences of providers, InstaMed commissioned the Provider Healthcare Payments Survey 2015, conducted by LHK Partners. The nationwide survey participants ranged from solo practitioners to billion dollar health systems. The following are the key data points from the survey:

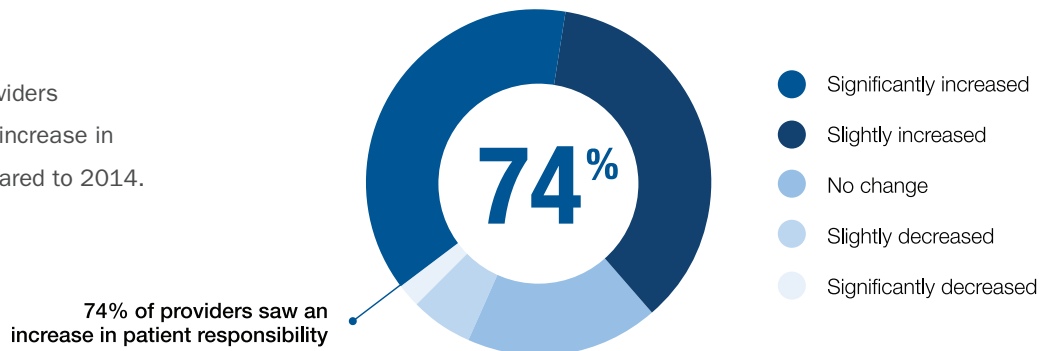
## 5.1

In 2015, 53 percent of providers said that their primary revenue cycle concern was related to patient collections.



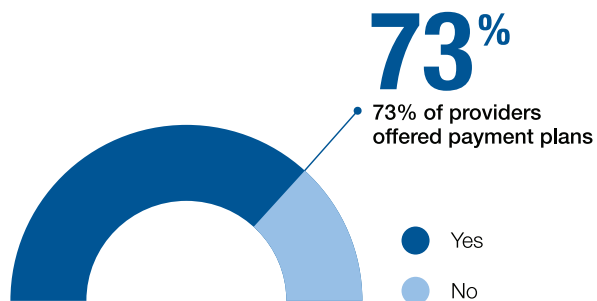
## 5.2

In 2015, 74 percent of providers indicated that they saw an increase in patient responsibility compared to 2014.



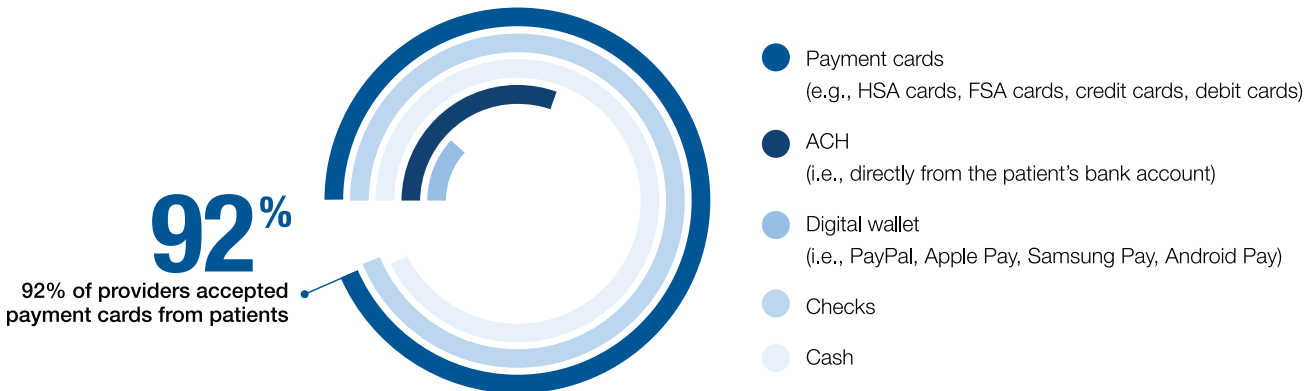
## 5.3

In 2015, 73 percent of providers said that they offered payment plan options to their patients.



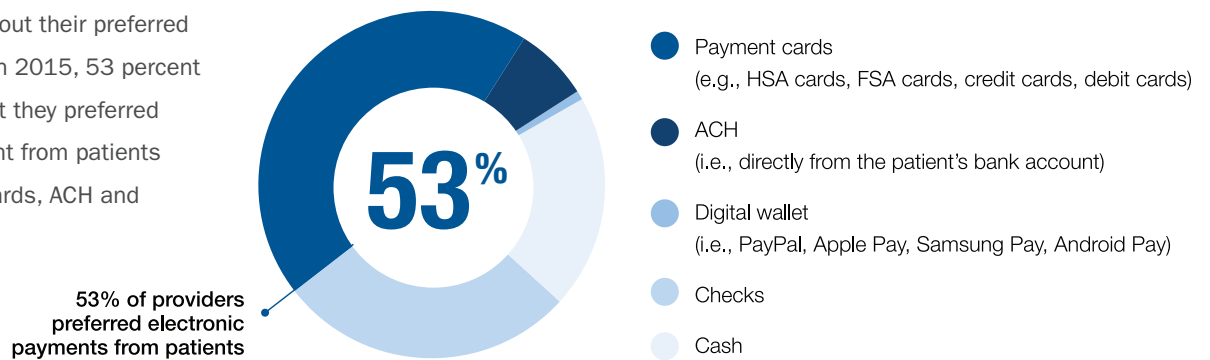
## 5.4

When questioned about their various collection methods in 2015, 92 percent of providers said that they accepted payment cards from patients. However, 94 percent of providers said that they also still collect paper checks from patients.



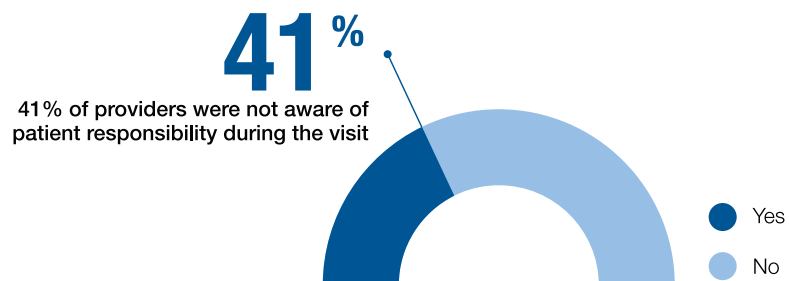
## 5.5

When questioned about their preferred collection methods in 2015, 53 percent of providers said that they preferred an electronic payment from patients including payment cards, ACH and digital wallet.



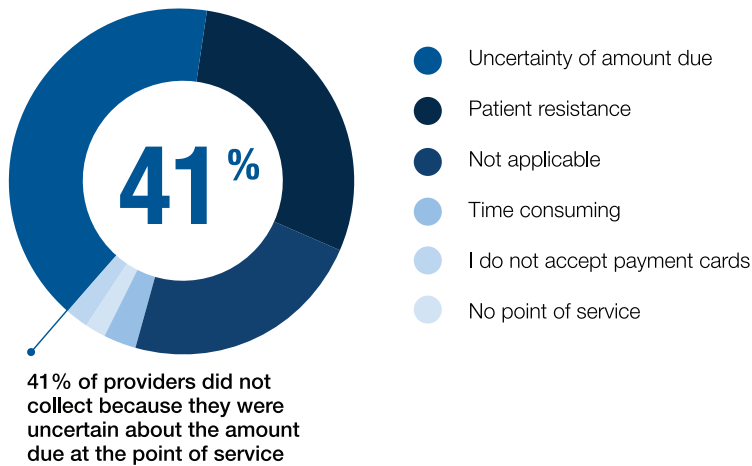
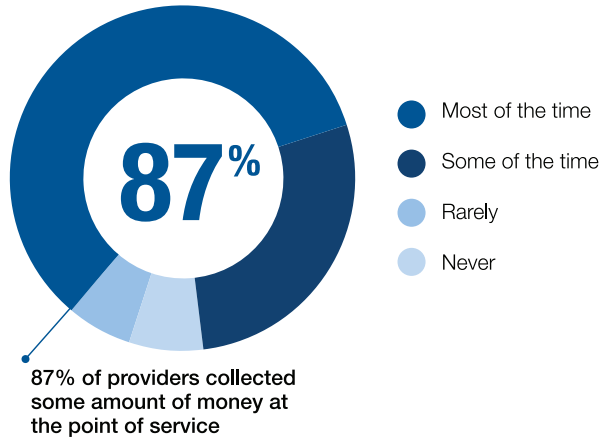
## 5.6

In 2015, 41 percent of providers said that they did not know patient responsibility during the patient visit.



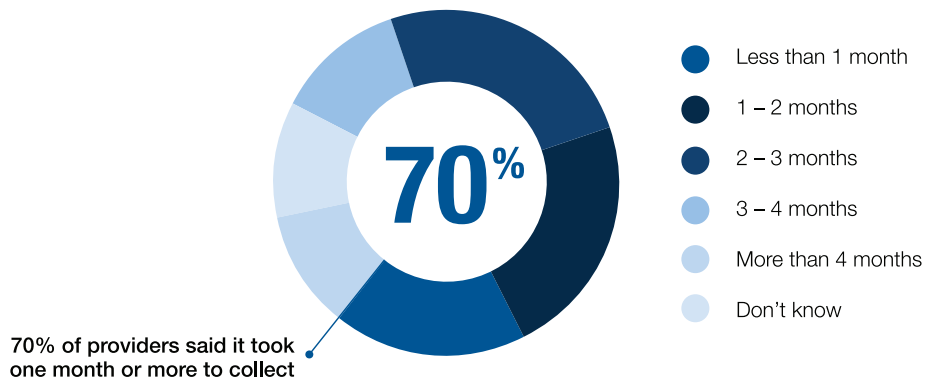
5.7

In 2015, 87 percent of providers said that they collected some amount of money at the point of service for the majority of their patient visits. When they did not collect at the point of service, 41 percent said that it was due to uncertainty of the amount due, while 29 percent said that it was due to patient resistance to pay.



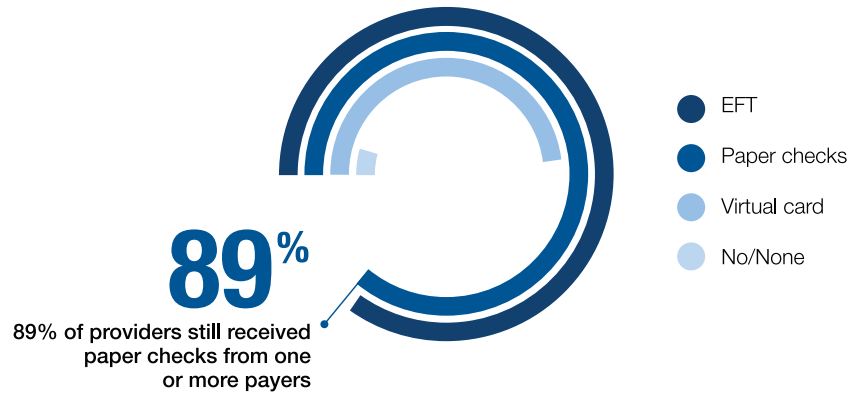
5.8

In 2015, 70 percent of providers said that it took one month or more to collect from a patient.



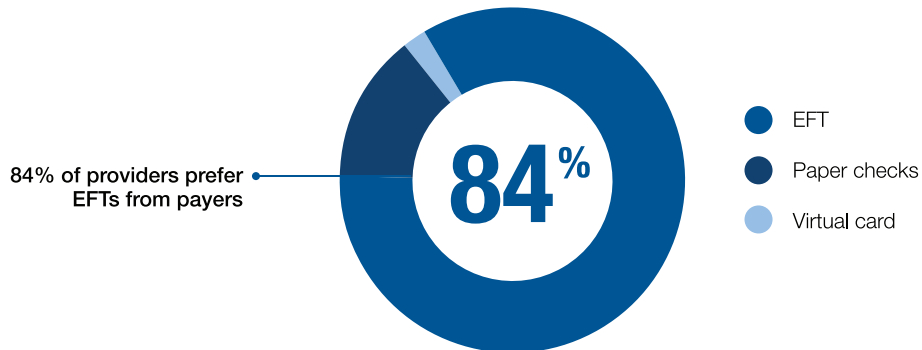
## 5.9

In 2015, 87 percent of providers said that they received payer payments via EFT. However, 89 percent of providers still received paper checks from one or more of their payers.



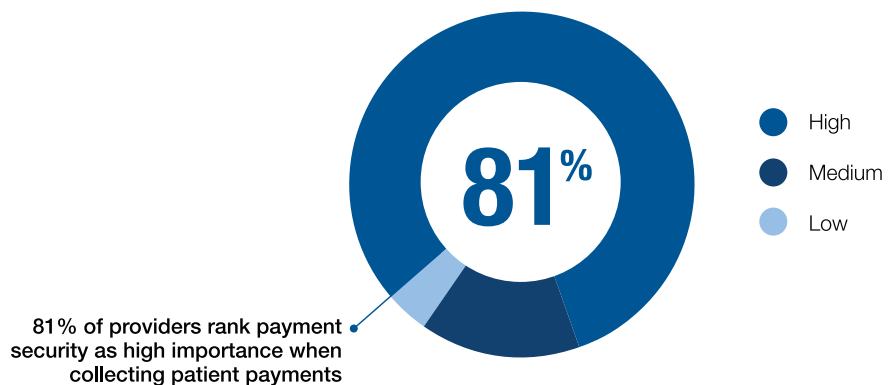
## 5.10

When questioned about their preferred way to receive payments from payers, 84 percent of providers said that they preferred EFT and only 14 percent preferred paper checks.



## 5.11

When questioned about security for patient payments, 81 percent of providers said that it was of high importance.



96%

of payers

are still paying a portion of their providers  
via check



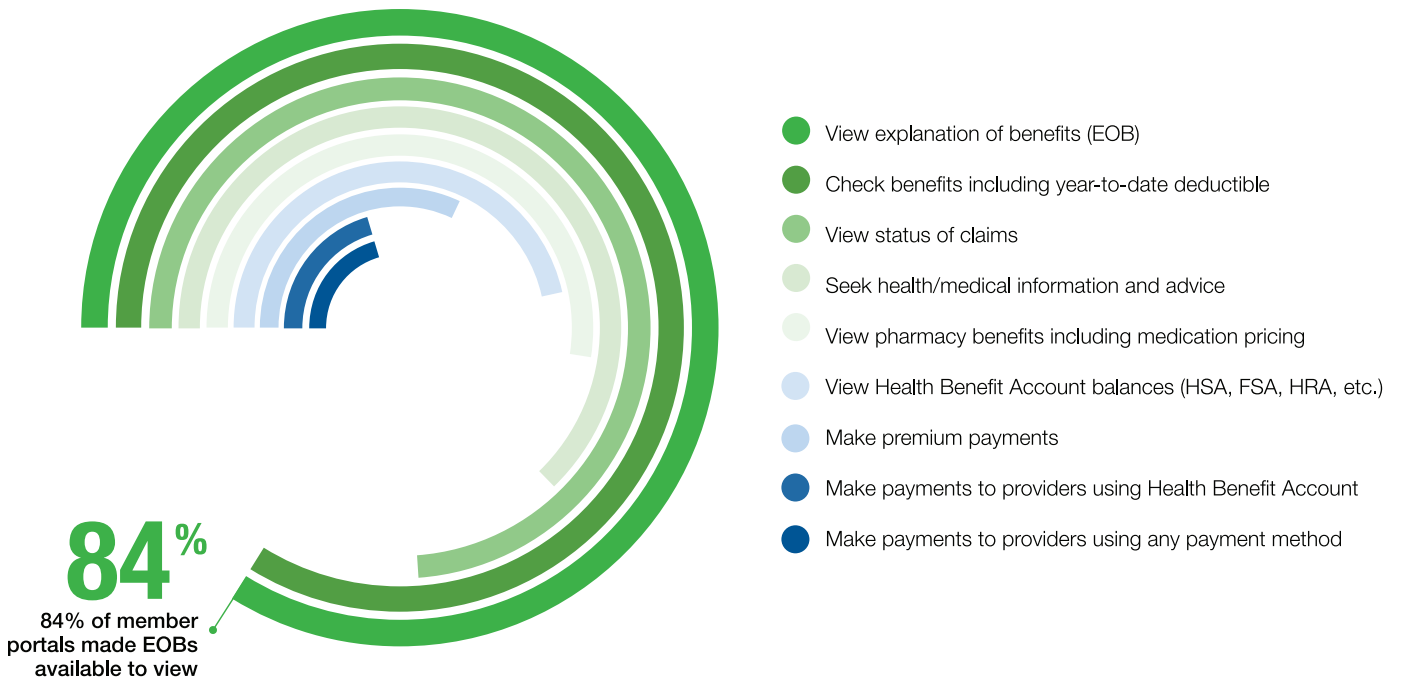
# Payer *Sentiment*

## Summary

Healthcare payers were also greatly impacted by the healthcare payment trends in 2015. To better understand the experiences of payers, InstaMed commissioned the Payer Healthcare Payments Survey 2015, conducted by LHK Partners. The nationwide survey participants included national and regional payers, third-party administrators (TPA) and Blues plans. The following are the key data points from the survey:

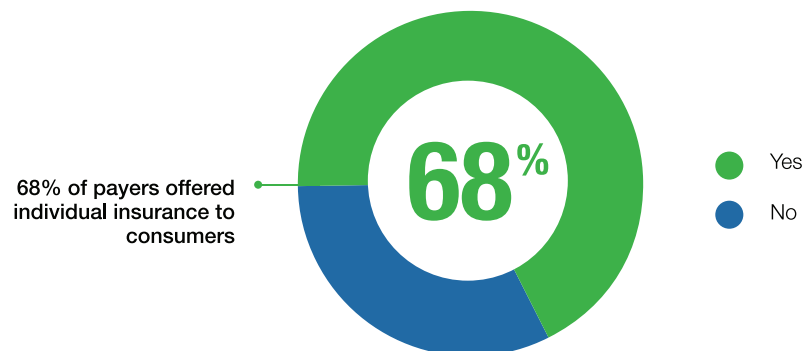
## 6.1

In 2015, 84 percent of payers said that they allow their members to view their EOBs in their member portal.



## 6.2

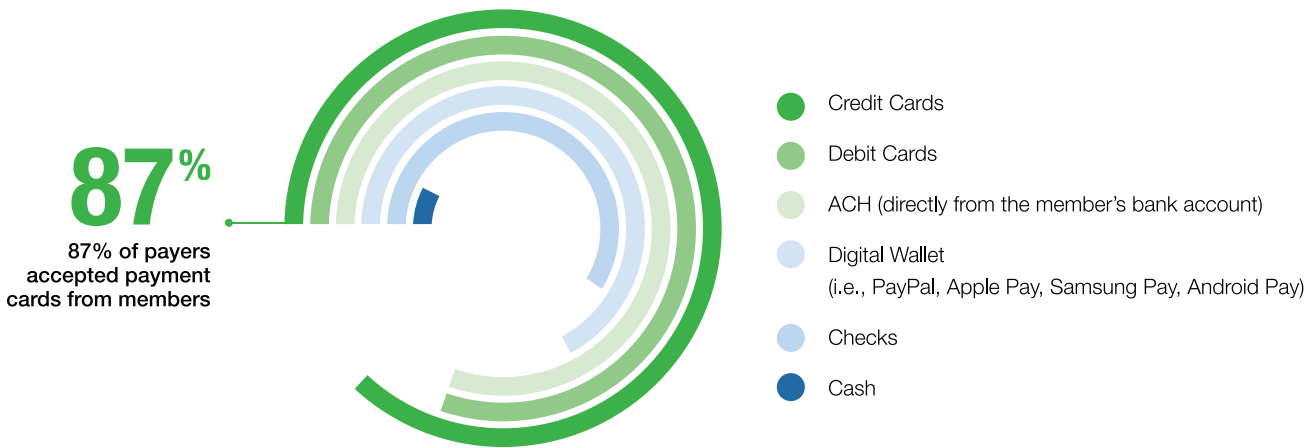
In 2015, 68 percent of payers said that they offered individual insurance to consumers.





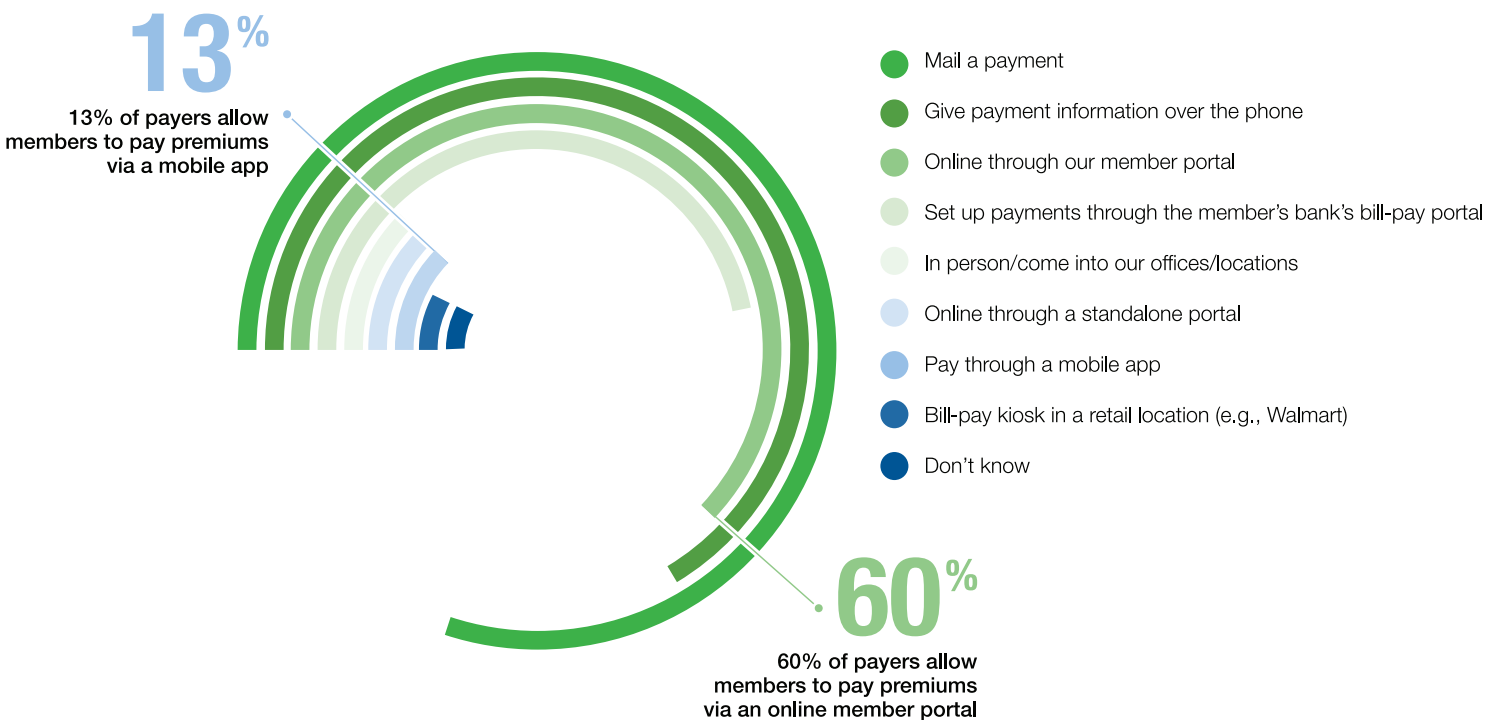
6.3

When questioned about their various collection methods for premiums in 2015, 87 percent of payers said that they accepted payment cards from members. However, 80 percent of payers said that they also collect paper checks from members.



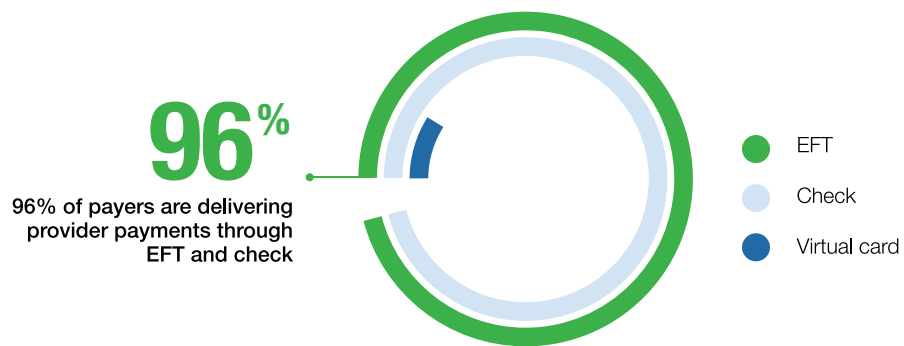
6.4

When questioned about the various ways members can make premiums in 2015, 73 percent of payers said that some portion of their members made premium payments online, including through an online member portal (60 percent), a mobile app (13 percent) and bank bill pay portal (47 percent).



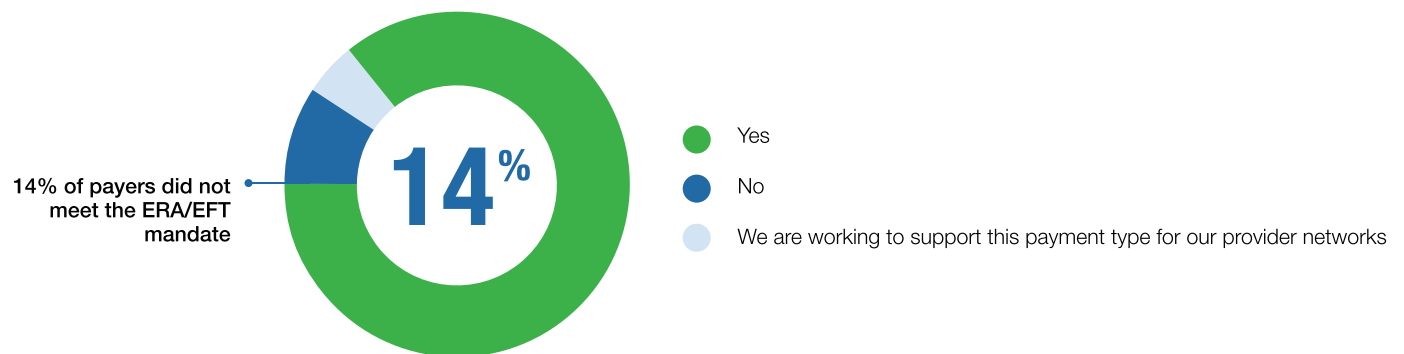
## 6.5

When questioned about the various payment methods for claims reimbursement, 96 percent of payers said that they paid providers with EFTs and checks.



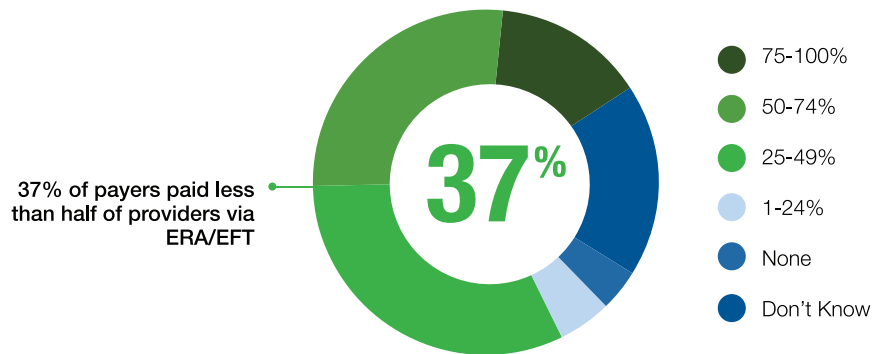
## 6.6

In 2015, 14 percent of payers said that they do not meet or are working to meet the January 2014 ERA/EFT mandate of the ACA requirements.



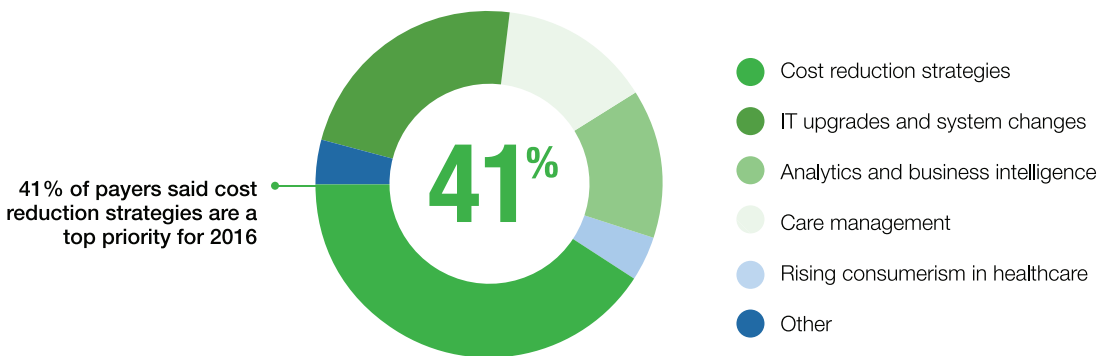
6.7

In 2015, 37 percent of payers indicated that less than half of their providers accepted ERA/EFT.



6.8

When questioned about their top priority for 2016, 41 percent of payers said that it was cost reduction strategies.



# Consumer *Sentiment*



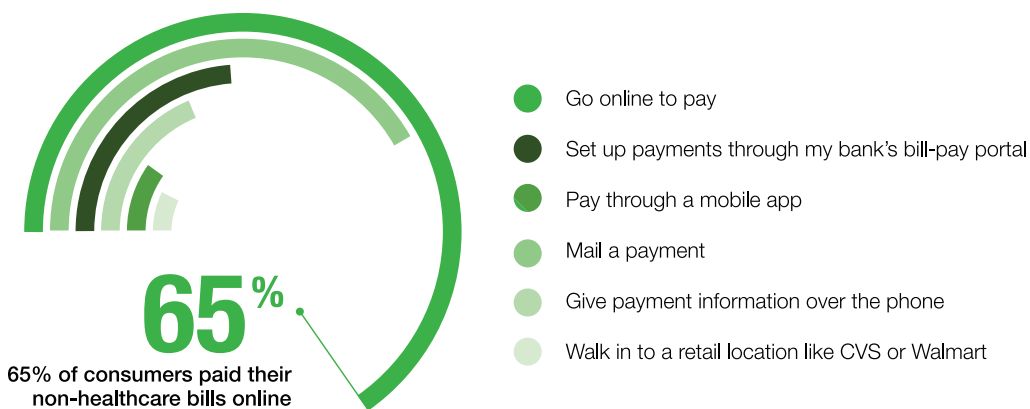
## Summary

Qualitative data from 2015 indicates that consumers have become an important constituent in healthcare payments. To better understand the experiences of consumers, InstaMed commissioned the Consumer Healthcare Payments Survey 2015, conducted by LHK Partners. This nationwide survey consisted of consumers who made a healthcare payment and had health insurance in 2015. The following are key data points from the survey:

# Consumer Sentiment

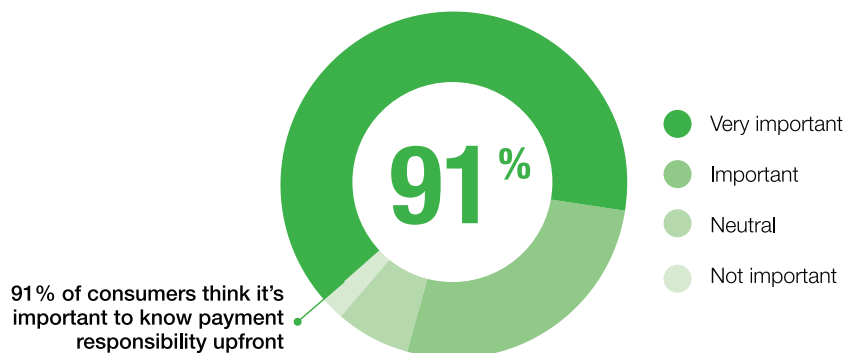
## 7.1

When asked how they normally pay their non-healthcare bills, such as utility or cable bills, 65 percent of consumers said that they paid online, 24 percent said that they paid via their bank's bill pay portal and 10 percent said that they paid with a mobile app.



## 7.2

In 2015, 91 percent of consumers said that it was important to know their payment responsibility before a provider visit.



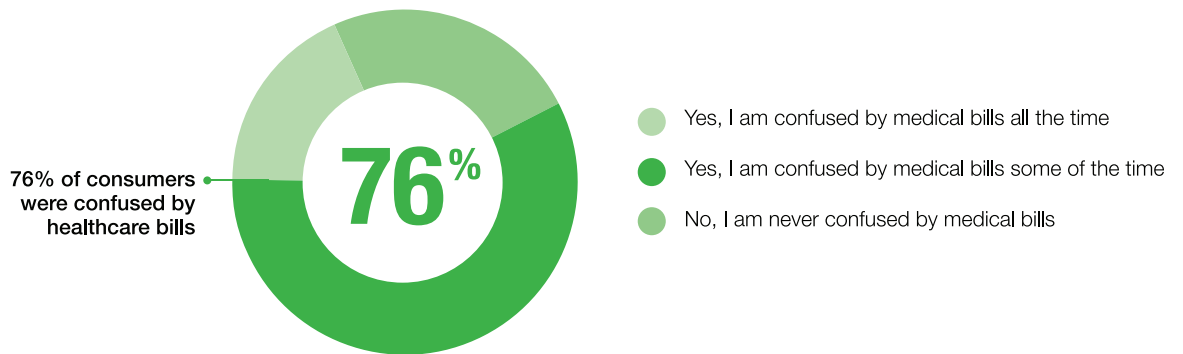
## 7.3

In 2015, 87 percent of consumers said that they primarily received their healthcare bills via mail.



#### 7.4

In 2015, 76 percent of consumers said that they were confused by their healthcare bills.



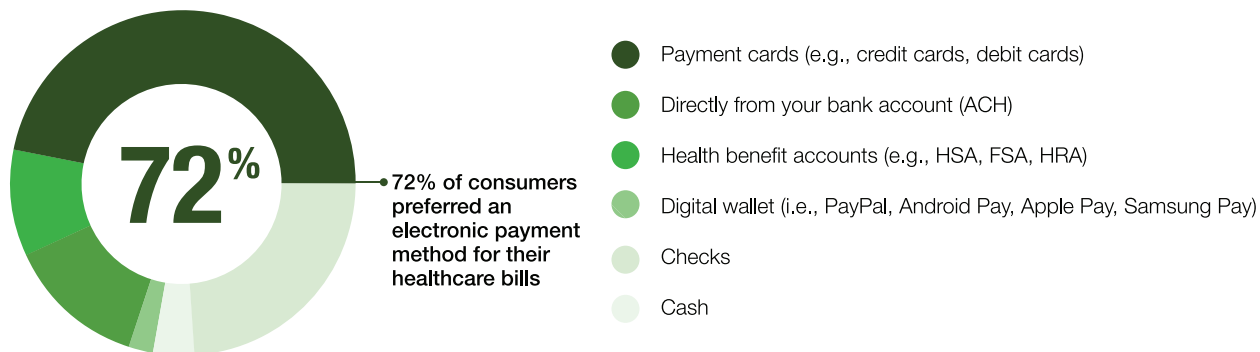
#### 7.5

When asked their preferred payment channel to pay healthcare bills, 48 percent of consumers said that they preferred to pay through an online channel.



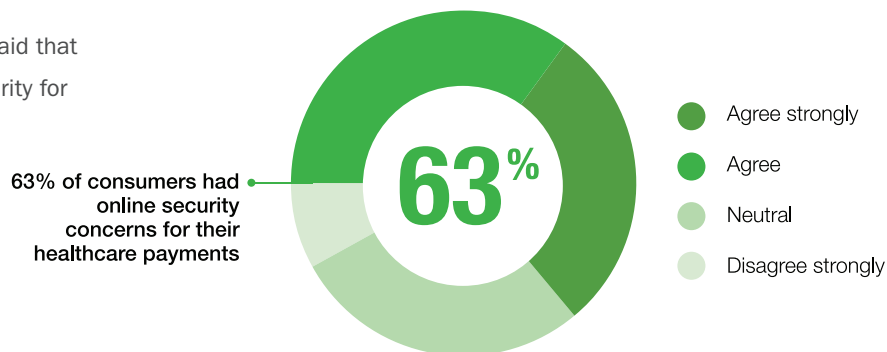
## 7.6

When asked their preferred payment method for their healthcare bills, 72 percent of consumers said that they preferred to pay with an electronic payment method, including payment cards, ACH and digital wallets.



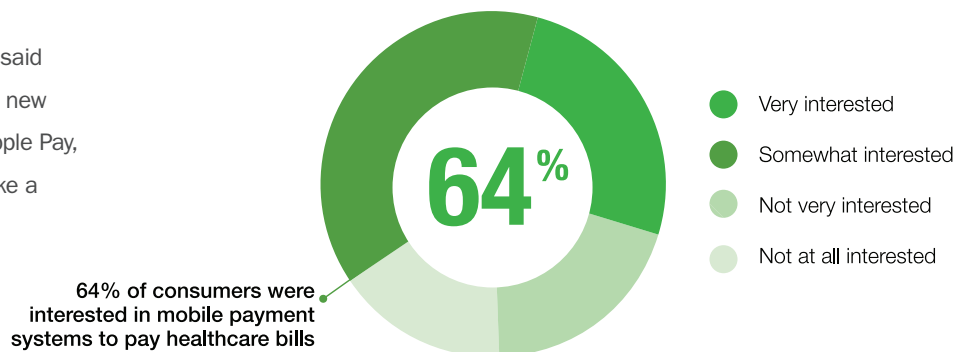
## 7.7

In 2015, 63 percent of consumers said that they had concerns about online security for their healthcare payments.



## 7.8

In 2015, 64 percent of consumers said that they were interested in using a new mobile payment system such as Apple Pay, Samsung Pay or Android Pay to make a healthcare payment.



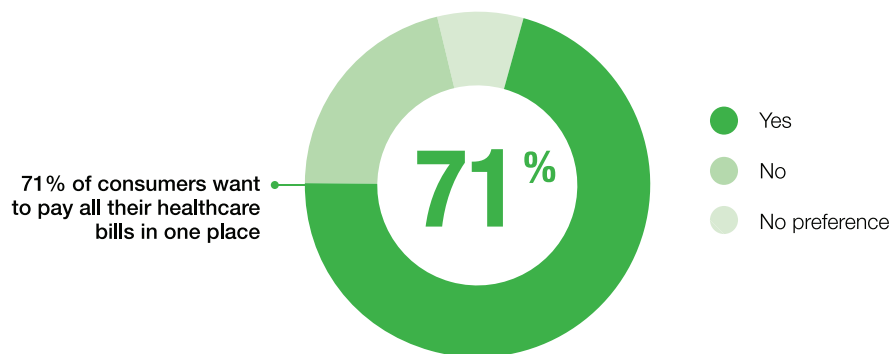
7.9

In 2015, 88 percent of consumers said that they pay a portion of their household bills, such as cable or utility, through an internet-enabled device, such as a laptop computer or smartphone. Only 12 percent of consumers did not pay any bills online.



7.10

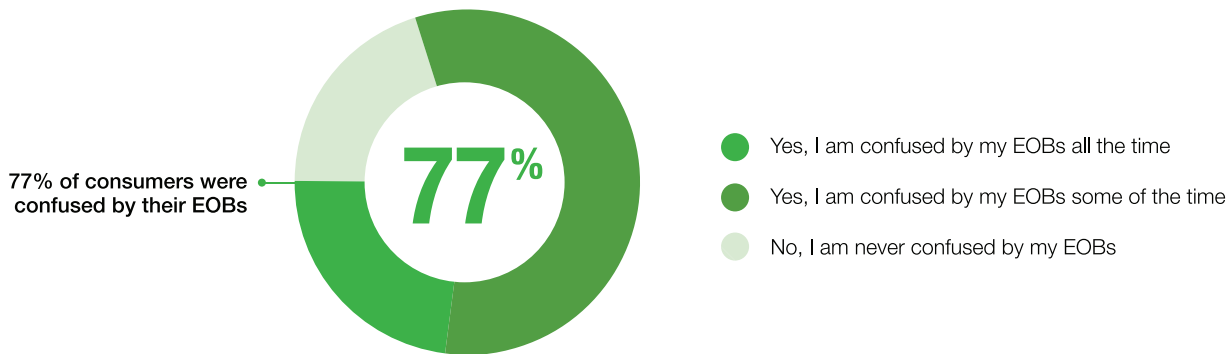
If given the option, 71 percent of consumers said that they would prefer to pay all of their healthcare bills from different doctors, hospitals and other healthcare providers, all in one place.





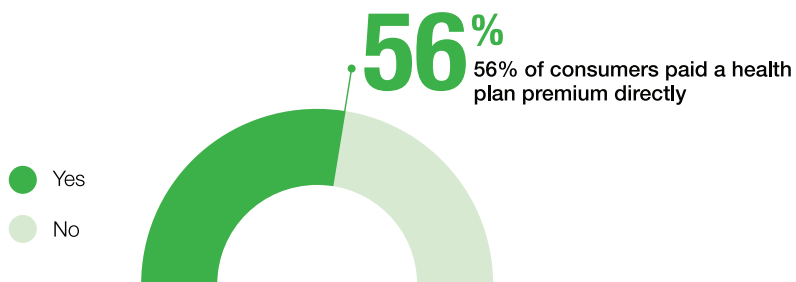
## 7.11

In 2015, 77 percent of consumers said that they were confused by EOBs from their health plan.



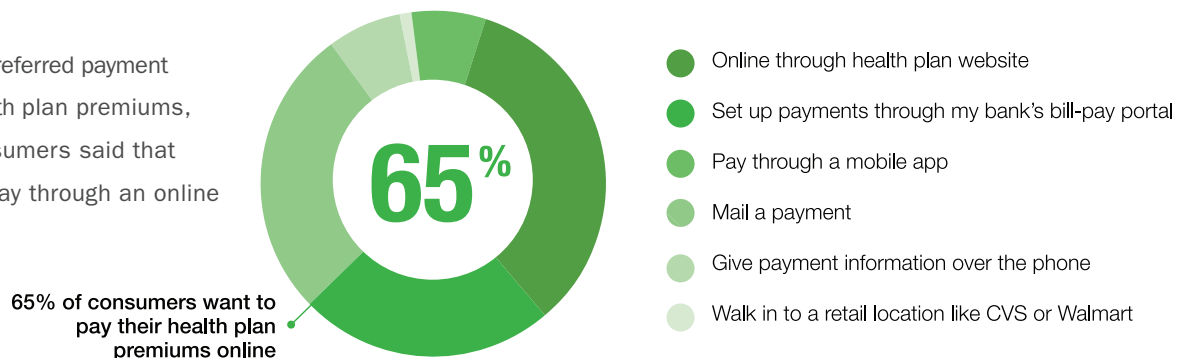
## 7.12

In 2015, 56 percent of consumers said that they purchased individual insurance and paid a premium directly to their health plan.



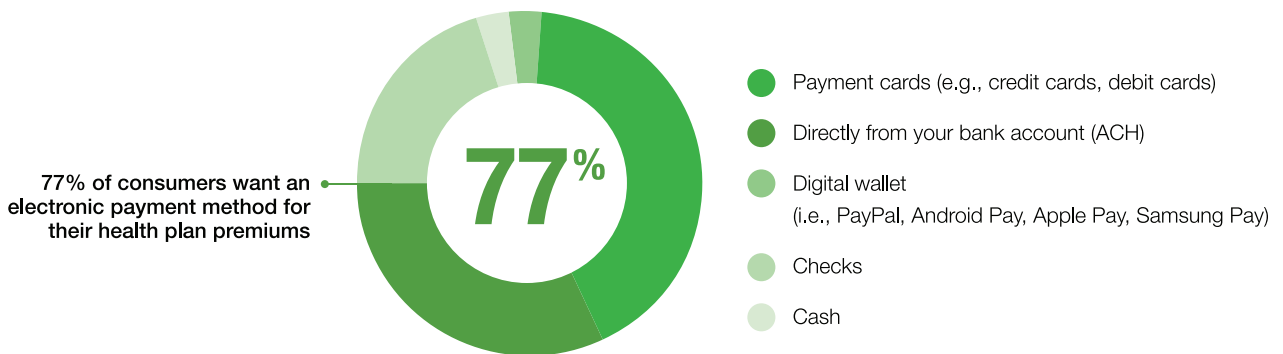
## 7.13

When asked their preferred payment channel to pay health plan premiums, 65 percent of consumers said that they preferred to pay through an online channel.



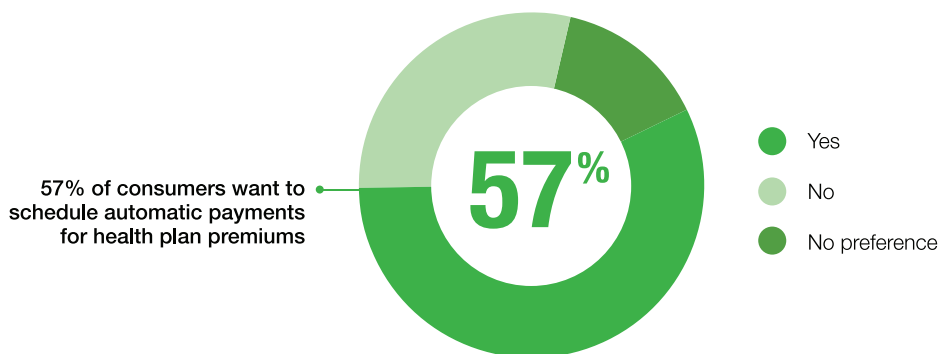
7.14

When asked their preferred payment method for their health plan premiums, 77 percent of consumers said that they preferred to pay with an electronic payment method, including payment cards, ACH and digital wallets.



7.15

If given the option, 57 percent of consumers would prefer to schedule an automatic deduction to pay their health plan premiums.





# Conclusions

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## Conclusion

With the dramatic shift in cost sharing and ultimately healthcare payment responsibility, a new, critical stakeholder has emerged, the consumer. With the focus shifted to the consumer, both payers and providers will be challenged to overhaul their payment processes or face lost revenue and poor customer retention. Given the increasing challenges providers face to collect higher balances from patients as well as the fact that payers are more vulnerable to losing members than ever, payers and providers must work together to simplify healthcare payments. Best practices from other industries should be leveraged. Make it simple for consumers to understand what a service will cost and then offer multiple payment options including automatic payments. By adopting electronic and automated payment channels, payers and providers can set the expectation upfront at the same time enabling faster time to payment.

As the industry continues to grow rapidly, paper in the healthcare payments process will be unsustainable to any business model. Healthcare organizations must find ways to move to electronic delivery of healthcare data and payments to streamline healthcare payments.

While beneficial for the consumer from an experience perspective and for payers and providers from a cost perspective, the shift to electronic healthcare data and omnichannel payments leaves healthcare organizations more vulnerable than ever to attacks and fraud. Payers and providers must apply scrutiny when making build versus buy decisions and engage in rigorous security and compliance evaluation when selecting new partners.

There's never been more of a need for payers and providers to work collaboratively. Payers need to maintain productive relationships with their provider networks to ensure members have a range of choices and services available in their plans. However, if provider revenue suffers due to consumer collections, the relationship with the payer will be at risk. Ultimately, payers have a vested interest in streamlining how providers get paid by consumers.

# Conclusions

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## Methodology

The 2015 Trends in Healthcare Payments Annual Report includes quantitative data from over \$165 billion in healthcare payments volume on the InstaMed Network, which connects over two-thirds of the healthcare market. The data represented was processed between 2012 and 2015.

The report includes qualitative market data based on an analysis of three InstaMed-commissioned online surveys conducted by LHK Partners Incorporated, an independent marketing research company, to better understand the experiences of the key stakeholders in the healthcare payments process.

The data compiled by LHK Partners for the Provider Healthcare Payments Survey 2015 comes from respondents representing over 100,000 healthcare providers nationwide. The group of respondents is comprised of 80 percent medical practices or clinics; 7 percent billing services; 7 percent hospitals, health systems or integrated delivery networks; 5 percent durable, medical equipment or home medical equipment and 1 percent labs.

The data compiled by LHK Partners for the Payer Healthcare Payments Survey 2015 comes from respondents representing over 3,000 payers nationwide. The group of survey respondents is comprised of 46 percent regional payers; 27 percent TPAs; 18 percent national payers; 5 percent Blues plans and 4 percent other types of payers, including state Medicaid payers and PPOs.

The data compiled by LHK Partners for the Consumer Healthcare Payments Survey 2015 comes from respondents representing over 2,575 consumers nationwide who paid a medical bill and had health insurance in 2015.

## About InstaMed

InstaMed is healthcare's most trusted payments network, connecting providers, payers and patients on one platform. The InstaMed Network connects over two-thirds of the market and processes tens of billions of dollars in healthcare payments annually. InstaMed reduces the risks, costs and complexities of working with multiple payment vendors by delivering one platform for all forms of payment in healthcare, designed and developed on one code base and supported by one onshore team of experts in healthcare payments. InstaMed enables providers to collect more money from patients and payers and significantly reduce the costs and time to collect. InstaMed allows payers to cut settlement and disbursement costs with electronic payments and facilitate consumerism for their members.

Visit InstaMed on the web at [www.instamed.com](http://www.instamed.com) or contact [info@instamed.com](mailto:info@instamed.com) for more information.

# InstaMed<sup>®</sup>

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