



Preventing Medical Debt From
Disrupting Health and Financial Health

Recommendations for Hospitals and Health Systems



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Introduction

Medical debt is the nation's most common form of debt, impacting more than 1 in 6 adults.¹ Medical bills are the leading cause of bankruptcy in the United States, and unlike other forms of consumer debt, these bills are often unexpected.^{2,3} The financial disruption and ruin caused by medical debt can harm physical and mental health, as well as social well-being, by impairing the ability to pay for basic necessities like food or housing, avoid credit card debt, save, and pursue education or career plans.⁴ People of color and those with disabilities are among those most likely to experience medical debt and its adverse complications.⁵

The COVID-19 pandemic has magnified the interdependencies of health, financial health, and equity. Medical debt, as well as financial health, are therefore key social determinants of health. Disrupting the cycle of downward financial, physical, and mental health and social well-being requires action *prior* to patients incurring medical debt through collaboration from players across the healthcare ecosystem.

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Key Recommendations

Target impact areas and interventions showcased within this report focus on opportunities for hospitals and healthcare systems to improve outcomes for patients.

Improve financial assistance and repayment programs

Support informed patient decision-making

Proactively identify risk of medical debt

¹ Raymond Kluender, Neale Mahoney, Francis Wong, & Wesley Yin, "Medical Debt in the US, 2009-2020," JAMA, July 2021.

² David U. Himmelstein, Deborah Thorne, Elizabeth Warren, & Steffie Woolhandler, "Medical Bankruptcy in the United States, 2007: Results of a National Study," American Journal of Medicine, 2009.

³ Sarika Abbi & Raquan Wedderburn, "Medical Debt and its Impacts on Health and Wealth: What Philanthropy Can Do to Help," Aspen Institute Financial Security Program, Asset Funders Network, March 2021.

⁴ Jennifer J. Griggs & Carlos F. Mendes de Leon, "Medical Debt as a Social Determinant of Health," JAMA, July 2021.

⁵ Neil Bennett, Jonathan Eggleston, Laryssa Mykyta, & Briana Sullivan, "19% of U.S. Households Could Not Afford to Pay for Medical Care Right Away," U.S. Census Bureau, April 2021.



Defining Financial Health

Financial health considers the totality of an individual's financial life. Unlike narrow metrics like income and credit scores, financial health considers whether individuals are spending, saving, borrowing, and planning in a way that will either contribute to, or detract from, their resilience in the face of unexpected events and ability to thrive in the long term. Currently, 34% of people in the U.S. are Financially Healthy, 52% are Financially Coping, and 14% are Financially Vulnerable.⁶

The Case for Change: Why Medical Debt Should Concern Hospitals and Health Systems

Patient satisfaction with care is inherently linked to their experiences with billing, collections, and debt. Complex billing procedures and aggressive actions in pursuit of payment can create financial and emotional strain for patients as they struggle to focus on their health. Cost concerns can also deter patients from receiving needed care.⁷ Increasingly, insured patients are not immune from cost concerns, particularly commercially insured patients who face growing out-of-pocket expectations.

Hospitals and health systems recognize the impact nonmedical factors have on patient health. They are increasingly called on to improve health equity, and many are making sizable investments in programs to address specific social determinants of health, such as housing, employment, food security, and transportation.^{8,9} Efforts to reduce medical debt among communities served expand upon and deepen these commitments to addressing social determinants and health inequities.

⁶ Necati Celik, Andrew Dunn, Thea Garon, & Jess McKay, "Financial Health Pulse™ 2021 U.S. Trends Report," Financial Health Network, October 2021.

⁷ Lydia Saad, "More Americans Delaying Medical Treatment Due to Cost," Gallup, December 2019.

⁸ Kelly Jean Thomas Craig, Irene Dankwa-Mullan, Hema Karunakaram, Caroline F. Plott, Ekta Punwani, Kyu Rhee, Joshua M. Sharfstein, & Rachel L. J. Thornton, "New Hospital Rankings Assess Hospitals' Contributions To Community Health With A Focus On Equity," Health Affairs Blog, April 2021.

⁹ Harmony N. Arcilla, Carol Chang, Leora I. Horwitz, & James R. Knickman, "Quantifying Health Systems' Investment In Social Determinants Of Health, By Sector, 2017-19," Project Hope, Health Affairs, February 2020.

Hospitals and health systems also have the opportunity to build patient trust and loyalty through interventions that address medical debt. Many hospitals have mission statements that make commitments to patient and community well-being, and medical debt interventions can help deliver on that mission. Nonprofit hospitals, in particular, have community benefit requirements that they must fulfill to maintain their tax-exempt status, which include providing medical financial assistance.¹⁰ However, the patient must often seek out this assistance, which can be difficult to find and apply for, leaving many who qualify unidentified and unserved.¹¹ Investment in strategies to disrupt the cycle of medical debt signals a commitment to the well-being of an organization's patients and community.

This, in turn, can improve hospital reputation, grow patient and community trust, cultivate loyalty, and increase retention for the hospital or health system. The shift toward value-based care has increased the stakes for health systems to deliver quality care, as well as provide a positive patient experience.

Billing is a crucial piece of this patient experience, with more than half (52%) of respondents in a recent survey stating that they were more stressed about their medical bills than about care.¹² Hospitals and health systems should recognize that when patients do not know or understand out-of-pocket expenses, or worry about their ability to pay them, it can dissuade them from pursuing care and adversely impact their health and well-being.¹³

Some systems have been highlighted in the news recently for aggressive collection practices that have led patients to financial ruin and left negative perceptions of health systems.¹⁴ Unfavorable press on medical debt and billing practices, paired with recent government legislation on increased price and billing transparency, have created urgency for hospitals and health systems to take a critical look at their medical billing and debt policies, which in turn can help them remain competitive and deliver value for patients.^{15,16}



¹⁰ Julia James, "Nonprofit Hospitals' Community Benefit Requirements," *Health Affairs*, February 2016.

¹¹ Jordan Rau, "Patients Eligible For Charity Care Instead Get Big Bills," *Kaiser Health News*, October 2019.

¹² "Consumer Attitudes Toward Medical Bills + the Price Transparency Rule," Waystar.

¹³ Mollyann Brodie, Liz Hamel, Audrey Kearney, & Mellisha Stokes, "Americans' Challenges with Health Care Costs," *Kaiser Family Foundation*, December 2021.

¹⁴ Alec MacGillis, "One Thing the Pandemic Hasn't Stopped: Aggressive Medical-Debt Collection," *ProPublica*, April 2020.

¹⁵ "Hospital Price Transparency," *Centers for Medicare & Medicaid Services*, December 2021.

¹⁶ "No Surprises: Understand your rights against surprise medical bills," *Centers for Medicare & Medicaid Services*, January 2022.



Additionally, expanding financial assistance and providing flexible repayment options may make more financial sense than pursuing medical collections. Offering more flexible repayment options, such as long-term and interest-free payment plans, can actually increase medical bill repayment.^{17,18} The use of financial navigators in cancer care settings, where patients face steep

out-of-pocket costs, has been shown to improve patient collections as well as reduce denied claims and no-show rates.^{19,20,21} In addition, pursuing medical debt collection may not be administratively worthwhile in the end, considering that the median medical debt owed by patients ranges from \$400 to \$800.^{22,23,24}

¹⁷ "Offering long-term payment plans to meet the financial needs of patients," CommerceHealthcare, Healthcare Financial Management Association, August 2020.

¹⁸ Alexandra Wilson Pecci, "3 Reasons To Offer Interest-free Payment Plans to Patients," HealthLeaders, October 2019.

¹⁹ Veena Shankaran, Dan Sherman, Jordan Steelquist, Kate Watabayashi, & Todd Yezefski, "Impact of Trained Oncology Financial Navigators on Patient Out-of-Pocket Spending," American Journal of Managed Care, March 2018.

²⁰ Orly N. Bell, Michael K. Hole, Karl Johnson, Lucy E. Marcil, Adam Schickedanz, & Barry S. Solomon, "Medical-Financial Partnerships: Cross-Sector Collaborations Between Medical and Financial Services to Improve Health," Academic Pediatrics, March 2020.

²¹ Matt Sherer, "Financial Navigation: Justification, Benefits, and Program Management," Journal of Oncology Navigation and Survivorship, October 2016.

²² "Debt in America: An Interactive Map," Urban Institute, December 2020.

²³ Michael Batty, Christa Gibbs, & Benedic Ippolito, "Unlike Medical Spending, Medical Bills In Collections Decrease With Patients' Age," Project Hope, Health Affairs, July 2018.

²⁴ Raymond Kluender, Neale Mahoney, Francis Wong, & Wesley Yin, "Medical Debt in the US, 2009-2020," JAMA, July 2021.

Recommendations for Hospitals and Health Systems

Addressing the complex, upstream origins and drivers of medical debt – including rising costs of care, increased cost-sharing, and pervasive inequities – will require long-term policy changes. However, all hospitals and health systems can take a number of immediate actions to prevent medical debt among their patients. Though nonprofit hospitals have federal community benefit requirements that include establishing a written financial assistance policy or charity care policy for patients who are unable to afford medical care, all hospitals should be held accountable for practices around medical debt, regardless of tax status.

The Financial Health Network developed these recommended actions and strategies with input from members of its Stakeholder Advisory Council. While each recommendation alone can contribute to medical debt prevention, hospitals and health systems, insurers, and employers can achieve the greatest possible impact by implementing them all. These recommendations fall into three broad but interrelated categories.

Across all three of these categories, meaningful patient engagement is essential for identifying practices and policies that disrupt financial health, co-designing responsive solutions that meet the specific circumstances of patients, and promoting health equity.

1 | Improve Financial Assistance and Repayment Programs

First, to prevent medical debt, hospitals and health systems will need to **expand, simplify, and innovate around financial assistance and repayment options to ensure financial assistance is available to all patients**. Some Advisory Council members felt these were important for promptly enacting change, calling them “quick wins.”

2 | Support Informed Patient Decision-Making

Second, hospitals and health systems must **support patients in making informed decisions about planning and paying for their care**. This includes improving transparency around patient out-of-pocket costs, ensuring patients understand those costs, helping them navigate their options, and ensuring they feel supported in making those decisions.

3 | Proactively Identify and Support Patients at Risk of Medical Debt

Finally, hospitals and health systems should **become more proactive in identifying equity gaps, as well as supporting and connecting patients to financial assistance and repayment options**.

1 | Improve Financial Assistance and Repayment Programs

Expand financial assistance eligibility to include patients unable to pay medical bills, including insured patients with unaffordable out-of-pocket expenses.

Hospitals and health systems should expand financial assistance or charity care eligibility standards in their financial assistance policies to capture all patients at risk of medical debt, including commercially insured patients who often face high out-of-pocket costs, such as deductibles and copays. This will help more patients benefit from free or discounted care. The COVID-19 pandemic accelerated the already increasing trend of patient demand for financial assistance, suggesting it is time for hospitals and health systems to revisit their assistance policies.²⁵ This is particularly timely given the prevalence of increased health needs due to pandemic-delayed care and treatment for “long COVID.”

Financial assistance eligibility is determined individually by hospitals and health systems, and generally offered to uninsured patients who meet a certain income or federal poverty level threshold. Eligibility based on annual income is not representative of income volatility and other financial pressures that patients could be experiencing, including debt obligations.²⁶

In fact, 17% of people with household income less than \$60,000 are Financially Healthy, while 39% of people with household income above \$100,000 are Financially Coping or Vulnerable.²⁷ Depending on a patient’s financial circumstances, one unexpected medical bill can shift someone from Financially Coping to Financially Vulnerable.

Ensure financial assistance is available to all patients who may be eligible.

Hospitals should ensure all patients are aware of financial assistance available to them and can easily apply. One recent analysis determined that 45% of nonprofit hospitals routinely send medical bills to patients who are eligible for financial assistance, indicating that patients eligible for free or reduced-cost care are not being offered that benefit.²⁸ Many hospitals and health systems do not widely promote or publicize their financial assistance policies and programs outright, other than the occasional poster. The responsibility falls on patients to educate themselves on these policies, and navigate a complex and cumbersome application process.^{29, 30}

Hospitals and health systems should proactively communicate the availability of financial assistance through clear and transparent methods, using a variety of formats, including in-person, online, and phone.

²⁵ “TransUnion Healthcare: 2021 Sees 55% Rise in Financial Assistance Transactions,” TransUnion, November 2021.

²⁶ David Silberman & Jennifer Tescher, “Measuring the financial health of Americans,” Brookings Institution, May 2021.

²⁷ “Financial Health Pulse™,” Financial Health Network.

²⁸ Jordan Rau, “Patients Eligible For Charity Care Instead Get Big Bills,” Kaiser Health News, October 2019.

²⁹ Ibid.

³⁰ Jordan Rau, “Free or discounted care is available at some hospitals. But they don’t make it easy,” Washington Post, October 2019.

They should also simplify the application process by making it easier to complete and requesting only easily attainable documentation for eligibility determination.³¹ Financial navigation services play important roles in raising awareness and supporting patients through the application process.³² Additionally, presumptive eligibility, as some states now require, is a proactive approach to linking patients to financial assistance who otherwise may not have been aware of the application process.³³

For patients who are not eligible for financial assistance, expand repayment options and ensure they have access to these options prior to the billing process.

Hospitals and health systems should provide flexible repayment and credit options prior to the billing process to support patients in their decision-making. Repayment options may include extended, no- or low-interest payment plans, personal loans for medical expenses, as well as medical credit cards and lines of credit.³⁴ Currently, loans are frequently restrictive. They typically rely on a patient having good credit, come with steep interest rates that can lead to additional future financial hardship, and are limited to elective procedures and specific providers, rather than many of the more common services that lead to medical debt. Medical credit cards are also not suitable for larger and more long-term medical transactions because of their often steep interest rates. Repayment options need to fit the specific needs and circumstances of individual patients, including those with disabilities and chronic health conditions that require frequent office visits and prescriptions.

Hospitals and health systems can improve upon these inefficiencies, and establish financial services partnerships to offer a broader range of repayment

options, like extended, no-interest, or low-interest payment plans. These can be further paired with comprehensive financial navigation upfront that empowers patients with transparent information related to charges, out-of-pocket cost responsibility, and options for repayment. Importantly, hospitals and health systems should offer these repayment options prior to billing, ideally before receipt of care.

Engage a broad range of constituents for regular review and improvement of financial assistance policies.

Hospitals and health systems need to ensure alignment between mission and actual practice across the organization by confirming their financial assistance policies are meeting community needs. They should therefore engage patients, caregivers, and community advisory groups, as well as hospital revenue cycle staff and senior administrators, to regularly review and evaluate current policies and practices for financial assistance. These collaborative efforts can identify moments during the patient experience that lead to medical debt, and work to co-create appropriate policies and procedures.

INTERVENTION SPOTLIGHT

Establishing a Financial Assistance Policy Council at Kaiser Permanente

A promising approach put into practice by organizations like Kaiser Permanente entails creating a financial assistance policy council with representatives of various departments across systems (e.g., financial and community health) to meet regularly and report to an accountable leader at the executive level.

³¹ "Principles for Improving Community Economic Stability Through Hospital Billing Policies," *Community Catalyst*.

³² Dan Sherman, "The emerging role of the financial navigator," *Patient Access Network Foundation*, August 2019.

³³ Jonathan G. Wiik, "Presumptive Eligibility for Charity Care: The Risk of Presuming Your Hospital is Compliant," *TransUnion*, March 2018.

³⁴ "How does a medical credit card work?," *Consumer Financial Protection Bureau*, July 2017.

INTERVENTION SPOTLIGHT

Payment Flexibility at Providence St. Joseph Health System

During the COVID-19 pandemic, Providence St. Joseph Health System began to ensure patients would not encounter any legal action if they were unable to pay a medical bill, and is continuing this practice today. Additionally, the system extended payment plans and forgiveness periods.

Best Practices for Resolution of Medical Accounts From Healthcare Financial Management Association

As part of its Healthcare Dollars & Sense Initiative, the Healthcare Financial Management Association compiled Best Practices for Resolution of Medical Accounts – a report of recommendations from a task force of industry experts that addresses all phases of the medical accounts receivable resolution process, including how to efficiently resolve accounts in a patient-friendly manner and steps to take before resorting to extraordinary collection actions.³⁵



Halt legal action against patients eligible for financial assistance.

Hospitals and health systems should cease legal actions against patients. Such lawsuits against patients often pursue relatively small amounts of debt, target patients without the means of legal representation, and disproportionately impact people of color.³⁶ Some hospitals are already halting such legal action, particularly in response to COVID-19.

Although halting legal action alone does not prevent medical debt assignment, the Advisory Council for this report series felt this was a critical recommendation for hospitals and health systems, given that such lawsuits can harm patients' ability to obtain credit and build wealth, place them at greater risk of bankruptcy, and threaten their ability to stay housed.³⁷ Additionally, research shows that financial hardships, such as those triggered by these lawsuits, can impact patients' physical and emotional well-being.

³⁵ "Best Practices for Resolution of Medical Accounts Executive Summary," Healthcare Financial Management Association.

³⁶ "A Financial Security Threat in the Courtroom," Aspen Institute, September 2021.

³⁷ Ibid.

2 | Support Informed Patient Decision-Making

Elevate, improve, and effectively use price transparency tools to support informed patient decision-making.

Hospitals and health systems should provide public, user-friendly, and plain-language price transparency tools that enable patients to understand medical costs and out-of-pocket expectations before receiving care. Price transparency tools can help patients understand their out-of-pocket costs and make choices about when and where to receive care.³⁸ Most patients report that knowing the cost of care in advance allows them to budget for those payments or at least make partial payments (70% and 65%, respectively).³⁹

However, these tools will be most impactful when connected to complementary actions that ensure price transparency translates into meaningful clinical and financial benefits.⁴⁰ In particular, access to price information at the point of care can facilitate conversations about costs and benefits of various treatment options, and support financial navigation programs that ensure patients have the guidance and support they need.⁴¹

The vast majority of hospitals are not complying with some or all recent federal requirements for hospitals to publicly share price information in consumer-friendly formats.^{42,43} Hospitals should comply with the rule as part of their broader efforts to support patients in making informed decisions about their care.

INTERVENTION SPOTLIGHT

Healthcare Financial Management Association's Price Transparency Report

The Healthcare Financial Management Association's Price Transparency Report presents five guiding principles for improving price transparency in healthcare, with recommendations for various healthcare stakeholders.⁴⁴ These principles emphasize empowering patients to compare prices, ease of use, and communication of price transparency tools; providing supplementary information that defines the value of services; defining the total cost of care to patients; and maintaining a commitment from all stakeholders.

³⁸ Anna D. Sinaiko, "What Is the Value of Market-Wide Health Care Price Transparency?," *JAMA*, September 2019.

³⁹ "TransUnion Healthcare: 2021 Sees 55% Rise in Financial Assistance Transactions," *TransUnion*, November 2021.

⁴⁰ A. Mark Fendrick & Jeffrey T. Kullgren, "The Price Will Be Right—How to Help Patients and Providers Benefit from the New CMS Transparency Rule," *JAMA*, February 2021.

⁴¹ *Ibid.*

⁴² Adam L. Beckman, Suhas Gondi, & Avery A. Ofoje, "Early Hospital Compliance With Federal Requirements for Price Transparency," *JAMA Internal Medicine*, June 2021.

⁴³ "Hospital Price Transparency," *Centers for Medicare & Medicaid Services*, December 2021.

⁴⁴ "Healthcare Dollars & Sense@." *Healthcare Financial Management Association*.



Incorporate cost-of-care conversations into the care process, and provide education and training to care teams.

Clinicians and care team members play a critical role in helping patients understand their healthcare costs. Cost-of-care conversations can be relatively short and can prevent treatment and testing escalation, additional follow-up visits, and unnecessary hospitalizations.^{45, 46} These conversations can address patients' immediate cost burdens, build trust, and potentially improve care experiences and health outcomes.

Patients do not want their healthcare provider to make assumptions about their care options, based on assumptions of their financial status.⁴⁷ It is important to address patients' cost concerns without limiting the treatment options presented.

While certain treatments may be costly, patients prefer to be offered all treatment options and presented with available options to address the treatment costs.

Patients prefer continuity in cost-of-care conversations and shared decision-making with their caregivers. Cost discussions are not a “check-the-box” item; patients agree that conversations regarding cost should take place throughout the continuum of care, and revisiting the topic on an ongoing basis is key to building relationships between care teams and patients.⁴⁸

Numerous critical decision-making points occur throughout the course of care, but the most vulnerable and difficult often come at the point of diagnosis and during early decisions about treatment.⁴⁹ Patients and caregivers often receive little or no preparation on how to be part of the decision-making process.

⁴⁵ Aingyea Fraser, Emmy Ganos, Amalia Gomez-Rexrode, Domitilla Masi, Joshua Seidman, & Katherine Steinberg, “Talking About Costs: Innovation In Clinician-Patient Conversations,” *Health Affairs Blog*, November 2018.

⁴⁶ Jamison A. Barnett, J. Kelly Davis, Ashley Hesson, Wynn G. Hunter, Christine Kirby, Peter A. Ubel, Lillie D. Williamson, & Cecilia Z. Zhang, “What Strategies Do Physicians and Patients Discuss to Reduce Out-of-Pocket Costs? Analysis of Cost-Saving Strategies in 1,755 Outpatient Clinic Visits,” *Medical Decision Making*, January 2016.

⁴⁷ Morenike AyoVaughan, Rina Bardin, Elizabeth Carpenter, Nelly Ganesan, & Josh Seidman, “Measuring the Effectiveness of Cost-of-Care Conversations,” *Avalere*, September 2020.

⁴⁸ *Ibid.*

⁴⁹ “Delivering High-Quality Cancer Care: Charting a New Course for a System in Crisis,” Board on Health Care Services, Committee on Improving the Quality of Cancer Care: Addressing the Challenges of an Aging Population, & Institute of Medicine, December 2013.

Decision-making requires access to information about the care and payment processes, knowledge about how to differentiate and discuss options, and, in some instances, education about how to self-advocate. Effective cost-of-care conversations can inform care teams of patient eligibility for financial assistance or flexible repayment options suited to their specific financial situations.

Hospitals and health systems have an opportunity to provide education, training, and tools to build clinician and care team capacity to engage in cost-of-care conversations with patients.⁵⁰ Organizations should also work to embed these conversations into clinical workflows and potentially digitize that workflow.



Cost-of-Care Resources

- American College of Physicians' Cost of Care Resources: The American College of Physicians (ACP) has developed a number of resources to equip providers with tools to facilitate effective cost-of-care conversations, including a Cost Distress Identification Tool, Cost Conversation Guide, and Steps To Estimate the Cost of Care.⁵¹
- National Patient Advocate Foundation's Cost of Care E-book: National Patient Advocate Foundation (NPAF) has developed an e-book for providers and patients that discusses barriers and facilitators of cost-of-care conversations with tips for effective discussions.⁵²
- Healthcare Financial Management Association's Patient Financial Communications Best Practices: Healthcare Financial Management Association has developed a set of best practices to bring clarity and consistency to patient financial communications, and outlines steps for having these conversations in various healthcare settings.⁵³

⁵⁰ C. Jessica Dine, Domitilla Masi, & Cynthia D. Smith, "Tools to Help Overcome Barriers to Cost-of-Care Conversations," *Annals of Internal Medicine*, May 2019.

⁵¹ "Healthcare Transparency: Talking to Patients about the Cost of Their Health Care," American College of Physicians.

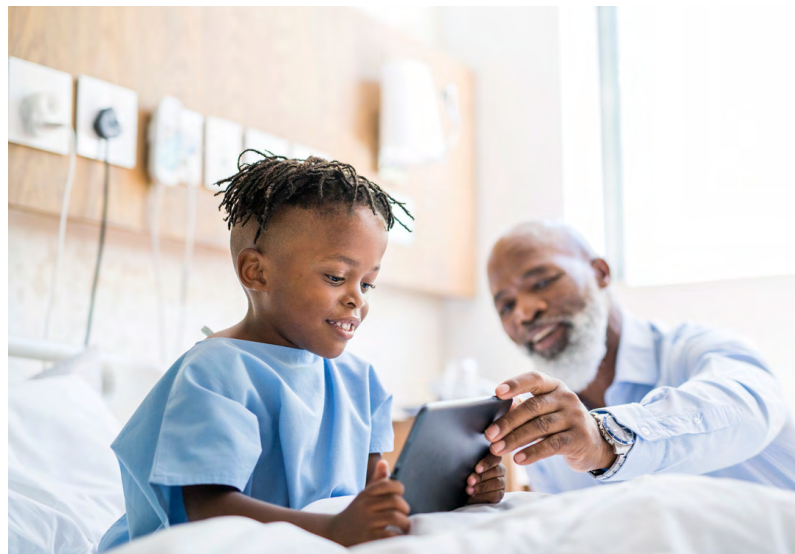
⁵² Caitlin Donovan, "Conversations about Costs of Care E-Book," National Patient Advocate Foundation.

⁵³ "Healthcare Dollars & Sense@," Healthcare Financial Management Association.

Provide financial navigation services to help patients understand costs and access financial assistance.

By utilizing financial guidance and assistance through specially trained financial navigators, hospitals and health systems can mitigate patient burdens and minimize financial losses for the treating institutions. Research and reported organizational experiences from oncology care, which frequently requires multiple high-cost treatments, find that financial navigation is linked to improved access to care and lower no-show rates, decreased patient out-of-pocket expenses and financial stress, improved patient satisfaction, fewer claims denials, and increased copay collections.^{54, 55, 56} Financial navigation can also help patients address other social needs that create financial strain, such as assistance with food, child care, utilities, and other basic necessities.⁵⁷

Comprehensive financial navigation requires a multidisciplinary approach that incorporates the clinical needs of the patient; optimizes coverage and assistance programs, such as prescription discounts; coordinates with billing departments; and highlights existing benefits provided.⁵⁸ Systems must also ensure that financial navigation services are patient-centric, linguistically and culturally sensitive, and embedded in care team workflows. There are lessons from the financial services industry regarding financial education, namely, that it is ineffective unless the information provided is timely, relevant, and immediately actionable. Financial navigation will need to leverage points of decision-making to ensure patients are able to use price transparency tools effectively.⁵⁹



INTERVENTION SPOTLIGHT

Digital Financial Navigation Tools at Providence St. Joseph Health System

Providence St. Joseph Health System is piloting TailorMed, a comprehensive software solution that sits at the point of care and automates financial navigation.⁶⁰ Using data and advanced analytics, TailorMed streamlines all steps of the process, from benefit investigation and out-of-pocket estimation to enrollment and management of approved programs. Providence St. Joseph is piloting this tool to improve access to care for uninsured and underinsured patients, improve revenue cycle workflows, optimize financial navigators and cost-of-care conversations, and better target community benefit investments.

⁵⁴ Veena Shankaran, Dan Sherman, Jordan Steelquist, Kate Watabayashi, & Todd Yezefski, "Impact of Trained Oncology Financial Navigators on Patient Out-of-Pocket Spending," *American Journal of Managed Care*, March 2018.

⁵⁵ Orly N. Bell, Michael K. Hole, Karl Johnson, Lucy E. Marcil, Adam Schickedanz, & Barry S. Solomon, "Medical-Financial Partnerships: Cross-Sector Collaborations Between Medical and Financial Services to Improve Health," *Academic Pediatrics*, March 2020.

⁵⁶ Matt Sherer, "Financial Navigation: Justification, Benefits, and Program Management," *Journal of Oncology Navigation and Survivorship*, October 2016.

⁵⁷ Kimberly Bell, Melissa Monak, & Antoinette Whitt, "Development of a financial navigation program to ease the burden of financial toxicity," *Journal of Clinical Oncology*, May 2019.

⁵⁸ Dan Sherman, "Growing and Sustaining a Robust Financial Navigation Program," NaVectis Group.

⁵⁹ Rachel A. Greenup, Alexander H. Gunn, & Corinna Sorenson, "Navigating the high costs of cancer care: opportunities for patient engagement," *Future Oncology*, 2021.

⁶⁰ "TailorMed - Moving Mountains for Patients," TailorMed.

3 | Proactively Identify Risk of Medical Debt

Proactively identify patients who may struggle to pay medical bills.

Hospitals and health systems have a responsibility to understand which patients are disproportionately at risk for medical debt and where the greatest inequities may exist. Equipped with this information, they can prevent medical debt and financial harm more proactively by systematically identifying patients who cannot afford needed care and may be eligible for financial assistance or other repayment programs. Hospitals and health systems should consider implementing presumptive eligibility for Financially Vulnerable patients, as some state mandates have recently enforced, and proactively notify patients that they qualify.⁶¹ Patients who benefit are likely those who currently qualify for financial assistance and yet may not receive it, avoid needed care due to cost, or are currently Financially Coping but could experience financial ruin when faced with unexpected medical bills.⁶² This can include commercially insured patients unable to afford the out-of-pocket expenses.

Hospitals and health systems should systematically screen all patients for ability to afford costs of care, including patient responsibility for out-of-pocket costs. They can then assess these patients for eligibility for insurance coverage, financial assistance, or repayment options, thereby expanding uptake of these programs and reducing medical debt. Alternatively, universal and systematic screening of all patients could directly serve as the application process for these financial assistance programs.

Very few health systems directly consider patients' financial ability to cover pending and unexpected medical expenses.⁶³ Although health systems increasingly measure health-related material needs – including ability to pay for food, housing, utilities, and other necessities – these measures may only serve as a proxy for those who are currently Financially Vulnerable, and not those on the verge of financial vulnerability and unable to withstand a medical bill. Hospitals and health systems should consider more holistic views of patients' financial circumstances, including out-of-pocket costs relative to income, the ability to withstand unexpected expenses, and the total cost of care, which may include prescriptions, medical equipment, and follow-up treatment. They can start by piloting patient-centered indicators of financial circumstances in healthcare settings. Leveraging technology and existing patient-reported indicators could help systematize and rapidly scale these efforts and ensure the burden does not fall on the patient or the clinician.

An additional data-driven strategy to inform policies and practice is to analyze bad debt accounts by demographics to better understand which patients are disproportionately impacted by medical debt and aggressive collections.⁶⁴ When paired with demographic and other social well-being data, administrative and screening data can help hospitals and health systems better gauge where disparities and inequities exist to guide resources, strategies, and investments.

⁶¹ Jonathan G. Wiik, "Presumptive Eligibility for Charity Care: The Risk of Presuming Your Hospital is Compliant," *TransUnion*, March 2018.

⁶² Jordan Rau, "Patients Eligible For Charity Care Instead Get Big Bills," *Kaiser Health News*, October 2019.

⁶³ "Social Needs Screening Tool Comparison Table," *Social Interventions Research and Evaluation Network*, 2019.

⁶⁴ Joseph J. Fifer, "Addressing racial disparities in healthcare: It's time now," *Healthcare Financial Management Association*, March 2021.



Validated Consumer-Reported Measures of Financial Health

These measures may help hospitals and health systems screen patients for financial assistance programs more effectively:

- The Financial Health Network’s composite FinHealth Score® includes a set of eight simple measures of financial health, including expenditures relative to income, bill paying, sufficient savings, and manageable debt.⁶⁵
- The Consumer Financial Protection Bureau’s Financial Well-Being Scale includes 10 scaled questions, covering whether the respondent could handle a major unexpected expense, is behind on finances, is getting by financially, and is concerned money won’t last.⁶⁶

Develop patient-centered approaches for assessing ability to pay, and link these assessments directly to financial assistance and repayment options.

While screening patients to proactively identify risk for medical debt can increase uptake of financial assistance programs, such efforts will not be well received by patients without understanding how this information facilitates access to care and supports them in making informed decisions. Hospitals and health systems must frame such sensitive questioning as part of provider efforts to improve health outcomes and patient care experiences, which are inherently tied to the cost of care.

Patients themselves often have concerns about sharing this kind of information or any effort to profile them, particularly where there are low levels of trust with a healthcare institution. Patients often fear that disclosing information about their ability

to pay or financial situation will predetermine how they will be treated and what care options they will be offered. These kinds of assessments may be more challenging than other social determinants of health screening. Lack of trust is a barrier in patient acceptance of social needs screening in general, and may be more acute when screening includes questions related to their ability to pay.⁶⁷

For these reasons, hospitals and health systems should pair questions for patients about their financial circumstances with informed decision-making strategies that include price transparency, cost-of-care conversations, and enrollment in financial assistance or flexible repayment options. Moreover, safeguards are needed to ensure any financial information does not result in discrimination or preclude patients from receiving effective services. Moreover, like cost-of-care conversations, screening should be paired with efforts to improve staff understanding and empathy for patients’ financial health circumstances.

⁶⁵ “FinHealth Score® Toolkit,” Financial Health Network.

⁶⁶ “CFPB Financial Well-Being Scale Questionnaire,” Consumer Financial Protection Bureau.

⁶⁷ Nancy Adler, Emilia H. De Marchis, Caroline Fichtenberg, & Danielle Hessler, “Part I: A Quantitative Study of Social Risk Screening Acceptability in Patients and Caregivers,” *American Journal of Preventive Medicine*, November 2019.



Incorporate medical debt as an explicit focus area of Community Health Needs Assessments.

The regular Community Health Needs Assessments (CHNAs) that hospitals conduct should proactively explore the extent to which community members struggle with medical bills, medical debt, and ability to pay for unexpected healthcare costs. This strategy supports documenting inequities and using information collected to drive improvements in financial assistance programs, repayment options, and other solutions that can reduce medical debt and medical debt inequities.

For example, hospitals can add questions related to financial assistance needs and medical debt experiences to their quantitative CHNAs. Hospitals can utilize this information with community partners

to co-design medical debt reduction goals, financial assistance policies and practices, and localized intervention strategies. Hospitals can then track progress toward these goals by monitoring financial assistance enrollment, medical billing and collections, and other data.

Asking questions about financial circumstances and ability to pay in a CHNA may help avoid some of the patient trust concerns associated with such screening at the point of care, given its broader aim of identifying community needs and co-creating effective programs. For examples of validated consumer-reported measures, see the callout on page 15. Authentic and regular community involvement in the CHNA process brings together patients and trusted advocates to guide hospital and health system efforts to reduce medical debt, improve community wellness, and build community trust.

Conclusion

Medical debt impacts more than 1 in 6 adults in the U.S. and is the leading cause of bankruptcy in the United States. Having health insurance is not enough to shield millions of people from medical debt, and hospitals frequently send medical bills to patients eligible for financial assistance.

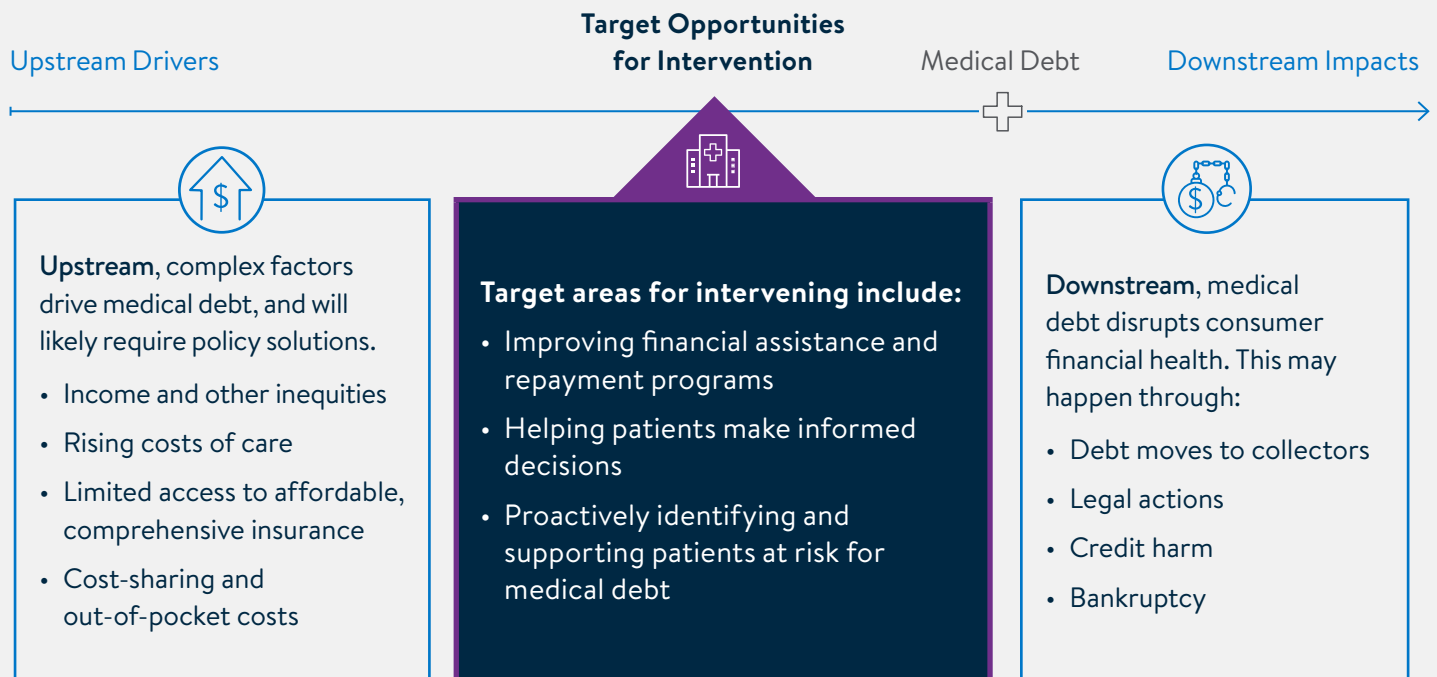
Along with preventive actions taken by other health system actors, such as insurers and employers, hospitals and health systems must act to prevent medical debt and interrupt the cycle of downward financial, physical, mental, and social well-being. Doing so can create a better experience for patients – both those with and without insurance –

as well as other institutional and community impacts, such as building reputation, patient loyalty, and trust, and making strides toward health equity.

The recommendations outlined in this report serve as a starting point in preventing medical debt. Hospitals and health systems should customize strategies that meet the specific needs of their communities, and do so by co-designing these efforts through authentic patient engagement. As healthcare actors embark on financial harm reduction strategies, they can then work to identify more proactive ways to promote patient financial health.

Figure 1. Opportunities to take action **for hospitals and health systems.**

While many upstream factors lead to medical debt, this report focuses on interventions that hospitals and health systems can implement to prevent medical debt and its devastating impacts on financial health and health.



Acknowledgments

About the Report Series

The Financial Health Network is a trusted resource for business leaders, policymakers, and innovators united in a shared mission to improve financial health for all. We believe financial health is a social determinant of health.

Developed with the support of the Robert Wood Johnson Foundation and informed by a council of stakeholder experts, this report series was created by the Financial Health Network to identify actionable interventions and strategies that health system stakeholders should take to prevent medical debt – particularly among commercially insured patients who too often remain unprotected from healthcare costs.

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