

Untangling the Complexity of Payments in Healthcare

The hidden frictions and the opportunities for providers and payers to alleviate them.



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Healthcare is Complex and Payments are no Exception

Payment and process inefficiency in healthcare is estimated at \$1T.¹

\$1T

There is \$1T of estimated inefficiency in the US healthcare system annually¹

The Painpoints



**PAYER
PAYOUTS**



PROVIDER REFUNDS



EMPLOYEE PAYOUTS

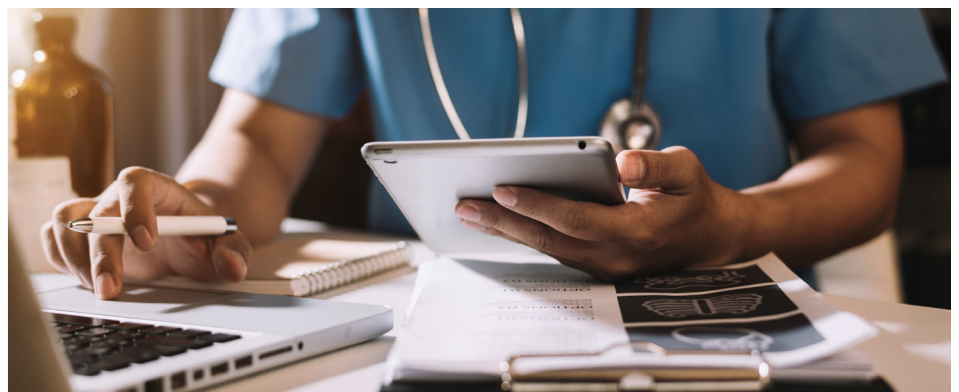
As stakeholders across the ecosystem seek ways to modernize and improve patient and clinical experiences, they are quickly realizing the important role that payments must play in their journey. In fact, following the movement of money keenly identifies where some of the most acute pain points in the ecosystem lie. Quite literally, they lie within areas relating to:

- 1) Payouts from payers to providers for services rendered to patients
- 2) Payouts from payers and providers to patients, often for reimbursement of out-of-pocket expenses and overpayment

And

- 3) Payments to employees, such as traveling healthcare workers, involved in rendering services

Part of the underlying reason for these frictions, in an industry that yields more than \$1.8T in funds disbursements, is the surprisingly broad use of legacy payout methods that are falling short of the needs and expectations of important stakeholders, such as patients and providers. Currently, there's still prevalent use of checks and slower Electronic Funds Transfer (EFT) schemes that add a great deal of delay, cost and friction to the system, and this poses palpable and negative impacts on cash flow and liquidity for households and clinical practices.



There's a Real Cost to Patients for Reimbursement Delays

Patients have to navigate many friction points in the healthcare system, from the myriad of different processes required for requesting reimbursement to the unpredictable delays associated with receiving it.

Getting reimbursed for approved purposes can be complex, often requiring concentrated attention and engagement with counter-intuitive organizational processes and systems. In many cases experiences resolve to a phone call to the payer or provider to get help from a live customer service agent, before the funds disbursement process can even officially begin.

However, these delays are not just mere inconveniences or frustrations for patients but they may in fact translate to even more profound implications, such as increased stress, lower household cash flow for expenses, or even forced trade-offs in getting additional care needed. Consequently, these types of challenges can ultimately pose risks to their financial wellness, and even physical health.

For many patients, waiting for reimbursement from the insurance company means having to **defer or forgo other needs for their family**, making it feel impossible to get ahead.



45%

Nearly 45% of patients experiencing financial strain cited delays in receiving payments or reimbursements as a key factor in their difficulties managing healthcare costs.¹



60%

According to a 2023 PwC study, 60% of full-time employees are stressed about their finances. This financial stress impacts various aspects of their health and well-being, including mental health, sleep, self-esteem, and physical health.²

30-140 days

Patient reimbursements can take between 30 and 140 days, depending on the complexity of the claim, and even longer if there's a dispute around it.

1) PATIENT CLAIM SUBMISSION

It can take up to 30 days for patients to receive their invoice and submit a claim.

2) CLAIMS PROCESSING

7 to 90 days from claims submission depending on complexity of the claim

3) CHECK ISSUANCE

Insurance payers typically issue reimbursement checks within 7 to 14 days

4) FUNDS DELIVERY

Time for the check to arrive by mail can vary based on postal service speed but generally takes 7 to 10 days. EFT can expedite this process, but still leave a great deal of uncertainty, because funds will be deposited within 2 to 5 days.

5) DEPOSIT TO BANK

For checks, it can typically take up to another 5 days for patients to either make a trip to the bank or use mobile deposit. EFTs provide direct deposit, but again delivery time is uncertain.

Additionally, for checks in particular, theft may occur, taking time for patients to realize their payment is not coming and requiring them to restart the entire disbursement process.

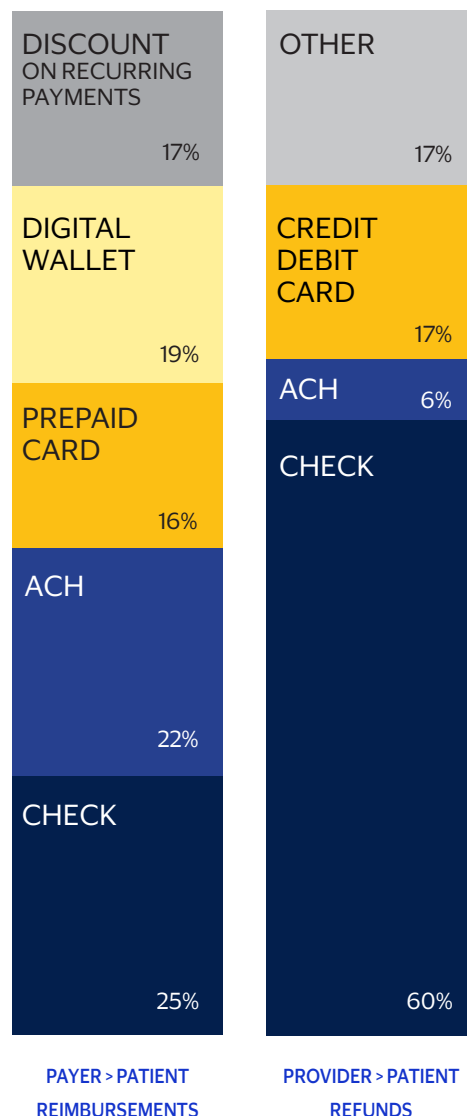


The New Normal for Payments is Changing

According to Visa analysis, 25% of payer-to-patient reimbursements and 60% of provider-to-patient refunds are still being made by check.

Patient expectations for payments and payouts are evolving, and they are seeking more convenient and reliable experiences that allow them to receive funds by way of their preferred channel. Premium fintech and commerce experiences across many other market sectors have acclimated consumers to aspects like real-time* payments, centralized and integrated embedded financial data, formidable data security, and even more optionality for receiving their funds disbursements direct to their wallet , or to their account simply using a card number. Consequently, within the healthcare industry space, which has lagged other market sectors as it relates to digital transformation, there remains opportunity to better meet patient expectations.

However, healthcare payers and providers have struggled to keep pace with patient expectations when it comes to payments. Lack of awareness around available options to modernize the experience in a healthcare context, and knowledge gaps for how to implement those options in that context, are some of the contributing factors. As a result, many healthcare organizations still rely on legacy payment methods, characterized by longer and unpredictable funds delivery windows, higher susceptibility to fraud, and in many cases higher costs.



77%

77% of surveyed consumers indicate having the ability to chose how they receive their funds as Very/Extremely important. ³

78%

78% of study participants indicated having their funds available at all times (including evenings, weekends and holidays) as Very/Extremely important. ³

47%

Nearly half (47%) of Payers stated their biggest challenge they face is maintaining relevant in-house payment processes. ⁴

Forgoing Change Comes at a Price

Legacy payment methods pose several challenges that directly affect business efficiency and effectiveness.

INCREASED OPERATIONAL COSTS

Payout method can significantly influence cost for the organization. Generally, checks are expensive to process and mail out. Estimated cost is between \$2.01 and \$4.00 to process.⁵ On an annual basis, approximately \$2B is overspent on payments processing for healthcare disbursements, which is largely driven by the high degree of check usage.⁶

CASHFLOW SHORTAGES

Predictable liquidity is essential for clinical practices. Medical providers and hospitals alike need to pay staff, maintain inventories and cover monthly operational costs. Liquidity also plays a key role in determining operational efficiency, business credit rating and even investment opportunities. For payers, late payouts translate to increased customer service calls from patients and providers, affecting operational costs, customer satisfaction, and client acquisition and retention. Surveyed healthcare payers report that their number one call driver is relating to payment latency. Even electronic funds transfers may come with not only unpredictable funds delivery windows, but also costly blackout windows for posting funds after 5 p.m. on weekdays, during weekends, and also holidays, which may require lots of manual oversight.

PAYMENT OPACITY

When the payment flow lacks transparency, it can delay payments, create cash flow uncertainties, and strain relationships between stakeholders. Additionally, opacity complicates issue resolution, making it difficult to identify and address payment discrepancies promptly, which can disrupt the operational efficiency, and even financial stability, of the business.

FRAUD

Fraud in healthcare leads to increased costs, financial losses for payers, government or agency penalties, undermining stakeholder trust in the healthcare system. More than \$10B is estimated to be lost yearly on fraud that is addressable.⁶ A survey of insurance payers revealed that 65% of respondents reported their organizations faced fraud attacks in the last year.⁸



\$2-4 per

Checks cost between \$2.01 and \$4.00 to process per check.⁵

\$100M

\$100M is spent each year resolving payment errors.⁷

\$10B

There is \$10B in addressable fraud and payment error costs each year in healthcare.⁶

Digital Payments Hold Transformational Power

New Digital Payout Methods are helping providers and payers resolve payment issues more efficiently, offering faster payments that enhance cash flow, reducing administrative burdens, and improving customer satisfaction.

MODERN EFT SOLUTIONS

Traditional EFT options can be lower cost but have more unpredictable processing times, ranging from 2-5 days. There are more modern same-day payment processing options available to expedite funds delivery. However, worth noting is that same-day options may come at an increased cost, and may still have limited fraud detection and prevention features, possibly making them more susceptible to unauthorized transactions.

PREPAID AND VIRTUAL CARDS

Cards offer the ability to transact, even outside normal banking hours. These options are increasing in popularity, particularly with Third-Party Administrators that may be working with many out-of-network providers. While the transaction fees providers pay in order to receive their payout may receive attention, cards can offer broader benefits to providers (for example, in terms of working capital). Additionally, some provider revenue cycle management and practice management software applications have built in integration features to make acceptance of cards more efficient.

REAL-TIME* DIRECT DEPOSITS

There are several options available in the market for real-time* disbursements, which are comparatively lower in cost. While many of these options have limited reach to accounts, Visa Direct stands out for its ability to send funds directly to a global network of eligible accounts in real-time* simply using the card number associated with the account. It can also disburse funds direct to digital wallets like PayPal and Venmo.

Visa Direct is widely accepted, fast and secure, especially because it incorporates robust security features that help with fraud detection and prevention.



**Actual fund availability depends on receiving financial institution and region.*

Adoption and Modernization is a Journey and not a Destination

There are several considerations to keep in mind when determining the right digital payment solutions and the appropriate adoption timing for your organization.

Partnering with a payments provider like an enabler or acquirer processor can help organizations navigate these factors in the context of their business. Healthcare enablers provide the connective tissue to modernized payments. They specialize in healthcare software and payments, offering seamless integration into leading modern disbursement solutions, such as Revenue Cycle Management systems, practice management systems, and real-time* payment rails like Visa Direct. Enablers can assist with the design, integration, implementation, and processing of digital payment systems, ensuring a smoother transition and more efficient financial operations. However, there are several factors to consider in your journey.



Compliance & Regulatory Requirements

Evaluate the regulatory landscape for your payments. Ensuring compliance with HIPAA, PCI-DSS, and other regulatory standards is essential for maintaining security. This task can be complex and may slow adoption if your organization navigates these requirements without a proven partner.



Integration Complexity

Assess the technical challenges of integrating new payment solutions with your existing systems. These challenges can deter organizations from exploring optimization opportunities. Partnering with specialists who offer seamless integration can help mitigate these issues.

*Actual fund availability depends on receiving financial institution and region.



Cost Uncertainty

Analyze the upfront costs and potential hidden fees associated with new technologies. The high initial investment and unknown fees can be a significant concern, so making informed decisions is crucial.



Change Management

Address cultural resistance within your organization. Often, there is reluctance to move away from established payment practices. Demonstrating the tangible benefits of modern payment solutions can help overcome this resistance.



Relevant Use Cases

Identify the specific use cases that are most relevant to your organization. Examples include payers disbursing funds to providers, provider refunds to patients for overpayments, payer reimbursements to patients for out-of-pocket expenses, and earned-wage access disbursements to temporary healthcare workers. These types of use cases can benefit from the efficiency and speed of digital payment solutions, like real-time* payments but being clear on their priority for your organization is important.



Security Concerns

Mitigate potential cyber threats and fund mismanagement. Implementing robust security measures can address these issues and provide peace of mind. Picking the right payout rails can help to cover a lot of this ground quickly, if it already has value-added services that help in this respect.

By addressing these considerations and leveraging specialized expertise, healthcare providers and payers can successfully adopt digital payment solutions, leading to improved financial flows and enhanced patient satisfaction.

*Actual fund availability depends on receiving financial institution and region.

ABOUT VISA

Visa Direct provides a single point of access to billions of endpoints, helping transform global money movement by facilitating the delivery of funds directly to eligible cards, bank accounts and wallets around the world. Visa Direct supports multiple use cases such as person-to-person payments and account-to-account transfers, business and government payouts to individuals or small businesses, merchant settlements and refunds.

For more information, visit the [Visa Direct website](#).

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