

TransUnion Healthcare

MILLENNIAL REPORT

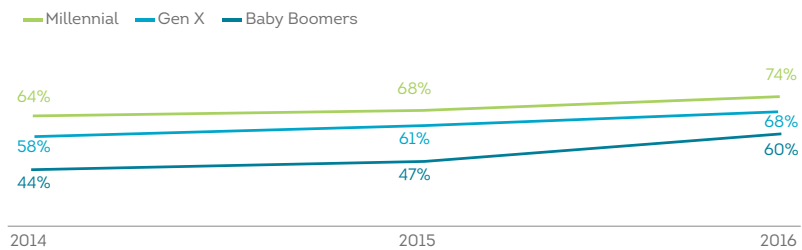


Healthcare payments viewed differently

Despite the vast majority of Millennials having health insurance, they tend to pay their medical bills at a much slower rate than other generations. In fact, in 2016, 74% of Millennials did not pay their medical bills in full, compared to 68% for Gen X and 60% for Baby Boomers.¹

The percentage of underpaid medical bills has been accelerating over the past three years. In 2015, 68% of Millennials did not pay their bill in full, up from 65% in 2014.¹ This is a disturbing trend for healthcare providers as the amount of payments patients are responsible for is increasing.

PERCENT OF UNPAID MEDICAL BILLS BY GENERATION



Source: TransUnion Healthcare payments data¹

The patient is the new payer

In the healthcare industry, the term “payer” usually refers to an insurance carrier or another third party—not the patient. But there’s a paradigm shift to a new healthcare reality, and the patient is the new payer. However, patients do not pay the way insurance providers do, nor do they treat medical bill payments like loans or credit cards. Patients take longer to pay and often prioritize other payments like their mortgage or auto loan over their medical bills.

Over the past decade, the **percentage of healthcare provider revenue collected directly from patients has increased from less than 10% to more than 30%**. This trend is being driven by both insurers and employers cost-shifting payment responsibility to patients in the form of higher premiums, copays, co-insurance and deductibles.

Cumulatively, single-coverage medical insurance premiums have increased 19% and deductibles have increased 63% since 2011.²

¹ TransUnion Healthcare payments data

² Kaiser Family Foundation and Health Research & Educational Trust Annual Survey, 2016

Millennials are the first generation to come of age during the implementation of the 2010 Patient Protections and Affordable Care Act (ACA). In addition to requiring that most Americans have health insurance or face a tax penalty, the ACA allowed Millennials to avoid this penalty by staying on their parents' health insurance plan until age 26.

While the uninsured rate of 17.3% for 18- to 34-year-olds is still higher than the national average of 11.3%, more Millennials purchased insurance after the ACA was enacted.³

As Millennials face rising medical costs, a larger portion of their already stretched budget is dedicated to medical insurance and expenses, putting those payments in competition with other expenses.



Millennials pay
61% of their
bills
online

The Millennial payment problem

There aren't any clear explanations for why Millennials trail other generations when it comes to medical expense payments. It may be that Millennials don't prioritize medical payments over other expenses like housing and transportation, as shown above.

Lack of access to financing options for medical bills may be another reason behind lower payments. Millennials are less likely to carry a credit card compared to other generations, making the lack of revolving credit a factor to consider.

Perhaps most importantly, the healthcare industry is one of the few that still bills primarily on paper—which doesn't connect with Millennials who pay 61% of their bills online, according to ACI Worldwide. That's a big disconnect between how hospitals bill patients and how patients pay bills.

The reality is, Millennials are the new patient payers. But most hospitals are not prepared to meet Millennials' expectations of patient-friendly, technology-enabled billing and payment processes. Healthcare billing and collections will have to innovate and automate on a grand scale.

Considering this new reality, a dramatic—even revolutionary—overhaul in healthcare billing and payment practices is long overdue. If nothing else, this report has shown that Millennials want to access, pay for and experience the world on their terms.



Embracing the new payer paradigm

Healthcare providers looking to improve revenue cycle management for Millennial patients should look for ways to encourage payments. Consider the following approaches to putting patients first.

Educate Millennial patients

- Educating Millennials about their payments is about more than the hospitals' need to reduce bad debt. Whether or not Millennials understand their payments can influence whether or not a hospital can continue to provide high-quality care to the underserved.

Simplify financial conversations

- Providing pre-service estimates can help Millennials understand financial obligations and foster financial engagement.

Collect payments upfront

- Millennials expect to pay for products and services when they receive them. Healthcare providers should therefore provide pre-service estimates and take payment in advance or at time of service, especially using mobile payment methods preferred by Millennials.

A modern approach to data

Adopt data-driven workflows

- Since the cost of care can be confusing, access to clear, concise and accurate data is essential to establishing credibility between staff and Millennial patients. Any process in place for financial navigations workflows should work to the advantage of both providers and Millennial patients by offering flexible payment options, and by considering patients' ability to pay and the organizational risk of the bad debt.

Create patient financial risk profiles

- Creating a comprehensive view of patients' financial situations using predictive analysis at pre-registration can help hospitals mitigate financial risk from Millennial patients and help find the best financial assistance programs for them.

Create more effective back-end collection strategies

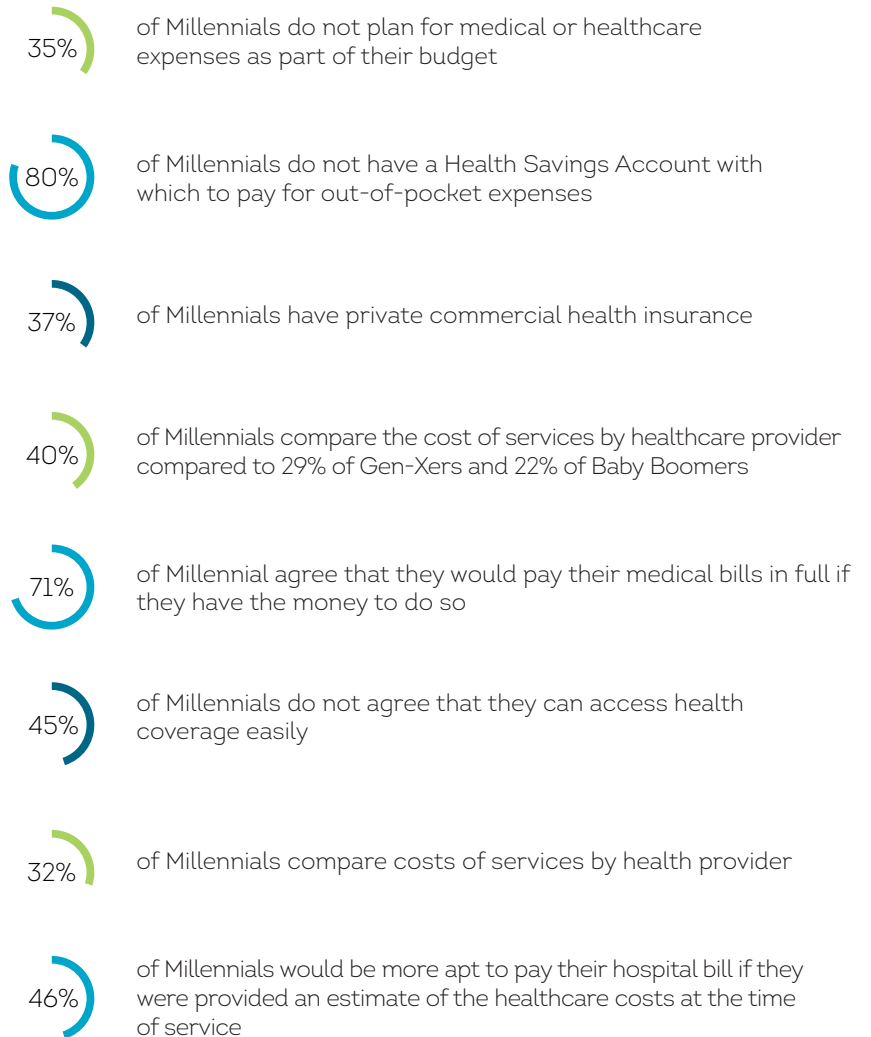
- Automated claims work-queue management can quickly determine which claims were accepted, denied or are in process. This type of automated process reduces manual intervention and cost to collect and resolves situations in a timely manner.

Survey results: Changing healthcare landscape impacting Millennial payments

The TransUnion Healthcare Millennial Report reviewed a combination of proprietary TransUnion Healthcare data and information from a survey of 1,576 consumers administered in October 2017. For this analysis, Millennials are defined as consumers born between the years 1980 and 1994; Gen X are born between 1965 and 1979; and Baby Boomers born between 1946 and 1964.

According to the report, nearly six in 10 Millennials (57%) have little to no understanding of their health insurance benefits. This is significantly lower than other generations, including Gen X (50%) and Baby Boomers (41%).

Additional findings from the TransUnion Healthcare Millennial survey include:





What lies ahead?

Above all, healthcare providers need to recognize that successful financial management hinges on effective communication with patients. This can take many forms, but hospitals and healthcare systems that try to avoid communicating with patients regarding the cost of care assume a large amount of bad debt risk. With the various changes in healthcare, and the patient's growing role as the new payer, health systems will be tasked with shifting gears to become advocates for patients' financial health in addition to their physical health.

TransUnion Healthcare

TransUnion Healthcare, a wholly owned subsidiary of credit and information management company TransUnion, is a trusted provider of revenue cycle management solutions for maximizing reimbursement, improving patient engagement, and ultimately increasing the effectiveness of the healthcare system. We deliver this by leveraging our data assets, market-leading revenue cycle management technologies, and deep insights into consumer financial behavior, to help providers reduce uncompensated care and improve cash flow with one of the most patient-centric revenue cycle management systems on the market today.