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Trends Affecting Healthcare Revenue Cycle
Arkansas HFMA Summer Conference | August 2021



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J.P. Morgan Healthcare Banking

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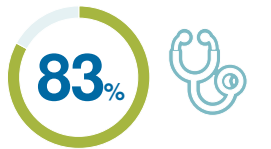
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About J.P. Morgan and our focus on healthcare



\$6 trillion

of total daily processing, representing over 20% of all global USD wire and ACH payments



400

New branches in 15-20 markets over the next five years

52MM
Digital customers



100+

YEARS SERVING THE INDUSTRY



39

years hosting healthcare conferences and forums



\$12B

ANNUAL INVESTMENTS IN TECHNOLOGY

Bank in the US by assets and market cap

Credit card issuer in the US



600+

healthcare professionals



>50%

of U.S. providers are on the InstaMed Network



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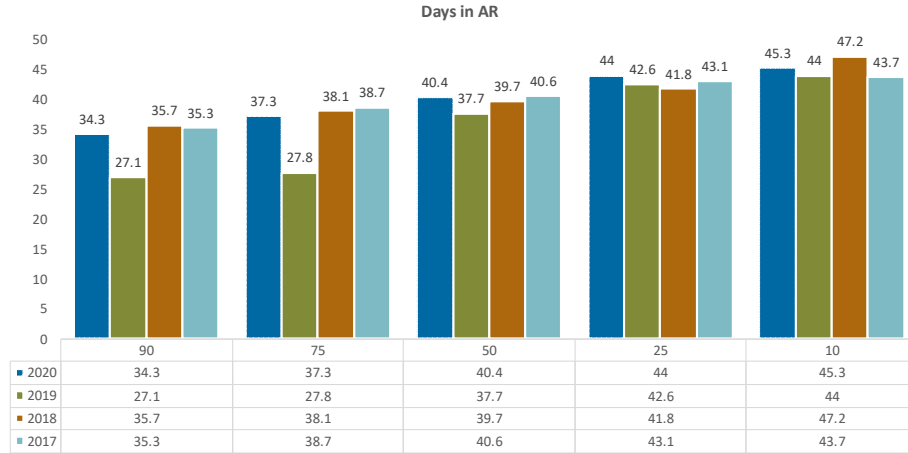
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Trends in AR Days are up YoY

As a possible consequence of COVID, AR days are trending up across all performance categories and for all percentiles. Consider recent improvements in AR days within a broader context – previous speed to collections improvements met with dips across other key performance indicators such as an increase in unresolved balances and denial write offs.



2020 Winner Statistical Data - MAP Awards - HFMA

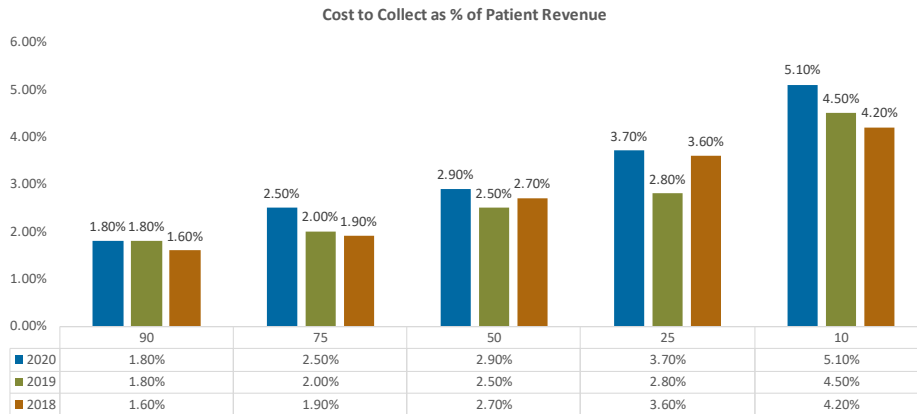
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Margin pressure continues in revenue cycle

The cost per dollar collected is at a three year high across all performance categories. This additional cost is occurring even as systems struggle to improve overall operating margin.



2020 Winner Statistical Data MAP Awards - HFMA

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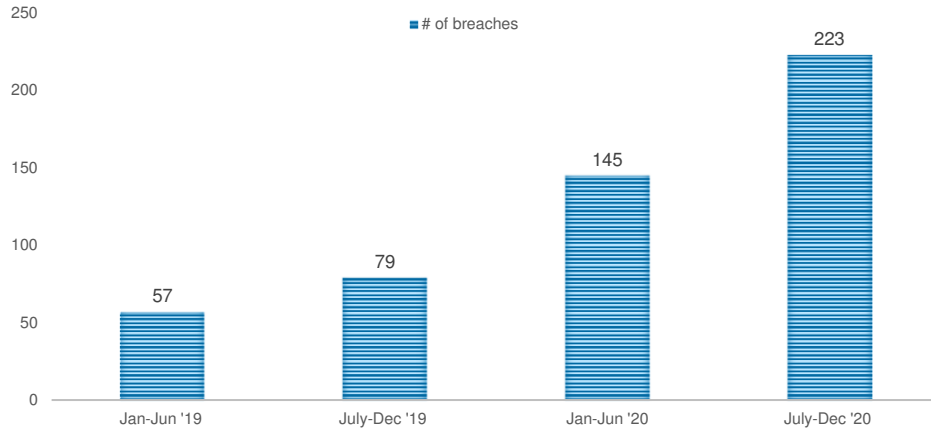
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COVID response has exposed new vulnerabilities in healthcare security

Healthcare cybersecurity breaches 2019-2020

290% increase in reported "Hacking/IT Incidents" for the 6 Month period of Jan-Jun 2019 to July-Dec 2020



Source: U.S. Department of Health and Human Services Office for Civil Rights Breach Portal: Jan 2021

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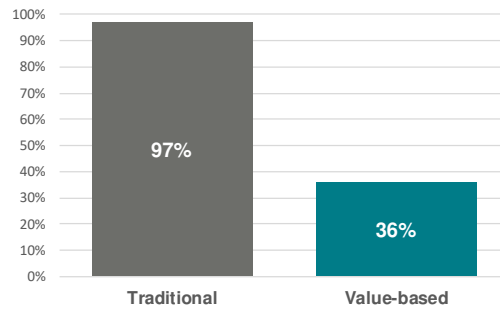
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Fee For Service (FFS) is still the primary reimbursement model

Physician compensation is still tied to traditional sources such as FFS, work relative value units, number of admissions or shifts, revenue minus practice expenses, or percentage of collections or gross charges billed.

Sources of Physician Compensation



Traditional: sources of payment include salary and/or FFS
Value-based: sources can be any of the following: bundled payments, payments, shared savings, shared risk, procedural episode-based payment, or capitation

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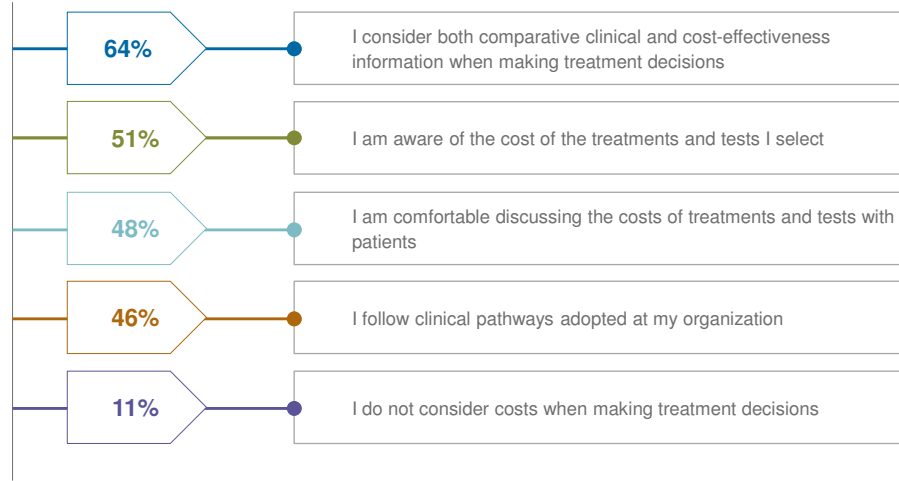
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Source: Deloitte Insights, Equipping physicians for value-based care October 14, 2020

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Physicians lack the resources needed to be proactive in shifting to value

This environment impacts more than just the shift to value – patient satisfaction can also be negatively affected.



Source: Deloitte Insights, *Equipping physicians for value-based care* October 14, 2020

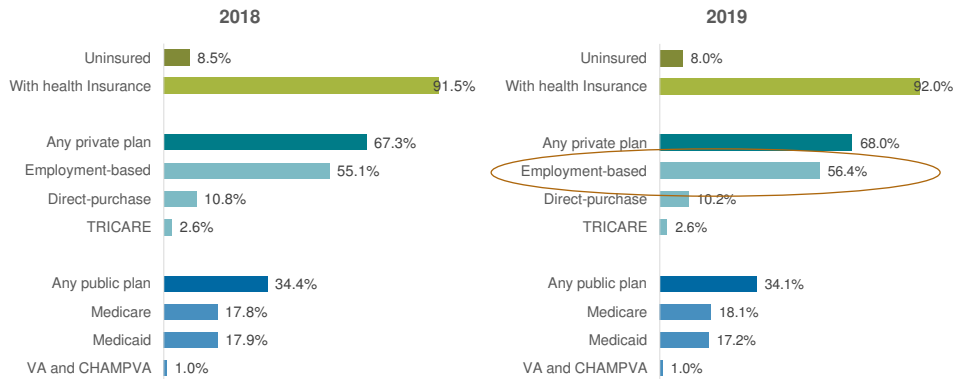
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Will change in employment affect payer mix?

Over half of working age individuals obtain insurance through their employer



Source: U.S. Census Bureau Health Insurance Coverage in the United States: 2019 Current Population Reports Issued September 2020, P60-271
Data tracked from March to March

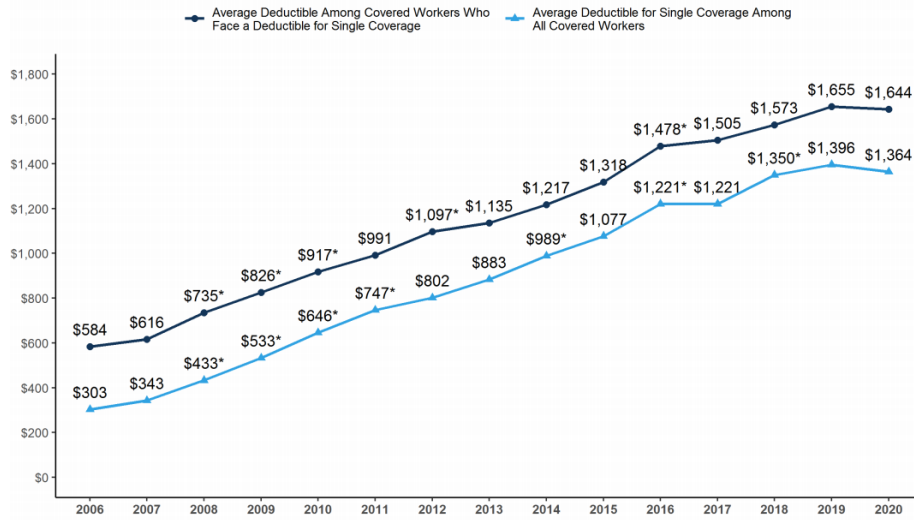
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General annual deductibles for covered workers have increased three-fold since 2006

2019-2020 showed a leveling-off of deductible



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Source: KFF Employer Health Benefits Surveys, 2018-2020, KFF/HRET Employer Health Benefits Survey 2006-2017

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Harsh realities of healthcare costs

The amount consumers say they can pay in full is shrinking



50% of U.S. adults fear bankruptcy due to a major health event.



1 in 4 consumers say they cannot pay a \$400+ medical bill in full.



About **half of Americans** cannot pay a \$400+ emergency bill.

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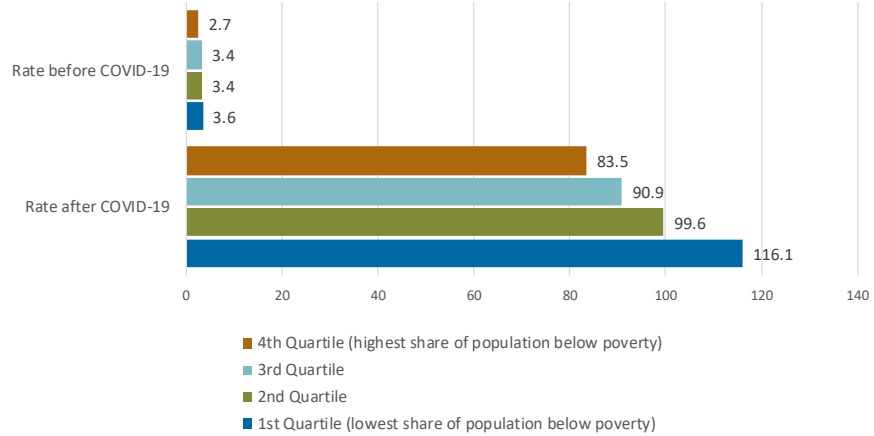
Gallup, 50% in U.S. Fear Bankruptcy Due to Major Health Event, September 2020
 InstaMed Consumer Healthcare Payments Survey 2020
 Board of Governors of the Federal Reserve System, Report on the Economic Well-Being of U.S. Households in 2018, May 2019

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Telemedicine utilization before and after March 13, 2020

Telemedicine has yet to level the playing field across economically diverse populations

Weekly Healthcare Utilization per 10,000 Eligible People



Rate before COVID-19: January 2019 - March 13, 2020
 Rate after COVID-19: March 14, 2020 - July 2020

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Source: Cantor, Jonathan, et al. "Who Is (and Isn't) Receiving Telemedicine Care During the COVID-19 Pandemic." *American Journal of Preventive Medicine*, Mar. 2021. *PubMed Central*. doi:10.1016/j.amepre.2021.01.030.

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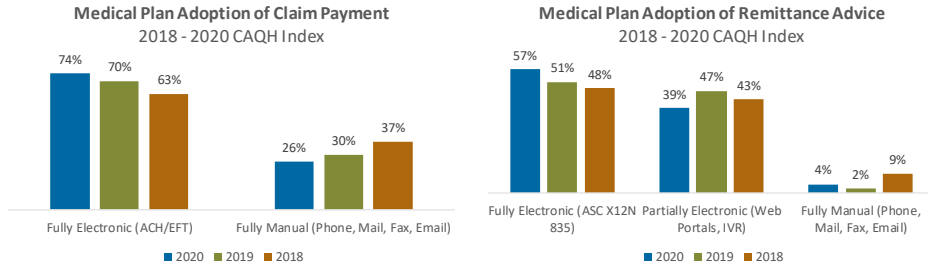
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Digitizing transactions still a challenge

Delivering and linking payment and remittance data continues to be problematic



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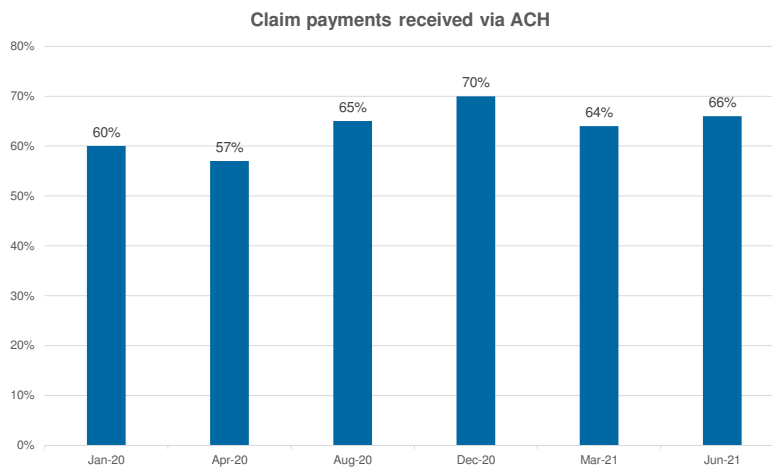
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Source: 2020 CAQH Index – used with Permission © 2020 CAQH All rights reserved

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Portion of claim payments received electronically

Data tracked across approximately one million claim payment transactions received monthly by study group



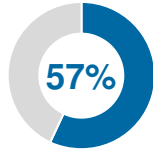
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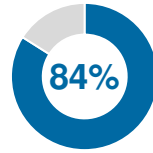
Source: Propriety Internal J.P. Morgan research

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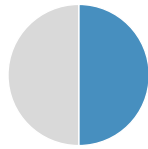
Commercial payment channels still problematic



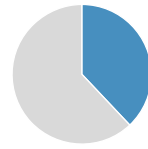
57% of providers cannot enroll in ERA/EFT with one or more payers.



84% of providers prefer EFT from payers, 12% of providers prefer paper checks, 2% of providers prefer virtual cards.



Only half of providers were offered a choice to opt out of virtual card payments.



38% of providers were dissatisfied with the processing fees associated with virtual cards.

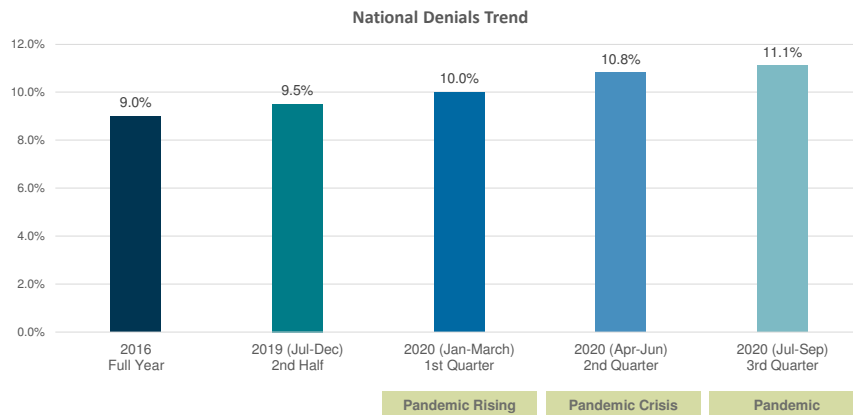
InstaMed Provider Healthcare Payments Survey 2020
Alte Group Survey 2020

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Disturbing trends in denials rates



Source: The Change Healthcare 2020 Revenue Cycle Index

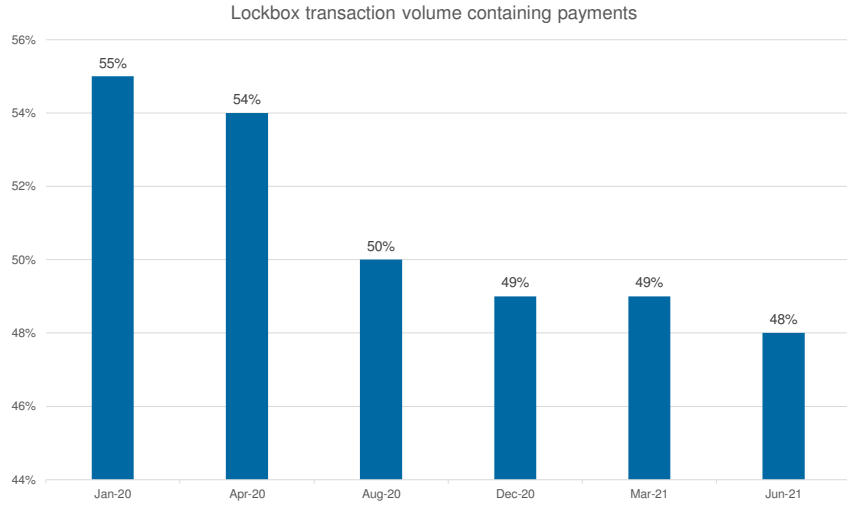
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Portion of lockbox volume related to payment information

Correspondence now makes up the majority of paper transactions received



Source: Propriety Internal J.P. Morgan research

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Healthcare billing continues to impact consumer satisfaction

Surprise, confusion and frustration in healthcare payments



80% of consumers were surprised by a medical bill, including those who:

- Got a bill for more than expected
- Got an unexpected bill
- Sent to collections

InstaMed Consumer Healthcare Payments Survey 2020

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Falling short of payment expectations

Sentiment reveals how far apart payment expectations are from reality

66% of consumers receive medical bills in the mail



vs.



only 14% of consumers prefer to pay medical bills via mailed paper check

86% of consumers pay recurring bills online



vs.



58% of providers rely on mailed paper statements to collect

63% of providers take 30+ days to collect after a patient encounter

InstaMed Consumer Healthcare Payments Survey 2020
InstaMed Provider Healthcare Payments Survey 2020

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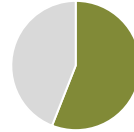
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Startling disconnect remains

Providers still don't see how payments impact patient experience



42% of providers think collection efforts have no impact on the patient experience.



56% of consumers would consider switching providers for a better healthcare payments experience, including having the ability to understand costs upfront and make payments how they want.

InstaMed Consumer Healthcare Payments Survey 2020
InstaMed Provider Healthcare Payments Survey 2020

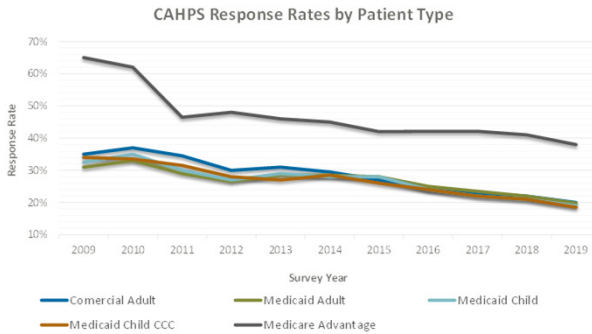
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Measuring patient satisfaction becoming a priority

Patient experience category increases in weight to 50% of score even as H-CAHPS responses decline



CMS Star Ratings for Medicare Advantage Plans Weights by Measure Category

	2020	2021 & 2022	2023
Patients' Experience, Complaints, and Access Measures	1.5	2	4
Clinical Process	1	1	1
Outcome	3	3	3

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Source: Recommendations from NCOA to the Biden-Harris HHS Transition Team, "The Future of Healthcare Quality"

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Consumer preferences are becoming clear

Consumer payments trends are explicit

From 2017 – 2020...



The total number of cards saved on file on the InstaMed Network increased by **206%**.



The number of payment plans on the InstaMed Network increased by **100%**.



The total number of automatic payments on the InstaMed Network increased by **121%**.



Payments from a mobile device on the InstaMed Network have increased to **35%** of all online payments in 2020, up 48% since 2017.

InstaMed Consumer Healthcare Payments Survey 2020
InstaMed Provider Healthcare Payments Survey 2020

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Continuing the journey forward

Information
Blocking Staff
Burnout
 Social Determinants of Health
Price Transparency
Securing the Supply Chain
 Network Steerage
Pandemic Response

Margin Preservation
 Big Data
Artificial Intelligence
Patient Experience
Cyber Security
 Expense Management
Health Equity

Telehealth-Site of Care
 Payer Contracting

The political problem of mankind is to combine three things: **Economic Efficiency, Social Justice, and Individual Liberty**. The first needs criticism, precaution, and technical knowledge; the second, an unselfish and enthusiastic spirit which loves the ordinary man; the third, tolerance, breadth, appreciation of the excellencies of variety and independence, which prefers, above everything, to give unhindered opportunity to the exceptional and to the aspiring.

- John Maynard Keynes, 1926