



Optimize for efficiency: Streamline patient payments to improve cash flow



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Executive summary



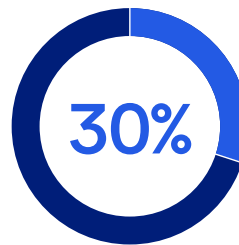
Industry:
Healthcare



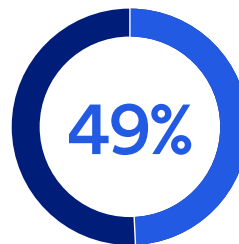
Location:
United States

There are many external forces that impact health system margins that are beyond their control. Fortunately, timely collection and processing of payments is one factor healthcare organizations can influence directly. The benefits of optimizing payments – from technology consolidation to automation of administrative processes and greater revenue cycle efficiency – can be felt throughout a health system.

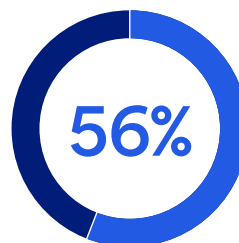
With the right technologies in place, health systems can address the disconnects in how providers collect payments and process claims, how patients prefer to make payments, and what process changes may motivate quick payments. Because so much of the disconnect is associated with paper-based processes, broader acceptance of digital payment options offers patients frictionless, personalized payment experiences. Meanwhile, automation throughout the revenue cycle streamlines providers' workflows and removes inefficiencies that occur when transferring information among disparate email, spreadsheet and file-sharing systems. In short, digitization presents health systems with an opportunity to achieve prompt, predictable payments and ensure greater financial resilience in an uncertain market.



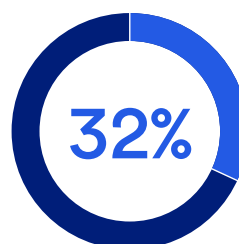
30% of consumers still mail checks for medical bills, adding cost and time to providers' manual processing¹



49% of patients are willing to make payments via text-to-pay links²



56% of patients make payments through their provider's patient portal³



32% of patients said availability of digital payments would motivate them to switch providers⁴

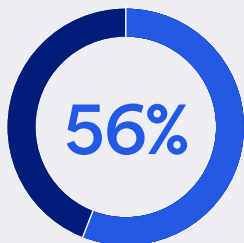
Current state of healthcare payments

While inflation has eased and patient volume has increased from the most challenging days of the COVID-19 pandemic, margins remain tight due in large part to Medicare and Medicaid reimbursement rates that don't always cover the cost of delivering care.

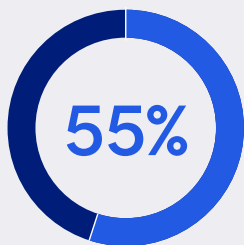
This, along with increasing staff costs, rising rates of denials and other external pressures, remains outside a health system's control. But there are factors they can influence when it comes to streamlining and expediting payment collection. Increasingly, finance leaders in healthcare are recognizing that modernizing payment processes can bring in more money in less time and with fewer resources, helping systems build financial resilience.

Our recent survey of 250 healthcare finance executives found that the primary motivations for modernizing payments are closely aligned with the business goal of building financial resilience.⁵

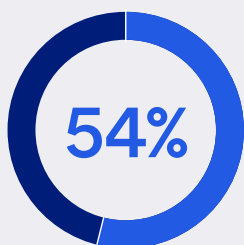
These drivers include:



Utilizing payments data and insights



Decreasing risk in payments



Continuing to automate payment processes





Smooth and user-friendly payment processes **contribute to financial resilience.**

All of these can contribute to building a more solid financial foundation. And while enhancing the patient experience is no longer a top priority, survey respondents report that it remains an important consideration when optimizing payments because smooth and user-friendly payment processes contribute to financial resilience by boosting patient satisfaction and loyalty. Unfortunately, health systems struggle to meet these goals given the limitations of their current payments workflows.

Many limitations come from continuing to rely on paper-based billing and collections. Such manual processes contribute to long, costly and unpredictable payment cycles, not least because of the inevitable data entry errors. Incorrect billing codes, for example, can cause claim denials, further delaying payments from insurers.

In addition, payer workflows can be significant barriers to optimizing payment processes. Coordinating what part of a bill insurance will cover and what part a patient is required to cover often requires back-and-forth correspondence, and patients are unlikely to make a payment until this issue is resolved. Rejected claims come with requests for additional information that must be submitted before payments are sent. Even with electronic systems for claims submission and payments receipt, managing formats and processes across dozens of payers adds complexity.

Digital transformation offers the opportunity to streamline payment processes and improve revenue cycle management (RCM), enable more robust performance reporting and analytics, support long-term planning and budgeting, and mitigate risk and compliance concerns.

Patient payment pain points

According to our 2023 survey of healthcare consumers, only 8% of patients believe healthcare makes the payment process easy – they feel there is much less friction when paying their bill at a grocery store, retail shop or restaurant.⁶ Enterprise-wide efforts to improve payment processes can decrease this friction – and increase revenue – by addressing key pain points in the patient experience.

First and foremost, patients who have difficulty understanding their statements often delay payment, extending patient collections.

In addition, patients may not see their preferences for electronic payments being met. While 82% use a patient portal to check

test results and 69% use a portal to set up appointments, only 56% use it to pay a bill. Overall, nearly one-third of patients said the availability of digital payments would motivate them to switch providers.⁷ Failing to meet that expectation could lead to revenue leakage as patients switch to providers that do.

Finally, patients who do not know what their insurance plan covers or who have incomplete information about the cost of care – information that is now required by federal price transparency regulations – may put off visiting a health system due to fear of receiving a high bill. This leaves a health system with fewer billable encounters and patients with poorer health.

Nearly one-third of patients said the availability of digital payments would motivate them to switch providers.



Emerging advancements in payment optimization

Digital notifications and payment options increase the likelihood of prompt payments. Research from AccessOne has shown 49% of patients make payments within six days when bills are sent via secure text.⁸

The benefits of prompt payments are clear: they minimize the negative effects of late payments, revenue shortfalls and inaccurate forecasts. Here are four additional examples of how digital transformation makes optimizing payments possible:

1. Robust digital payment platforms

Along with viewing and paying bills, robust digital payment platforms give patients the ability to review statements and track their payment history. Greater visibility for previous payments and current bills encourages more informed payment decisions and fewer unpaid bills.

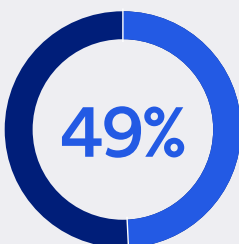
Including the option to store a preferred payment card adds value as well, as 60% of patients already do this or would be willing to do it if the option was available.⁹ This is especially beneficial for individuals who receive a Flexible Spending Account or Health Savings Account card from their employer.

Leading solutions are equipped to provide patients with information that previously required a phone call to obtain. Patients can read FAQs or even talk to a chatbot about common billing and payment questions. These features alleviate the burden on office staff to provide customer service support.

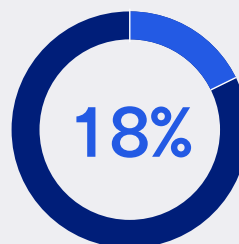
2. Flexible payment options

Health systems can significantly shorten the time it takes to get paid by offering more flexible payment options. One option is prepayment, whether for routine care (such as vaccinations or screenings) or elective procedures with fixed costs. Another is collecting payment before the patient leaves the office, once the appropriate billing codes have been applied to a visit.

At the same time, organizations benefit from the ability to apply digital workflows to the patient payment process. Our 2023 consumer survey found 30% of patients still pay healthcare bills by mailing a check, and 18% pay at the doctor's office with a check or cash.¹⁰ For those payments, electronic faxing or similar scanning capabilities can capture paper payment information digitally, which allows for much more seamless payment.



49% of patients make payments within six days when bills are sent via secure text



18% of patients pay at the doctor's office with a check or cash

3. Personalized financial experiences

Health systems frequently offer financial assistance plans to alleviate patients' concerns around affordability and make payments more predictable for practices. Personalized financial experiences with integrated billing and insurance verification can vastly improve this process. With integration, patient responsibility can more easily and quickly be calculated, enabling more prepayments and greater billing statement detail.

Personalization is also about meeting patients where they are. Ideally, patients will receive statements via their preferred communication method (email, portal message, text message or paper), and their preferred payment method (credit card, HSA/FSA card, checking account and so on) can be set as the default option.

4. More automated internal processing

Optimizing payment workflows does not stop once payments are received. Automatically posting payments to patient accounts and reconciling digital payments boosts cash application. Plus, if a patient overpays, automatic posting also streamlines refunds to the original method of payment. This workflow also significantly reduces check refunds, their associated tasks and unclaimed property.

Automation enabled through digitizing payment processes comes with security benefits as well. Point-to-point encryption of payment data at rest, in transit and in use helps health systems comply with Payment Card Industry Data Security Standard (PCI DSS) version 4.0, the first provisions of which went into effect in March 2024.



The right technology for optimizing payments

Investing in automation is a high priority for healthcare finance leaders. According to our 2024 industry report, 81% of healthcare finance professionals identified automating payments as one of the most important payment transformation initiatives in the year ahead.¹¹

Automation is such a high priority in healthcare finance for two key reasons. First is its potential to demonstrate return on investment (ROI) throughout the revenue cycle. It starts with digital check-in options that pre-fill necessary information on forms for patients, ensuring accuracy and time savings. It extends beyond insurance verification, which simply discerns whether a particular visit type is covered, to determining what patients will owe and offering payment options before patients leave the office. It provides real-time information about coding and pricing, which is a matter of both patient convenience and regulatory compliance with increasingly stringent price transparency laws.

Further along the revenue cycle, automated systems can perform the following:

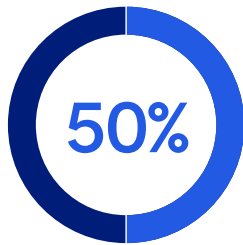
- Create patient bills and insurance claims using data extracted from integrated electronic health records (EHRs)
- Notify patients when a payment is due and when electronic payments have been processed
- Submit prior-authorization requests for prescriptions or procedures
- Dispute insurance claims that are rejected for administrative reasons such as incorrect billing codes
- Identify potential fraud, such as improper use of billing codes or illegitimate payment methods
- Reconcile accounts and identify errors or other discrepancies that require correction



Moving away from paper also creates opportunities, because finance leaders believe it will result in better payment data, faster, enabling them to extract meaningful insights that drive evidence-based decision making for financial forecasting and risk management. Automation can also make finance teams more efficient, giving them the latitude to focus on tasks that need manual intervention, including denials management, correspondence processing and appeal letters. Automation helps to ensure regulatory compliance as well, as each step of an automated workflow is aligned to its corresponding compliance standard – and can be updated as standards change.

Enterprise benefits of optimizing payments

Despite the advantages of technology adoption, progress is slow. Half (50%) of businesses are only at the early stages of digitizing the finance function, up from



50% of businesses are only at the early stages of digitizing the finance function, up from 43% in 2023

43% in 2023.¹² They face obstacles such as a lack of digital strategy, organizational resistance to change and limited resources.

Many leaders are also challenged by too many point solutions implemented in an ad-hoc manner across the organization for individual steps in the payment process.

By and large, these solutions are not integrated and require their own expertise and technology stack, adding to the cost and complexity of optimizing payments.



Given these obstacles, investing in enterprise-grade technology to modernize payment processes can bring benefits to a healthcare organization that extend beyond merely improving a standalone process. Optimizing payments can push health systems beyond the early stages of digital transformation, enhancing financial and operational workflows end to end.

Advancing payment optimization helps ensure long-term financial stability and ROI in five important ways:

1. Consolidates technology

With an optimized payment solution, health systems have fewer point solutions to manage and are better equipped to implement streamlined and automated workflows. Working with a single set of technology tools also makes it easier to train staff, which shortens onboarding time and accelerates the timeline for achieving ROI. Health systems also manage a single point of contact for implementation and maintenance support, simplifying partner relationships.

2. Brings predictability to RCM

Health systems receive more on-time payments from patients, fewer denials from insurers and faster acceptance of payments. Digitization also enables finance leaders to spot payment trends that can further optimize patient outreach and payment workflows, whether it is a patient's preferred way to communicate or the time to payment per method. With robust data in hand, leaders can make more informed, long-term planning decisions and improve ROI throughout the revenue cycle.



3. Reduces security and fraud risks

Along with eliminating inefficiencies, optimizing payments can close clear security gaps in manual billing processes. For example, digital payments eliminate the possibility of mailing a paper bill to the wrong patient and causing a data breach. Payment technology tools also require identity and payment method verification to reduce fraud; meanwhile, verification is largely unavailable when accepting payments through the mail or over the phone.

5. Improves security and compliance

Health systems accepting credit card payments must comply with PCI DSS. This comes with technology requirements that can be challenging to meet using legacy payment systems and paper-based workflows. Likewise, health systems integrating payments into patient portals must comply with the Health Insurance Portability and Accountability Act (HIPAA). Along with encrypting and de-identifying data and agreeing not to disseminate patient information without their permission, organizations must work with a payment processing partner willing to sign a HIPAA Business Associate Agreement. Trying to comply with HIPAA and PCI DSS requirements without the help of experienced vendor partners can stretch compliance teams thin – a significant risk, considering the consequences of a data breach.

4. Creates a better work experience

Process automation means clinical and administrative staff devote less time to low-level tasks such as manually (re)entering data or stuffing envelopes. They also face fewer inbound phone calls from patients or payers with billing questions. Along with allowing additional time to focus on higher-level tasks, automation is poised to reduce burnout and improve job satisfaction.



Outlook and recommendations

Despite a softening of external financial pressures, health systems continue to face tight margins and can ill afford to let payments slip through the cracks. By optimizing payments, health systems can close the existing gap between how patients prefer to pay and how they are currently asked to pay – a step that has been shown to reduce friction and increase timely payments.

In evaluating options for optimizing payments, health systems would be wise to look for enterprise-ready solutions that offer the following:

EHR system integration

Systems that pull directly from clinical records, embed payments in clinical workflows and make payment options available within the patient portal improve payment accuracy and shorten time to payment.

Embedded reporting and analytics

Forecasting and data-driven decision making are critical elements of a health system's long-term success; payment systems that include reporting and analytics as standard features help make this possible.

End-to-end RCM support

Health systems benefit from technology that supports upfront payments as well as payment plans, billing and claims support, and process automation, as this covers the full revenue cycle.

Support for HIPAA and PCI DSS compliance

In addition to ensuring automated workflows meet complex compliance requirements, health systems need a partner that has aligned their technology infrastructure and data governance policies with these industry standards.



Improving payments processes is an important step in helping health systems improve their bottom line at a time when many external financial pressures are beyond their control. This makes it imperative for finance leaders to work with a partner that understands how optimizing payments is more than a patient experience initiative and can support enterprise-wide RCM efforts.

U.S. Bank is the trusted partner that empowers success for forward-moving enterprise leaders. We drive proactive innovation at the pace of today's economic change, and hospitals and health systems can rely on our knowledge and experience to accelerate their digital transformation journey while minimizing their risk. Contact us today to learn how we help health systems rethink their approach to patient payments and seamlessly improve the revenue cycle.



Sources

¹ [Healthcare Payments Insight Report](#). U.S. Bank. January 2023.

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⁴ Healthcare Payments Insight Report. U.S. Bank. January 2023.

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⁶ Healthcare Payments Insight Report. U.S. Bank. January 2023.

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¹⁰ Healthcare Payments Insight Report. U.S. Bank. January 2023.

¹¹ Leading the return to growth. U.S. Bank. July 2024

¹² Leading the return to growth. U.S. Bank. July 2024

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