

# The \$64 Billion Dollar Question

**“Can Automating Medical Payments  
Save \$64 Billion?”**

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# AGENDA

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- History: \$64,000 Question Game Show theme
- Background: The healthcare payment challenge
- Question 1: “Will automating the medical payments patients (consumers) pay save more than \$20 billion?”
- Question 2: “Can providers save more than \$20 billion by automating payments?”
- Question 3: “How many billions can payers save by automating medical payments?” (Hint: more than \$20 billion)
- The \$64 billion question: “Are the more than \$64B potential savings discussed today real?” Yes/No

# The "\$64,000 Question" Game Show

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- First successful TV game show
- Started in the mid-1950s
- Featured the "Isolation Booth"
- So popular President Eisenhower didn't take calls while it was on, winners met the Pope and got on the cover of "Time"
- But it was "rigged," "fixed," disgraced!
- ...And today, "Who Wants to be a Millionaire," "Slumdog" entertains us

# Why “\$64 Billion” in Potential Savings from Automating Medical Payments?

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- Healthcare costs more than \$2.7 Trillion annually in the U.S.
- 25 – 35% spent on administrative expenses
  - (30% = \$800 billion) (Banking: 3% spent on admin.)
- 15% (\$400B) spent on payment processes
  - (McKinsey, 2007) (Compared to 2% in retailing)
- **Question**: Can we reduce, by 15%, the cost of healthcare payment processes—the waste and inefficiency that causes unneeded re-billing, handling costs, postage expenses and bad debt losses?
  - **Answer**: Yes, part of the \$64 billion opportunity!

# Paper is Everywhere in Healthcare

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- **Big progress in electronic claims**
  - Today: 75% are electronic - 25% are paper
- **Payers' Auto-adjudication rates are rising**
  - 68% done without human intervention
- **And then there are medical payments . . .**
  - 60% of all claims are paid with a paper check that was printed and mailed to the provider
    - Which costs \$15 - \$20B in postage, item handling and accounting expenses alone (McKinsey)

# Question: What is Medical Payment Automation?

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- **Convert EOBs to ERAs**

- (Paper Explanation of Benefits to Electronic Remittance Advices [ANSI X12N 835 transaction])
- Cost to process one EOB: \$3.34 to \$9.49
  - (The \$12.5B “opportunity” — eliminate EOBs)
- Only 10% of all commercial (non-government) payments are ERAs

# Question: What is Medical Payment Automation?

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- **Convert paper checks to EFT**
  - (Electronic Funds Transfer)
- **Convert a patient payment from a paper check to a credit card transaction**
  - Credit card usage for healthcare payments: 20% of payments, \$45 billion
  - Might reach \$150 billion by 2015

## Question Number 1:

**“Will automating the medical payments that patients (consumers) pay save \$20 billion?”**

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- **In 2005 consumers spent \$250B on healthcare. By 2014 will grow to \$420B out-of pocket expenses**
  - The Banks are coming:**
    - They spend 3% on administrative expenses
    - Consumer debt processing is their core competency
    - The best banks know they need industry-specific help and partner with healthcare companies

# Concepts/Answer?: “Medical e-Bill Pay”

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- **Modeled after bank based electronic banking/bill pay for consumers**
  - How many of us pay our utilities each month?
  - 40% of all payments processed in bank based lock boxes are medical payments—huge expense to bank and customer
  - Modified to work to pay healthcare bills
    - At first banks will send out a paper check to provider. Later, value-add “clearinghouses” consolidate many banks’ patient payments and make e-payments to providers

## Concepts/Answer: "Medical e-Bill Pay"

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- **Consolidate patient's EOBs, present monthly, hopefully via secure online portal, and linked to "e-Bill Pay" -  
*Reduce confusion***
- **Charge patients a \$1.00 "postage and handling" fee for a paper EOB**

Question Number 2:  
**“Can providers save \$20 billion  
by automating payments?”**

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**Answer: Yes but they need:**

- **Cross-industry solutions**
  - Financial services/Banking, I.T., employers, others
- **Standards that are adopted, real and fully integrated**
  - (the “last mile” problem)
- **To see real proof that benefits of any/all automation are real and not disruptive**
- **To know how much a patient owes at time of service, or automate the “unknowns”**

## Question Number 2:

**“Can providers save \$20 billion by automating payments?” (Con’t.)**

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### **But they need:**

- Technology designed for the “Consumer Directed Healthcare” era
- Payers and employers must incentivize consumers to pay bills electronically
- To be charged \$1.50 for “postage and handling” for not accepting ERAs/EFTs
- ***This will drive electronic payments!***

# Quiz Time

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- **Show of Hands:** How many here think that by automating patient (consumer) medical payments we can, and more importantly-- will in fact will save \$20 billion?
- **Show of Hands:** How many here think providers can, and actually will, save \$20 billion by automating their medical payment processes?

### Question Number 3:

**“How many billions can payers save by automating medical payments?”**

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- **For this question’s discussion, and the answer:**

**Greg Kassebaum**  
**OptumHealth Financial Services**