MedPlan Credit – Affordable financing for your patients who need help the most! Cash you need - care they deserve!

As healthcare costs have continued to rise, more and more costs are being shifted to employees and individuals through higher deductibles. Many patients who are covered by a health plan do not have cash or available credit to pay their deductible. This puts both the patient and the provider in a tough spot. Patients need care. Providers want to provide care but cannot remain financially viable without collecting patients' out-of-pocket costs. MedPlan has developed a unique financing program for your patients who need financial help the most. MedPlan's financing is non-recourse to you, the provider and uses empirical, statistical data to reimburse you more than you would collect through internal payment plans. You get paid at the point of service and eliminate collection costs associated with these receivables. Your patients finance their cost of care through affordable monthly payments paid directly to MedPlan.

Consider these facts:

- Since 2010, patient deductibles have increased by 312%
- During that same time period, the portion of provider revenue coming directly from patients has increased by 380%
- According to the Henry J. Kaiser Family Foundation 2018 Employer Health Benefits Survey, the average worker paid $5,547 toward the cost of their healthcare coverage, had an average deductible of $1,573 and average out-of-pocket of approximately $4,400.
- Although the Affordable Care Act decreased the number of uninsured Americans from more than 50 million to approximately 28 million, health insurance purchased through healthcare exchanges included average deductibles of nearly $4,000 in 2018.
- Some providers report as much as 30% of their revenue coming from patient responsibility.

- InstaMed's Sixth Annual Trends in Healthcare Payments Study states that 28% of Providers do not know how much they write off in patient collections each year, and correspondingly do not know their patient-pay collection rate.
- According to CNBC, the average American has less than $4,000 in savings while ***57% of US adults have less than $1,000 in the bank***.

It's clear that healthcare costs are being shifted from employers to individuals. Providers have no choice but to focus on collection of patient deductibles. Thus the dilemma – doctors want to provide needed care but can no longer afford to provide care without maximizing the collections of patient deductibles and other out-of-pocket responsibility. Patients want and need their care but how do they pay their $4,400 out-of-pocket with no emergency cash or credit?

Many options are available in the market for healthcare financing: CareCredit, Parasail, Commerce Bank, VestaCare, CarePayment, Prosper Healthcare Lending and others. Every one of these options is either a recourse lending program in which defaulted accounts are charged back to the provider or they are non-recourse loan programs with underwriting criteria so stringent that 50% of the applications are declined.

We could make an argument that recourse programs can be beneficial in certain facilities and certain situations. A recourse program is really an off-balance sheet line of credit, since the entity loaning money to your patients (for example, Commerce Bank or CarePayment) is really looking at you, the provider, for ultimate re-payment. A recourse program does give you immediate access to cash, eliminates your collection costs and cost of capital and, in most situations, will do a better job of monitoring and collecting the accounts.

The non-recourse healthcare loans available, such as CareCredit, underwrite individual accounts based on a credit application and a credit report. Because of their stringent underwriting criteria and a high declination rate, these loans really don't solve the problem of 57% of Americans who don't have $1,000 in the bank. The patients who really need the financial help are still not getting it.

So, what do you as a provider do with these patients? Do you set up an internal payment plan and hope you do a good job monitoring and collecting these accounts? As evidenced by the InstaMed statistic, many providers do not even know their collection/write-off rate for patient accounts. Do you inform the patient that they will not be able to have their needed procedure done until they have sufficient cash or credit to cover their responsibility? How does that impact your practices' culture of providing needed care?

MedPlan has found a better way to provide financing for your patients who really need financial help, yet have few options. MedPlan uses individual patient credit data, pulled from Experian and from the patients' application to create a proprietary credit scoring algorithm which statistically predicts the patients' likelihood of repayment and the corresponding expected recoverable value. The data used to create our algorithms is

based on millions of credit files and decades of credit experience. MedPlan statistically predicts the likelihood of repayment and the corresponding bad debt/default expense and includes this cost into the merchant fee charged to providers.

We then go one step farther: We divide our internally scored accounts into account tiers and charge a merchant fee for the tier, based on the statistical calculation of estimated recoverable value. By segregating the accounts in this way, providers can choose if they want to accept only the best A accounts (a CareCredit type model), or accept accounts that are a bit more credit-challenged. For example, a B account, which would have an expected default rate of approximately 15%, has a corresponding merchant fee equal to 20%. If a provider accepts a B account patient and finances them internally through a payment plan, the provider should also expect at least a 15% default rate PLUS incurring cost of collection plus cost of capital. In order to collect accounts internally, you incur costs of office rent, salaries and benefits for staff monitoring and collecting these accounts, utilities, telephone, patient statements and postage, etc. You also incur cost of capital. Whether you actually borrow funds to finance your receivables or finance them internally, you incur a cost of capital, based on your actual cost to borrow.

Let's look at an example:

A patient needs a procedure in which he will incur his maximum out-of-pocket of $2,000. Based on his credit report and other factors, MedPlan would have included this patient in the B tier. Had you directed the patient toward MedPlan for financing, you would have received $2,000 less the MedPlan merchant fee of $400, or $1,600 at the time of service. If you decided to set up a payment plan and finance the patient internally, you would incur collection expenses, conservatively estimated at 10%, or $200, and assuming the patient pays $50 per month and does not default, your cost of capital is approximately $300 at 6%. In this example, you would have recovered a net $1,500. However, if you finance enough of these accounts internally, you will experience at least a 15% default, based on the empirical and objective statistical credit data MedPlan uses. Looking at the same example for 10 patients, $20,000 of charges will cost you $2,000 in collection costs, $3,000 in cost of capital AND $3,000 for the 15% of the accounts that default, resulting in net collections of $12,000 or a 60% net collection rate. Financing the 10 patients with MedPlan would have paid you $16,000 at the time of service, or a net collection rate of 80%.

So the real question should not be whether or not you set this account up on an internal payment plan – MedPlan will pay you more, up-front at the time of service. The real question is if your practice is willing to absorb a 20% discount to provide this needed care. If your practice decides that a 20% discount meets your criteria, non-recourse payment at the time of service should be an easy decision.

Cash at the time of service. Up-front payment backed by empirical, statistical data estimating realizable value. No receivables. No collection costs. Happy patients.

Happy doctors. ***MedPlan is the right solution for patients and the right solution for providers.***