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INTRODUCTION

THE CHANGING LANDSCAPE OF HEALTHCARE PAYMENT PLANS

One of the U.S. healthcare system's most significant milestones was the 2010 passage of the Affordable Care Act (ACA), more commonly known as Obamacare. The ACA's goal was to make healthcare more accessible to more people by eliminating barriers for patients with preexisting medical conditions, among other provisions.

The ACA was, by no means, a perfect piece of legislation, and it did not cure all that ails the U.S. healthcare market. An unintended side effect of the controversial ruling was that some health insurance companies began offering high-deductible plans, resulting in an increase in "patient responsibility" or "out-of-pocket" expenses patients were required to pay after receiving medical treatment. Healthcare providers faced additional responsibility for collecting medical debts.

All told, the annual value of patients' out-of-pocket medical expenses is estimated at \$63.7 billion. Of that amount, roughly \$7.5 billion goes unpaid each year. With such high debt levels being issued as a result of medical-related expenses — and a sizable share going uncollected — PYMNTS sought to better understand how consumers pay for their medical bills.

In collaboration with Flywire, PYMNTS surveyed 2,837 respondents who had either checked into a hospital or visited an emergency room during the past year. The aim was to gain a stronger understanding of how — and, in some cases, if — patients paid for medical treatments. The survey also explored whether payments were handled at the time of or after medical services, and how handling medical billing requirements impacts patient-provider relationships.

PYMNTS' research found that a significant share of patients (46.1 percent) had both checked into a hospital and addressed out-of-pocket expenses for the services they received. Among this group, 44.4 percent opted to pay for their treatments using payment plans. PYMNTS also found that some patients clearly struggled to pay their medical bills. Of the respondents who had visited a hospital, 7.1 percent said they had not paid their share of medical expenses, and also had no intention of doing so.

Hospitals and medical facilities have little chance of convincing those who do not pay or do not plan to pay for treatment to resolve

their debts. However, there is a larger share of patients (90 percent) who do want to pay off their outstanding balances. PYMNTS found that payment plans have significant potential to become the new normal for those who want to resolve their medical bills but are unable to do so all at once.

While payment plans are not a new phenomenon in the healthcare industry, it appears more hospitals are now proactively offering them rather than waiting for patients to request them. Providing this option at the time of treatment could allow hospitals to collect payments while sparing patients from falling into collection entities' crosshairs.

Payment plans would also reduce how often hospitals have to act as debt collectors — a role many are reluctant to embrace, based on PYMNTS' findings. Slightly more than one-fifth (22.8 percent) of respondents who currently use payment plans said hospitals made no effort to collect any out-of-pocket expenses at the time of their treatments, while slightly more than half said facilities only attempted to collect the co-pay. Payment plans could change this dynamic by providing hospitals a new resource for patients who need a more flexible option to resolve their debt.

The potential financial windfall for medical treatment facilities is another reason

proactively offering payment plans at the time services are provided could become widely adopted in the U.S. With \$7.5 billion in bills going uncollected each year, medical facilities would likely jump at the chance to reclaim as much as possible.

The following report delves into how patients currently pay for inpatient and outpatient hospital-based medical treatments, as well as the factors influencing their decisions. It also explores how payment plans could provide an avenue to resolve medical debt that also gives hospitals opportunities to reclaim billions in unpaid revenue.

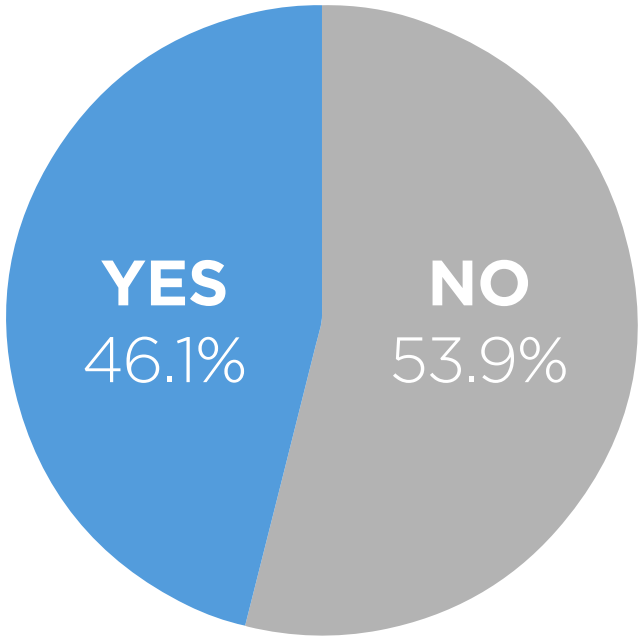


HOW PATIENTS

PAY FOR MEDICAL CARE

Based on survey responses, hospital visits were fairly common, and it was just as common for patients to see out-of-pocket expenses following their treatments. Of the 2,837 survey respondents, nearly half (46.1 percent) reported having to check into a hospital during the previous year for different types of medical procedures.

FIGURE 1: HOSPITAL-BASED MEDICAL SERVICE THAT RESULTED IN AN OUT-OF-POCKET PAYMENT
Share of respondents who had to pay medical bills over the past year following treatment



Patients took a variety of payment responses upon receiving their medical bills. The most common, as outlined in Table 1 and selected by nearly 40 percent who visited a hospital, was to pay a co-pay at the time of the medical service and the rest when an invoice was delivered. In comparison, just over one quarter (26.6 percent) of those who visited a hospital said they paid their medical expenses in full at the time the service was provided.

TABLE 1: TREATMENT PAYMENT: PATIENT PORTION
Out-of-pocket responsibility required and average amount

PAYMENTS	Paid the co-pay at the time of service and the remainder when the invoice was received	Paid the entire portion at the time of treatment	Paid a portion of the cost using a payment plan provided by the hospital	Paid a portion of the cost to a company other than the hospital	Didn't pay the patient portion and have no plans to pay	Other
PERCENTAGE						
Respondents who visited a hospital in the previous year	39.9%	26.6%	16.3%	4.5%	7.1%	5.5%
OUT-OF-POCKET AMOUNT						
Less than \$50	55.7%	23.8%	10.7%	4.1%	0.8%	4.9%
\$50-\$250	46.2%	26.4%	13.6%	6.3%	3.1%	4.4%
\$250-\$500	43.5%	31.1%	15.7%	2.3%	4.3%	3.0%
\$500-\$1,000	38.1%	27.7%	18.8%	2.5%	7.4%	5.4%
More than \$1,000	25.7%	23.7%	24.5%	5.6%	14.1%	6.4%
AVERAGE						
Out-of-pocket amount	\$442	\$521	\$684	\$527	\$758	\$532

Price is a significant factor that determines how likely patients are to use payment plans to pay their bills. Among the 16.3 percent who used payment plans, the average cost of treatment was \$684, as shown in Table 1. That number was \$521 for patients who paid their bills in full.

The lower the out-of-pocket expenses, the more likely patients were to pay their balances at the time of treatment. As depicted in Table 1, 55.7 percent of patients who faced a hospital bill of \$50 or less immediately paid a portion of the balance and then paid the remaining balance upon receiving their invoices. These patients also saw the lowest average cost at \$442. As out-of-pocket and invoice costs increase, however, these patients become less likely to use this method to pay hospital bills.

On the other hand, payment plans increase the likelihood that patients will pay more expensive medical bills. Of those with hospital

bills greater than \$1,000, 24.5 percent reported using a payment plan to pay a portion. For hospital administrators, this indicates that payment plans present the best opportunity for repayment when patients are hit with more expensive bills for their treatments.

Price alone does not determine how likely a patient is to use a payment plan. In a few cases, higher prices could mean the patient skips out on the bill entirely. Although only 7.1 percent did not pay their bills and had no plans to do so, these patients saw the highest costs for their medical treatments: an average of \$758.

Payment plans present an opportunity to put reluctant patients on a pathway toward resolving their medical debts. As noted earlier, roughly 90 percent who did not pay and did not use a payment plan would consider doing so in the future.



HOW

AGE, INCOME AND EDUCATION

AFFECT

PAYMENT PLAN APPEAL

Several demographic factors also influence payment plans’ appeal, one of the most significant being a patient’s age. As shown in Figure 2, those between the ages of 24 and 64 faced the highest payments, ranging from \$540 to \$590. In other words, a wide swath of patients across the age spectrum saw the highest out-of-pocket medical bills.

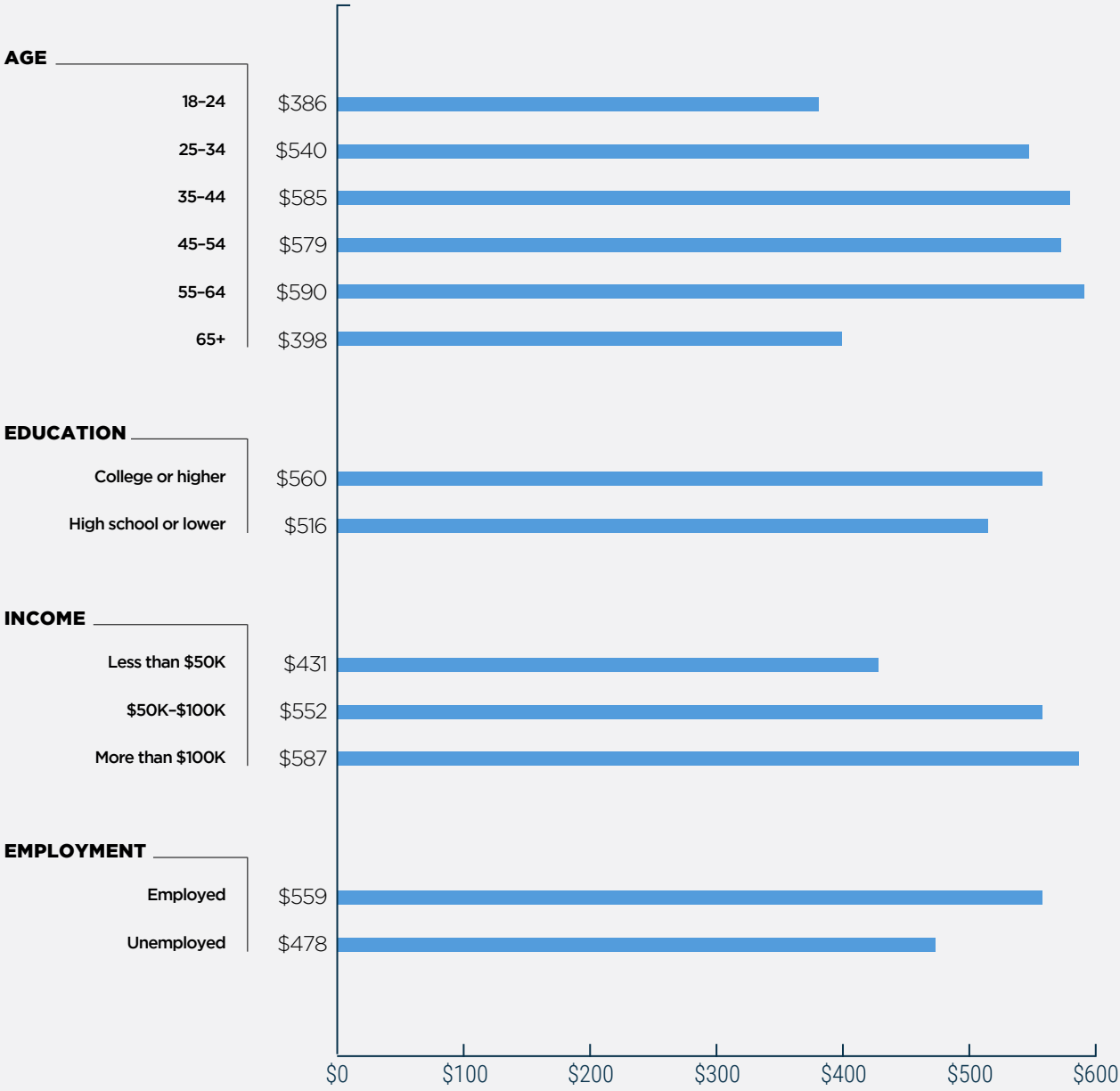
In addition to age, patients with college degrees, higher incomes and steady employment endured higher out-of-pocket medical expenses, also depicted in Figure 2. Patients with college degrees were billed an average of \$560 per visit for out-of-pocket medical expenses, while those without college degrees averaged \$516. Employment influenced bills, too, with steadily employed patients facing average medical expenses

of \$559 per visit, while those who were unemployed saw \$478 in out-of-pocket expenses.

Patients with higher incomes also face higher medical expenses. Those earning \$50,000 or less annually saw an average medical bill of \$431, while those earning between \$50,000 and \$100,000 paid an average of \$552. Patients in the highest salary range – \$100,000 or greater – had the highest average bill at \$587.

PYMNTS’ research found those with lower incomes might struggle with medical expenses, even for bills that are lower than expected, could see payment plans’ potential to help them pay their bills over time. Payment plans could also gain appeal among patients in higher income brackets, as their medical expenses are, on average, much higher.

FIGURE 2: AVERAGE COST OF MEDICAL BILLS IN U.S. DOLLARS
Average out-of-pocket expenses by age, education, income and employment



POTENTIAL

PAYMENT PLAN BENEFITS

Medical bills can be difficult for both hospitals and patients. Patients might wonder how, when or even if they can pay, especially if the medical procedure impacted their employment. Meanwhile, the hospital receives the difficult task of requesting payment, regardless of the patient’s ability to pay.

Payment plans could make the payment process easier for both parties. They can agree

to a set of terms and a payment schedule without imposing a heavy financial burden on the patient, one that ensures the hospital will eventually receive the full cost.

At present, payment plans are not widely adopted. As noted in Table 2, of the 46.1 percent of patients who checked into a hospital for treatment, just under half (44.4 percent) used payment plans to address their expenses.

TABLE 2: PAYMENT PLAN USAGE
Hospital/emergency room visit and average required amount

	With payment plan	Without payment plan
PROBABILITY		
Payment plan related to hospital/emergency room visit	44.4%	55.6%
AVERAGE		
Amount required by payment plan usage	\$602	\$479

With an average price tag of \$602, medical expenses were higher among those who did use a payment. Those who were not on a plan paid a lower average of \$479.

Fewer than half of the surveyed patients used payment plans, but there is one key reason hospitals should consider broader adoption: Patients who use payment plans are considerably more likely to pay their bills in full and on schedule. As outlined in Table 3, an overwhelming majority (76 percent) who used payment plans said they would complete the

plan on time. This group experienced an average cost of \$607 for their medical expenses.

Payment plans could also encourage slightly more than 90 percent of patients to pay their full balance either early or on schedule.

The small share of patients (14.7 percent) who said they could pay their bills early also faced lower expenses, with an average bill of \$512. Patients with lower account balances could pay their debt down faster.

TABLE 3: ABILITY TO PAY DEBTS THROUGH PAYMENT PLANS
Patients’ ability to complete the payment plan on time

	Expect to pay off early	Expect to complete on schedule	Might stop paying at some point	Not making any payments
PROBABILITY				
Complete a payment plan on time	14.7%	76.0%	8.6%	0.7%
AVERAGE				
Required amount	\$512	\$607	\$709	\$656

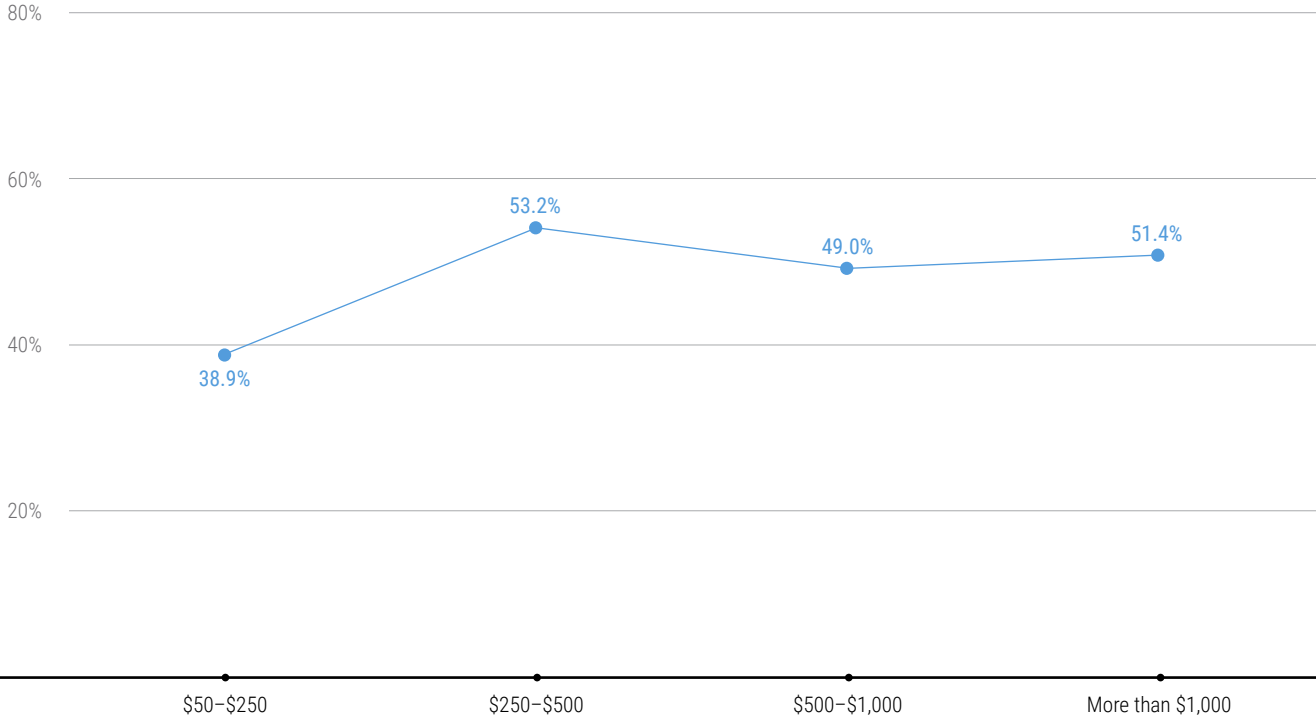
PYMNTS’ analysis also found that some patients with higher medical costs will still struggle to pay off their expenses. A small share (8.6 percent) said they would make an attempt to pay their bills, but might stop making payments in the future. These patients saw the highest average medical bills at \$709. An even smaller share (0.8 percent) said they would not make any payments when given an average bill of \$656.

There is a direct relationship between a patient’s higher out-of-pocket responsibility and the share who have signed up for payment

plans. As indicated in Figure 3, payment plans were used by a majority of patients (51.4 percent) with out-of-pocket expenses of \$1,000 or greater.

Payment plans were less likely to be utilized by patients with lower out-of-pocket medical expenses. Only 38.9 percent used payment plans for expenses that ranged from \$50 to \$250. This low usage indicates that less expensive bills may be paid without the need for payment plans, while patients with higher expenses might be more likely to seek out payment plan options.

FIGURE 3: AMOUNT PAID
By percentage of people on a payment plan



BRIDGING

PATIENT AND HOSPITAL PAYMENT PREFERENCES

Different hospitals have different payment options. Some medical facilities require the full payment for treatment at the time of service, while others only attempt to collect some share of the debt. Hospitals and patients have very different views on how much of an outstanding balance the former should attempt to recover, however.

Most hospitals are focused on collecting at least a portion of what the patient owes, particularly if they cannot collect the total amount. As shown in Table 4, 50.3 percent of

respondents who currently use payment plans reported that their hospitals attempted to collect only a co-pay from them rather than the full balance. Nearly half as many patients (26.9 percent) said hospitals attempted to collect the full amount, and an even smaller share (22.8 percent) reported facilities made no attempt to collect patients’ payments.

The amounts owed influenced hospitals’ collection efforts in different ways. In most cases, they attempted to collect only the co-pay, not the full amount. The average amount

owed in these situations was around \$531, or the lowest average. Hospitals were more likely to attempt to collect the full amount once that number rose to \$633. At the average cost of \$721, however, hospitals made no effort to collect.

Paying the co-pay is the area on which patients and hospitals have common ground. The highest share of surveyed respondents who currently use payment plans (64.3 percent) felt hospitals should only attempt to collect the co-pay from patients at the time of their medical services. Just 14.1 percent said the hospital should collect the full amount owed. Meanwhile, many respondents do not want the hospital to collect payments at all – in full or at the time of service – cited by approximately one-fifth (21.6 percent) of those who currently use payment plans.

Once again, price can weigh significantly on respondents’ willingness to pay. Those who said hospitals should not collect full payments faced the highest average expenses – \$701, as noted in Table 6 – which could contribute to their willingness to pay for their treatments. Those who said the hospital should only collect the co-pay faced a lower average, \$587, and those who said the hospital should collect the full amount had the lowest average cost: \$519.

As medical expenses increase, patients demonstrate less willingness to pay up front at the time of service. Slightly more than one-fifth (21.6 percent) of respondents who currently use payment plans said they did not want the hospital to collect anything at that time. However, payment plans could provide common ground for patients and hospitals that could ultimately lead to debts resolved and payments collected.

TABLE 4: HOSPITAL COLLECTION ATTEMPTS
Out-of-pocket costs hospitals tried to collect and average amount

	Hospital did not attempt to collect	Hospital collected only the co-pay	Hospital attempted to collect the entire amount
Hospitals’ attempts to collect out-of-pocket costs	22.8%	50.3%	26.9%
Average amount required	\$721	\$531	\$633

TABLE 5: PATIENT VIEWS ON HOSPITAL RIGHTS
Out-of-pocket costs the hospital has a right to collect and average required amount

	Hospital should not collect up front for care	Hospital should only collect the co-pay	Hospital should collect the entire amount
Hospitals’ right to collect up-front money for care	21.6%	64.3%	14.1%
Average amount required	\$701	\$587	\$519



THE FEE FACTOR

Payment plans have the potential to put patients with outstanding medical balances on a pathway toward resolving their debts. Most patients indicated that the prospect of paying fees can play a significant role in how quickly they are able to do so.

A minority of respondents pay additional costs on top of their payment plans, as noted in Figure 4. The majority (56.2 percent) of those who were on payment plans do not pay additional costs on top of their balances. A smaller number reported that they did pay interest on their balances (27.9 percent), and 15.2 percent paid an additional monthly service fee.

FIGURE 4: ADDITIONAL COSTS/FEES ASSOCIATED WITH PAYMENT PLANS
A breakdown of interest, fees associated with plans

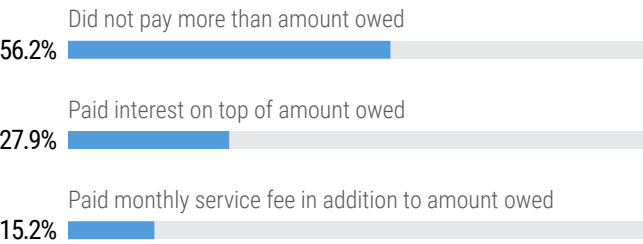
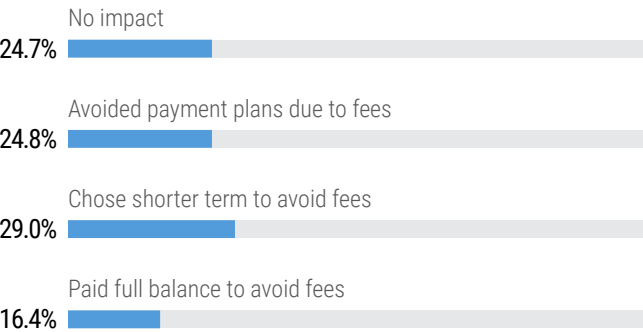


FIGURE 5: IMPACT OF PAYMENT PLAN FEES ON PATIENTS' PAYMENTS
How fees influence patients' payment plan enrollment



As hospitals consider payment plans’ potential benefits, it should be noted that aversion to fees can be highly motivational for nearly half of surveyed consumers. When asked about the impact of fees on their payment decisions, 29 percent said they opted for shorter terms to avoid higher costs and 16.4 percent paid their balances in full to avoid fees. This could indicate that fees motivate a sizable share of patients to either commit to timely payments or pay their balances early.

Meanwhile, 24.8 percent of respondents who use payment plans said that incurring additional fees was a reason they avoided payment plans altogether. This means that a combined 70 percent of patients factored the prospect of fees into their financial planning, including whether they agreed to enroll in a payment plan.

Not all respondents enrolled in payment plans were motivated by the prospect of fees, though. Approximately one-quarter (24.7 percent) said fees would not impact their decisions at all.

TABLE 6: AVERAGE REQUIRED AMOUNT
How balances impacted whether patients paid fees

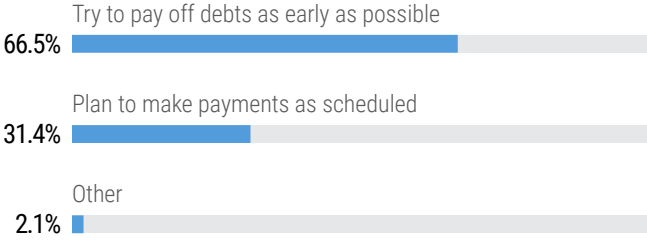
	Average balance
PAYMENT PLAN FEES	
Did not pay more than amount owed	\$635
Paid interest on top of amount owed	\$516
Paid monthly service fee in addition to amount owed	\$627
IMPACT OF ADDITIONAL FEES	
No impact	\$711
Avoided payment plans due to fees	\$604
Chose shorter term to avoid fees	\$522
Paid full balance to avoid fees	\$526

Interestingly, those who paid fees on top of their debts were more likely to have a smaller total balance at \$516. Respondents who paid their balances without incurring any additional costs ended up paying \$635, and those who paid a monthly service fee had an average bill of \$627. It’s possible that those who faced higher costs might have also had to address additional medical treatments.

Fees did not have much of an impact on those with higher balances, particularly those with an average debt of \$711.

The prospect of incurring a fee does have some respondents concerned enough to pay their debts in full, though. As indicated in Figure 6, two-thirds (66.5 percent) of those who are willing to use payment plans said they would make an effort to pay their debts early, if possible, if fees were a factor. Less than one-third (31.4 percent) of them said they would follow the schedule.

FIGURE 6: HOW FEES IMPACT PAYMENTS MADE
Whether fees impacted payments made in full or on schedule



70.2%

Portion of patients who factor in potential fees when considering a medical payment plan

Respondents were somewhat evenly divided over their willingness to accept fees. As shown in Figure 7, approximately 60 percent are willing to pay either a fee or interest of some kind, while 37.3 percent reported being willing to pay a monthly fee in addition to their balances. However, 39.6 percent of respondents who

FIGURE 7: FEES RESPONDENTS ARE WILLING TO PAY
Amounts payment plan users are satisfied with paying

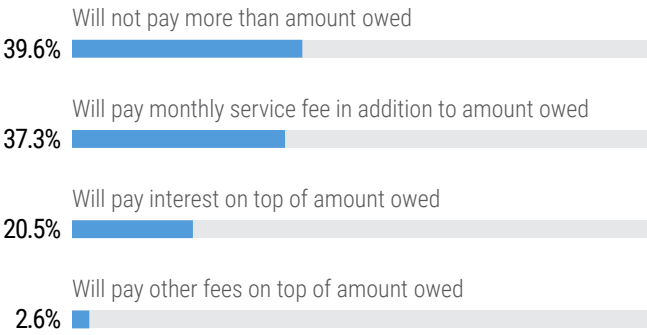


TABLE 7: ACCEPTABLE SERVICE FEES
How patients view fees, by income

	More than \$3.95 per month	\$1.95 per month	Any fee is unacceptable
PERCENTAGE			
Respondents who are willing to use payment plans	47.2%	32.9%	19.9%
INCOME			
More than \$100K	48.8%	29.5%	21.7%
\$50K–\$100K	47.2%	32.1%	20.7%
Less than \$50K	45.7%	36.8%	17.5%

would use payment plans were unwilling to pay fees and would, instead, pay their balances in full – yet another sign that payment plans could help healthcare providers more quickly collect outstanding balances.

Income plays a significant role in terms of which fees are acceptable. A significant share of those who are willing to use payment plans (47.2 percent) are fine with a fee of \$3.95 per month, while nearly one-third (32.9 percent) found a monthly \$1.95 charge to have the most appeal. Lower-income respondents – those earning less than \$50,000 annually – who are enrolled in payment plans expressed a greater interest in paying \$1.95 than respondents in higher income brackets.

PLANNING

FOR THE PAYMENT PLAN FUTURE

Payment plans were used by 44.4 percent of hospital patients, as noted earlier. Such plans appear to become more appealing as respondents consider the possibility of checking into a hospital again in the future.

Most patients said they would use payment plans (59.6 percent) for future hospital visits. A smaller share (21.3 percent) would be willing to pay their bills in full.

When looking at the amounts patients are willing to pay, there is a wide gap between those who use payment plans and those who chose to pay in full. The average amount people on payment plans expect is \$323, while those who would pay in full would pay a higher average of \$810.

In terms of income levels, 42 percent of those earning \$100,000 or greater were more likely to pay their bills in full, compared to 14.4 percent earning between \$50,000 and \$100,000 and 8.7 percent of those earning \$50,000 or less.

Despite the number interested in paying in full, a slim majority (50.1 percent) of high-income respondents said they would use a payment plan. Plans were considerably more popular among those in the middle-income (68.3 percent) and lower-income (60.5) brackets.

Payment plans are seeing the highest level of popularity across all income sectors, especially among middle- and low-income respondents who might struggle to pay unexpected medical bills. Higher earners are considerably more likely than the rest to pay their bills in full in the future.

TABLE 8: PLANNING FOR FUTURE HOSPITAL VISITS
Patients' interest in payment plans to pay future medical debts

	I would make payments on a payment plan	I would pay the full amount when I receive the bill	I would pay a portion that is affordable	I would not make payments at all
PERCENTAGE				
Total respondents	59.6%	21.3%	14.0%	5.0%
AMOUNT				
Amount willing to pay	\$323	\$810	\$212	\$181
INCOME				
More than \$100K	50.1%	42.0%	6.5%	1.3%
\$50K-\$100K	68.3%	14.4%	13.1%	4.1%
Less than \$50K	60.5%	8.7%	21.5%	9.2%
HOW THE PAYMENT WAS PREVIOUSLY MADE (N=1,307)				
Paid the entire amount	36.2%	58.0%	5.2%	0.6%
Paid the co-pay first	66.5%	18.0%	14.4%	1.1%
Paid a portion, based on a payment plan	70.2%	7.7%	19.1%	2.9%
Did not pay the portion and have no payment plan	31.2%	4.3%	40.9%	23.7%
Other	50.0%	15.3%	27.8%	6.9%

Speaking of the future, payment plans appear to be gaining popularity as a payment option for future hospital stays. As indicated in Table 8, 70.2 percent of patients who paid for their medical expenses using payment plans said they would do so again.

It's not just current payment plan users who would consider using this method in the future, though. Roughly two-thirds (66.5 percent) of patients who paid a portion of their balances during their hospital stays indicated they would try payment plans in the future. In addition, more than one-third (36.2 percent) of those who paid in full said they would opt for payment plans at a later date.

89.8%

Portion of respondents who are willing to use payment plans in the future

FIGURE 8: RESPONDENTS WHO ARE WILLING TO USE PAYMENT PLANS IN THE FUTURE
Payment plan usage is poised for growth

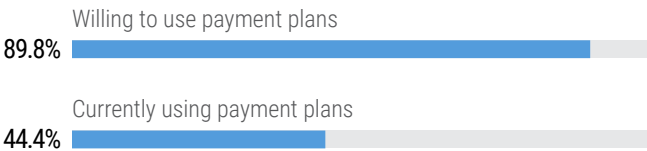
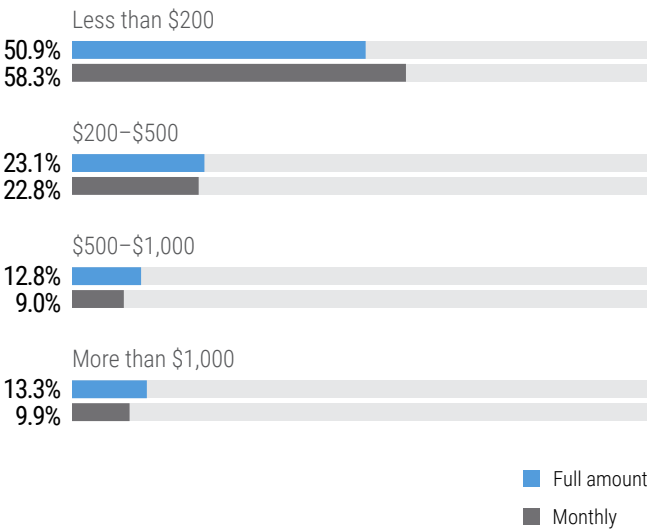


FIGURE 9: RESPONDENTS WILLING TO MAKE PAYMENTS
By amount range



Payment plans even demonstrated appeal among those who struggled to pay their medical expenses at all. Of those who did not pay for their medical expenses and had no plans to do so, 31.2 percent said they would consider payment plans in the future. Not only are payment plans winning over those who already used them, but they are also likely to be used by patients who want to pay part of their bills or who currently do not pay their medical bills at all.

As Figure 8 indicates, payment plans for medical treatments could quickly become more widespread. Just 44.4 percent of respondents currently use them, but nearly 90 percent are willing to try them in the future. This means current payment plan usage is on track to double, based on patients’ expressed preferences.

In terms of what they are willing to pay, most respondents made it clear that they want to pay lower amounts. More than 50 percent of respondents want to pay less than \$200 when paying in full or making monthly payments, although there is a slight lead among those who prefer to make monthly payments.

This indicates that payment plans could go a long way toward convincing patients to pay their medical bills. A significant share of respondents said that payment plan availability would not impact their ability to pay their balances in full. As shown in Table 9, nearly one-third (31.7 percent) reported being neither more nor less likely to pay when using payment plans.

TABLE 9: LIKELINESS OF PAYING BALANCE IN FULL USING A PAYMENT PLAN
How payment plans could shift patients’ future paying behaviors

PAYMENTS	More likely to pay	Somewhat more likely to pay	Neither more nor less likely to pay	Somewhat less likely to pay	Less likely to pay
PERCENTAGE					
Total respondents	21.9%	17.9%	31.7%	12.6%	15.9%
WILLINGNESS TO USE PAYMENT PLANS					
Would use payment plans	21.9%	18.9%	30.8%	12.4%	16.1%
Would not use payment plans	21.7%	9.7%	40.0%	14.1%	14.5%
AGE					
18-24	19.5%	25.3%	29.8%	11.6%	13.7%
25-34	24.0%	20.5%	29.1%	13.0%	13.4%
35-44	27.3%	16.4%	22.9%	16.8%	16.8%
45-54	22.2%	17.2%	31.6%	13.8%	15.2%
55-64	21.2%	15.8%	36.6%	10.3%	16.2%
65+	17.0%	15.8%	38.2%	10.2%	18.8%

Payment plans still impact respondents’ willingness to pay in full, however. More than one-fifth (21.9 percent) said they would be much more likely to pay using a payment plan. As indicated by Table 9, consumers between the ages of 35 and 44 would be much more willing to pay their balance in full. On the other hand, older respondents – those aged 65-plus – appear to be indifferent toward payment plans.

Another promising sign is that many respondents are likely to stay committed to payment plans, with 71.4 percent saying they would complete them on time and more than one-fifth (22.5 percent) working to pay the debt off early. As shown in Table 10, high-income respondents who are willing to use payment plans expressed the greatest level of interest in paying off their debts according to schedule, followed closely by middle- and low-income earners.

All told, payment plans are likely to win over all income ranges and could encourage patients to pay their debts off early.

TABLE 10: LIKELINESS TO COMPLETE PAYMENT PLANS
Respondents’ payment plan completion expectations

	Expect to pay off early	Expect to complete on schedule	Might stop paying at some point	Not making any payments
PERCENTAGE				
Respondents who are willing to use payment plans	22.5%	71.4%	5.3%	0.8%
INCOME				
More than \$100K	22.9%	75.8%	1.0%	0.4%
\$50K–\$100K	23.4%	71.5%	4.2%	0.8%
Less than \$50K	21.4%	67.3%	10.2%	1.1%



HOW PATIENTS WILL PAY

While a sizable portion of patients are ready to consider using payment plans, a key question remains: How will they make their payments? As shown in Table 11, 61 percent of respondents said they would use credit and debit cards to pay hypothetical medical bills. Cash and checks followed, preferred by 32.1 percent of them.

Patients who expressed interest in paying their bills in full or through a payment plan are most likely to do so using payment cards. In another hypothetical option, 72.7 percent of those who said they would pay in full would use a credit or debit card to do so, as would 61 percent of those who opted into a payment plan.

On the other hand, cash and checks are more popular among those who would only pay what they are able to afford, according to 41.3 percent of respondents. Roughly one-third (32.9 percent) of those who said they would complete a payment plan planned to do so using cash or checks.

In terms of the value of debt, it appears patient payment preferences largely center around payment cards. As shown in Table 12, respondents use cards to pay their balances across all debt ranges, from under \$200 to greater than \$1,000. However, a larger share of respondents prefer cash or check when paying off debts of \$200 or lower (34.95 percent).

TABLE 11: PREFERRED PAYMENT METHODS
How likely respondents are to complete a plan, by payment preference

	Credit or debit card	Cash or check	ACH (eCheck)	Other
PERCENTAGE				
Total respondents	61.0%	32.1%	3.2%	3.6%
WILLINGNESS TO PAY				
Would use a payment plan	61.0%	32.9%	4.3%	1.9%
Would pay the full amount	72.7%	25.8%	0.5%	1.0%
Would only pay an affordable portion	52.4%	41.3%	3.3%	3.0%
Would not make payments at all	35.7%	25.2%	2.8%	36.4%

Credit and debit cards are widely preferred compared to cash or checks across all income levels, too. The preference for cards is highest among respondents who take in more than \$100,000 annually, cited by 69.3 percent, compared to 55.5 percent for those earning less than \$50,000 and 58.8 percent earning between \$50,000 and \$100,000. This could be attributed to the fact that higher earners may have more income available to pay off the ensuing credit card debt.

Ninety-three percent of respondents who are willing to use payment plans also want hospitals to be proactive in offering such a plan, either before, at the time of or after their medical services. A much smaller share (6.9 percent) would prefer to call the hospital and request one.

TABLE 12: PAYMENT METHODS
Comparison of willingness to complete payment plans, by income and payment preferences

	Credit or debit card	Cash or check	ACH (eCheck)	Other
WILLING TO PAY				
Less than \$200	56.5%	34.9%	3.9%	4.7%
\$200–\$500	66.6%	29.1%	2.6%	1.7%
\$500–\$1,000	66.4%	28.5%	2.0%	3.1%
More than \$1,000	69.6%	26.4%	1.8%	2.1%
INCOME				
Less than \$50K	55.5%	35.6%	2.5%	6.4%
\$50K–\$100K	58.8%	34.0%	4.7%	2.6%
More than \$100K	69.3%	26.5%	2.7%	1.5%

The more money patients earned, the more likely they were to choose a payment plan before receiving medical services. Among those who earned \$100,000 or more, 38.2 percent said they would prefer to receive a payment plan prior to treatment. This could be because they want to understand their payment obligations and have more financial flexibility before they consider this option.

Middle incomers earning between \$50,000 and \$100,000 were more likely to consider a

payment plan upon receiving their first bills (38.4 percent). Meanwhile, low-income earners – those earning less than \$50,000 – were more likely to want a payment plan after calling to request one.

As for making medical bill payments, it appears nearly two-thirds (63.4 percent) of all respondents who are willing to use payment plans prefer to use digital channels. An additional 22.5 percent prefer to pay using paper checks.



TABLE 13: WHEN RESPONDENTS WOULD LIKE A PAYMENT PLAN TO BE PROVIDED
Pinpointing the time to offer patients a payment plan

	Prior to when services are provided	At the time services are provided	At the time patients receive their bills	After asking for a plan
PERCENTAGE				
Respondents who are willing to use payment plans	31.7%	25.5%	35.5%	6.9%
AGE				
18–24	31.6%	33.1%	30.5%	4.8%
25–34	29.7%	31.7%	33.3%	4.9%
35–44	36.2%	31.5%	30.0%	2.2%
45–54	28.6%	25.8%	39.4%	6.2%
55–64	31.5%	17.8%	40.5%	9.5%
65+	32.6%	16.8%	37.1%	12.4%
INCOME				
Less than \$50K	27.9%	24.6%	36.3%	10.6%
\$50K–\$100K	29.6%	25.3%	38.4%	6.5%
More than \$100K	38.2%	26.8%	31.6%	3.1%

TABLE 14: PREFERENCES FOR PAYING MEDICAL BILLS
Respondents preferences for online, check, phone and in-person payments

	Prefer to pay online	Prefer to mail paper check	Prefer to pay on the phone	Prefer to pay in person
PERCENTAGE				
Respondents who are willing to use payment plans	63.4%	22.5%	7.3%	6.8%
AGE				
18–24	71.0%	9.3%	6.7%	13.0%
25–34	70.7%	14.0%	7.1%	8.2%
35–44	73.4%	17.2%	4.0%	5.4%
45–54	60.1%	23.8%	9.3%	6.8%
55–64	57.4%	27.9%	7.9%	6.8%
65+	51.5%	36.5%	8.5%	3.5%
INCOME				
Less than \$50K	55.3%	22.1%	11.1%	11.5%
\$50K–\$100K	62.2%	26.2%	6.4%	5.2%
More than \$100K	73.6%	19.2%	3.9%	3.3%

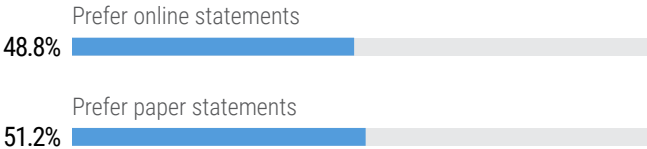
Paying online was the top preference for respondents willing to use payment plans, regardless of income. High-income earners demonstrated the most interest in paying bills online, with 73.6 percent citing this as a preference. Just over 10 percent of those earning under \$50,000 preferred to pay over the phone or in person.

As can be expected, patients from different generations varied when it came to the methods they used to pay their bills. Greater shares of younger patients – those aged 18 to 44 – preferred to pay their bills online. Those aged 45 and up preferred to pay by paper check.

While a clear majority of respondents willing to use payment plans want to make medical payments online, they did express different views on how they want to receive their statements. A slight majority (51.2 percent) would prefer to receive paper statements, while 48.8 percent would prefer to view their statements online.

This preference for paper statements could be related to privacy concerns over respondents’ health data. Hospitals consider payment plans an option to help patients pay their medical debts, so they need to bear in mind that some will prefer to see their balances on paper. Paper also offers patients a physical reminder that a payment is due, and many see paper bills as one-time payments. This means they do not have to create a username or password to resolve it.

FIGURE 10: PREFERENCE FOR RECEIVING MEDICAL BILLS
Respondents’ preferences for online vs. paper statements



63.4%

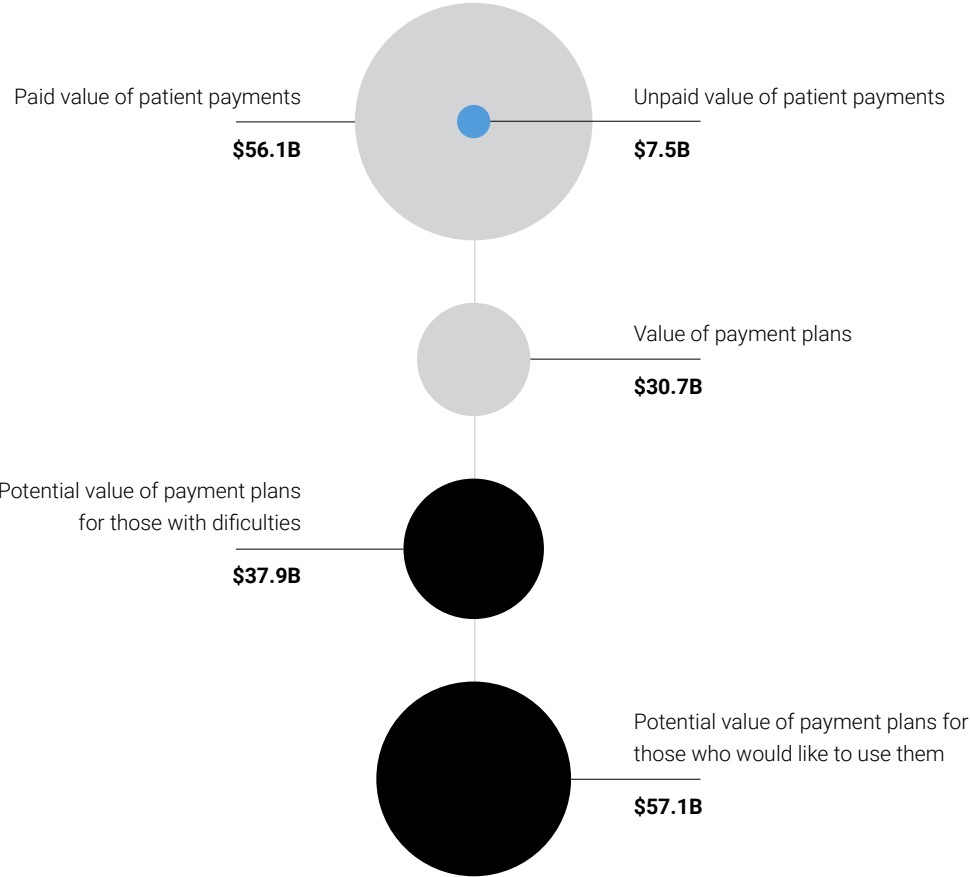
Percentage of all respondents who are willing to consider payment plans and prefer to pay bills online



DEEP DIVE

ECONOMIC IMPACT OF PAYMENT PLANS

FIGURE 11: STATISTICS
Market value of payment plans for current users, future users and patients who face challenges



Payment plans present hospitals with a unique opportunity to help patients address the treatment costs incurred through establishing a timeline by which to meet their financial obligations. Additionally, adopting payment plans could serve as an opportunity for a medical center to establish itself as a place where patients aren’t overwhelmed by the cost of their bills.

They also present an opportunity for hospitals to recover a share of medical bills that goes unpaid each year. Of the \$63.7 billion in annual out-of-pocket expenses patients face, PYMNTS’ analysis indicates approximately \$7.5 billion goes uncollected.

Just 20.4 percent of survey respondents chose to pay with a payment plan for out-of-pocket medical expenses averaging \$610. That means an estimated 50.3 million people in the U.S. have used a payment plan to pay for medical expenses in the last year. When multiplying that by the average out-of-pocket expense, the value of hospital treatments paid using payment plans is approximately \$30.7 billion.

There is potential to expand that value by factoring in the preferences of those who struggle to make payments. Nearly 60 percent of respondents said they would prefer payment plans to paying entire hospital bills, paying a portion of the bills or avoiding payment

TABLE 15: STATISTICS
A breakdown of payment plan market potential, based on U.S. Census data

POPULATION (IN MILLION)	
U.S. adult population	246.0
Population that visited the hospital last year	113.3
Population with a payment plan	50.3
Population not currently on a payment plan but willing to pay with one	56.0
Population not currently on a payment plan and didn't make any payments	6.7
Population that didn't make any payments but would be willing to pay with a payment plan	6.0
VALUE	
Value of patients' out-of-pocket expenses for hospital treatments	\$63.6B
Potential value of out-of-pocket expenses from patients not currently paying for their treatments	\$5.7B
Value of hospital treatments made with a payment plan	\$30.7B

altogether. Taking those who do not currently use a payment plan into account, the value of payment plans goes up to \$37.9 billion.

This value increases further when considering the full range of options. Close to 90 percent of all respondents said they would prefer to use payment plans, putting the method’s potential value at approximately \$57.1 billion. This is based on the sample of respondents who did or did not visit a hospital in the last year. PYMNTS found that 46.1 percent did visit a hospital, a trend that aligns with hospital visits reported by the Centers for Disease Control and Prevention.¹

Aside from the 2.7 percent of respondents who did not pay their bills at all and were not using a payment plan, most of this group said it would be interested in using a payment plan in the future. When applied to the general population of the U.S., that’s nearly 6 million people.

Payment plans have an opportunity to help hospitals recover revenue that might otherwise go unpaid. Based on PYMNTS’ calculations,

these plans could also help approximately 6 million people resolve their debts, and help patients feel less uncomfortable about accessing medical care. Such plans provide assurances that expensive payments can instead be paid over time.

High-income respondents are among the most likely to use payment plans to quickly resolve debt, while those with low incomes would be given an avenue to pay medical bills that might otherwise go unpaid.

While patients may not want to pay additional fees on top of their balances, the prospect could prove motivational, encouraging them to pay their debts off quickly to avoid incurring extra expenses. Given that most are interested in reducing additional costs, it is likely that fees could motivate patients to commit to their payment plan obligations.

When considering the potential benefits for patients and hospitals alike, it appears payment plans could be a prescription for better financial health.

¹ Author unknown. National hospital ambulatory medical care survey: 2011 outpatient department summary tables. Centers for Disease Control and Prevention. 2011. https://www.cdc.gov/nchs/data/ahcd/nhamcs_outpatient/2011_opd_web_tables.pdf. Accessed January 2019.

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