

Managing Healthcare Costs:

HOW PATIENTS USE PAYMENT PLANS

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Managing Healthcare Costs: How Patients Use Payment Plans, a PYMNTS and Experian Health collaboration, examines the effects of rising healthcare costs on patient care, how less financially secure patients are utilizing payment plans to pay for medical treatment and how healthcare providers' ability to provide payment alternatives drives patient satisfaction and improves care.

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Managing Healthcare Costs: **HOW PATIENTS USE PAYMENT PLANS**

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Introduction

Despite relatively accessible health insurance options, consumers often face overwhelming out-of-pocket costs. Managing healthcare spending can be a challenge, especially for patients not expecting bills. One helpful tool is a payment plan, which enables patients to stretch out these medical expenses over time.

PYMNTS' research finds that age and financial health are key predictors of a patient's need for payment plans. Patients living paycheck to paycheck are most likely to need payment plans to pay healthcare-related expenses, as are relatively younger patients. Our data revealed a connection between surprise bills and payment plans, suggesting that many patients have either limited or no room in their budgets for healthcare. Fifty-two percent of patients who paid for their most recent visits with payment plans had received unexpected bills, and 64% of millennials paid for the surprise bills incurred by their most recent visits using payment plans.

Healthcare providers that offer effective and user-friendly payment plans for out-of-pocket healthcare expenses not only improve the patient experience but also strengthen their customer base. The quality of the payment plan process matters a great deal, however: Our data shows that a majority of patients who use payment plans are highly interested in switching healthcare providers for a better payments experience.

Managing Healthcare Costs: How Patients Use Payment Plans, a PYMNTS and Experian Health collaboration, examines the effects of rising healthcare costs on patient care and explores how less financially secure patients are increasingly utilizing payment plans to pay for medical treatment. We surveyed 2,483 U.S. consumers from May 26 to May 30 to learn more about how healthcare providers' ability to provide payment alternatives drives patient satisfaction and improves care.

This is what we learned.

1. Nearly one in 10 patients have used a payment plan to pay for their most recent doctor's visit, indicating that plans are a viable option to help manage healthcare spending. Financial stability is a major factor: Patients living paycheck to paycheck are most likely to need payment plans to pay healthcare-related expenses, and those with the lowest incomes may be underutilizing the plans.

Seven percent of all patients surveyed used a payment plan to pay for their most recent visits to a doctor. Payment plans seem to be serving as emergency stability for those who have exhausted their financial safety nets. While 13% of patients living paycheck to paycheck with issues paying their bills have used a payment plan, only 3% of those who do not live paycheck to paycheck have done so. Relatively younger patients, who also tend to be less financially secure, are more likely to have used a payment plan to pay for healthcare than older generations: 11% of millennials and 10% of Generation Z patients have done so, but just 2% of baby boomers and seniors have.

2. Unexpected bills make patients more likely to use payment plans, suggesting that patients have limited to no room in their budgets for healthcare. Millennials are the generation most likely to have received a surprise bill and paid for their most recent visits using a payment plan, suggesting that they may not have the cash flow flexibility necessary to absorb a surprise bill.

Fifty-two percent of patients who paid for their most recent visits with a payment plan had received an unexpected bill, indicating that paying over time is already a viable option. Yet, 64% of millennials who paid using a payment plan had received unexpected bills, compared to just 28% of baby boomers and seniors. Patients living paycheck to paycheck with issues paying their bills are significantly more likely to pay via a payment plan after getting a surprise bill. While 59% of those living paycheck to paycheck with issues paying bills who had received a surprise bill set up a payment plan for their most recent healthcare visits, only 13% of patients who do not live paycheck to paycheck who had received a surprise bill set up a payment plan.

3. Payment plans are particularly critical for patients who are under financial distress because of healthcare costs.

Thirty-seven percent of all patients who used payment plans to pay for their most recent doctor's visits spent more on healthcare than they can afford.

Patients living paycheck to paycheck who paid with payment plans are generally more likely to be in financial distress and to have healthcare costs overwhelming their finances: 39% of these patients have spent more on healthcare than they can afford, compared to 28% of those not living paycheck to paycheck. Nearly half of bridge millennials and Generation X consumers who paid with plans are in financial distress due to healthcare costs — far greater than the 16% of baby boomers and seniors in the same situation.

4. Providers offering payment plans should prioritize a smooth experience, as patients who use these plans have above average interest in switching healthcare providers to get a better payments experience.

Fifty-four percent of all patients who use a payment plan would switch healthcare providers to gain access to a better payments experience.

Millennials are more apt to switch their healthcare providers than other generations: 63% of millennials who used a payment plan would switch healthcare providers for better payments experiences. Patients not living paycheck to paycheck were pickier than those in financial distress, but not by much. While 58% of these patients would switch, 51% of patients living paycheck to paycheck with issues paying their bills would do so as well.



Who uses payment plans?

Payment plans offer a viable alternative to the traditional model of paying for healthcare. Among respondents who report that they have used one to pay for their last doctor's visit, financial stability seems to be a major factor influencing patients' interest in paying their medical bills over time.

At 13%, patients living paycheck to paycheck with issues paying their bills were nearly twice as likely to have used a payment plan to pay for their most recent visit as the 7% of those living paycheck to paycheck without difficulty. They were also more than four times as likely to have used a plan as the 3% of consumers who do not live paycheck to paycheck and did the same.

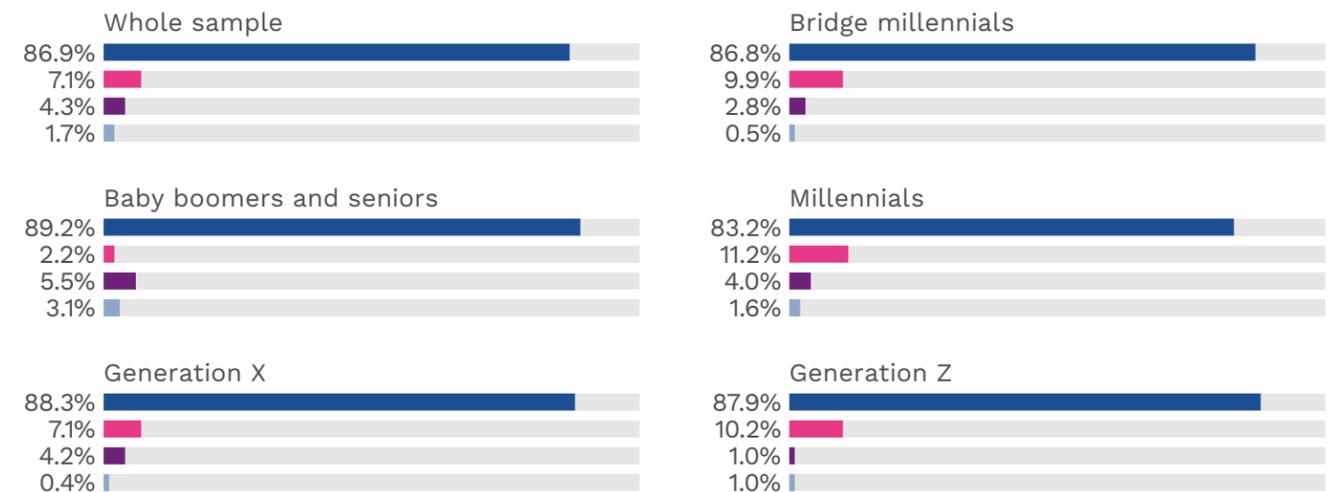
PYMNTS' data shows that relatively younger patients are more likely to have used a payment plan to pay for healthcare: 10% of bridge millennials, 11% of millennials and 10% of Gen Z patients have done so. This could signify that these consumers are more likely to get an overwhelming healthcare bill, have fewer financial resources or have underbudgeted for healthcare in general, as just 2% among baby boomers and seniors and 7% of Gen X consumers have needed plans.

Interestingly, higher-income patients are more likely to use payment plans than those at lower income brackets. Eight percent of patients earning more than \$100,000 annually paid for their most recent healthcare visit using a payment plan, exceeding the 5% of patients earning less than \$50,000 that did the same. However, 9% of patients earning less than \$50,000 said they had yet to pay the bill from their last healthcare visit, suggesting that lower-income patients may be underutilizing the plans because of how much more they struggle to keep up with their bills than those in higher income brackets.

FIGURE 1A:
How patients paid for their most recent healthcare visits

Share of consumers who paid for their most recent doctor's visit in select ways, by generation

- Paid without setting up a payment plan
- Set up a payment plan
- Has not paid the bill for the visit yet
- Other



Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 1,026: Respondents who had to pay out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022

FIGURE 1B:
How patients paid for their most recent healthcare visits

Share of consumers who paid for their most recent doctor's visit in select ways, by financial lifestyle

- Paid without setting up a payment plan
- Set up a payment plan
- Has not paid the bill for the visit yet
- Other

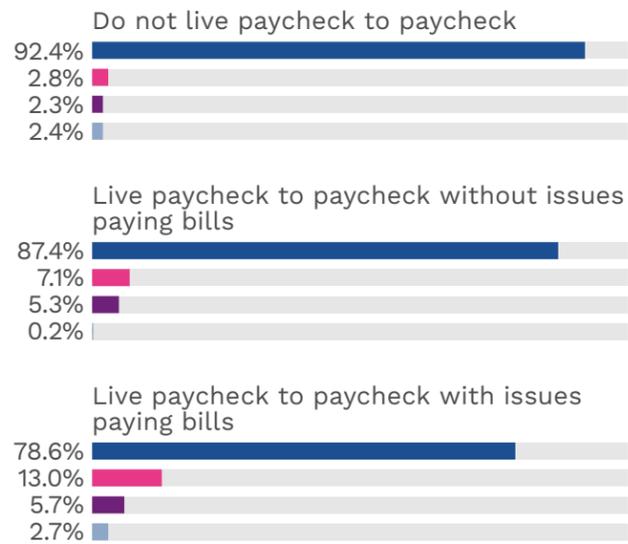


FIGURE 1C:
How patients paid for their most recent healthcare visits

Share of consumers who paid for their most recent doctor's visit in select ways, by annual income

- Paid without setting up a payment plan
- Set up a payment plan
- Has not paid the bill for the visit yet
- Other



Source: PYMNTS
 Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
 N = 1,026: Respondents who had to pay out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022





Emergency budget relief: How payment plans help

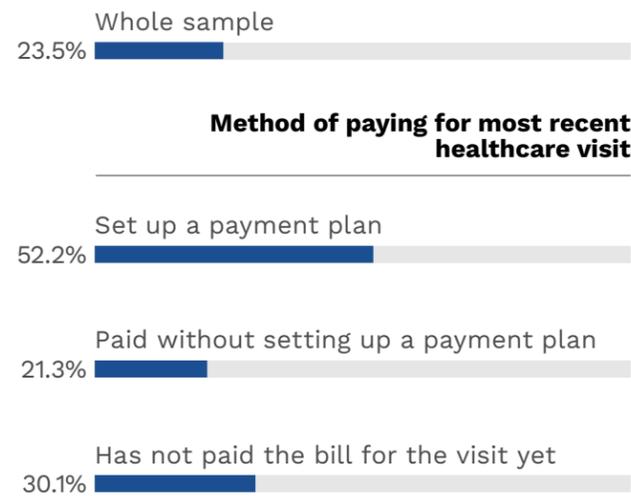
Receiving an unexpected bill for a doctor's visit or medical procedure can be distressing, especially for less financially secure consumers. Our data shows that patients are more likely to use payment plans if they receive a surprise bill because the plans provide a means to fit payments into an individual's current monthly budget without excessive disruption.

There is no surprise, then, that 52% of those who paid with a payment plan had received an unexpected bill. In contrast, only 23% of patients who did not use a payment plan received an unexpected bill. The size of the bills bears this out: Patients who paid for their most recent healthcare appointment with payment plans had received unexpected bills averaging \$1,003. This is higher than the average unexpected bill of \$644 for those who did not pay using payment plans.



FIGURE 2A:
Frequency and costs of surprise medical bills

Share of patients who paid out-of-pocket expenses and received surprise medical bills after their most recent visits, by method of paying for most recent healthcare visit



Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 1,026: Respondents who had to pay out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022

FIGURE 2B:
Frequency and costs of surprise medical bills

Average total amount of bill including portion beyond the estimate for those who received surprise bills, by method of paying for most recent healthcare visit

	Whole sample	Set up a payment plan	Paid without setting up a payment plan	Has not paid the bill for the visit yet
Estimate	\$196	\$266	\$188	\$111
Surprise portion	\$675	\$1,003	\$644	\$184
Total	\$871	\$1,269	\$832	\$295

Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 241: Respondents who received surprise bills after their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022

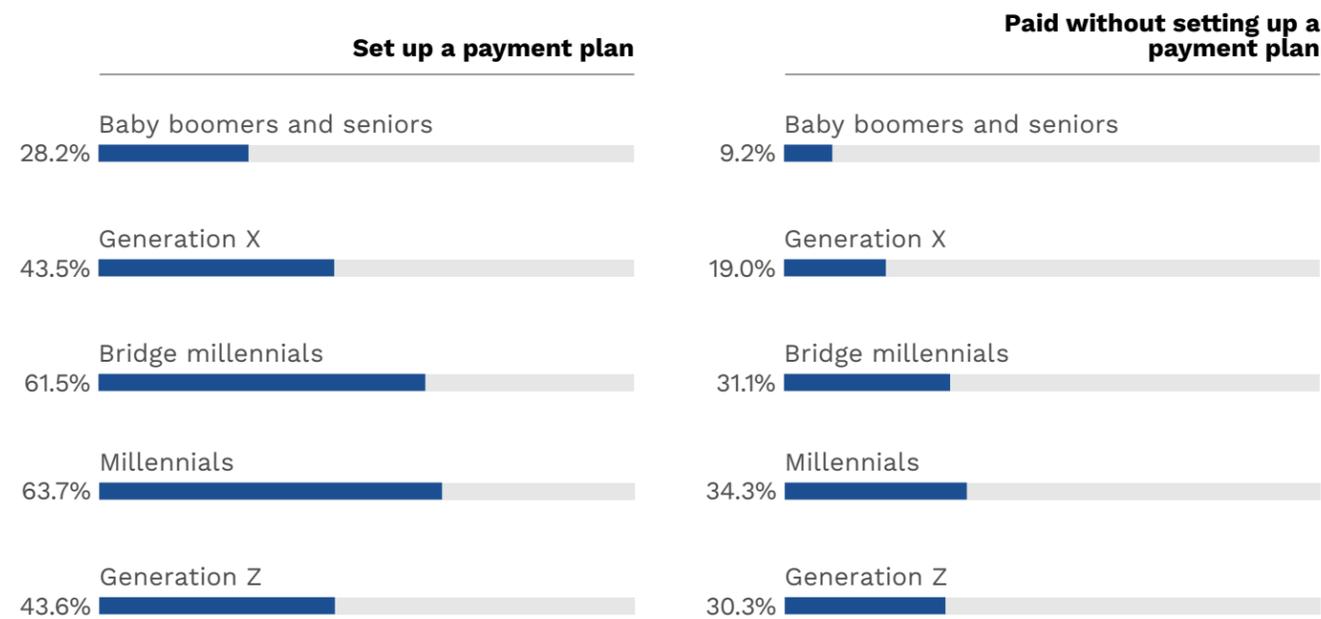
Interestingly, patients in their prime earning years — millennials and bridge millennials — and those struggling financially are particularly likely to utilize payment plans after getting surprise bills. These patients may have less understanding of their healthcare coverage, which can mean that if they receive a surprise bill, their budgets cannot absorb the cost or they do not have an adequate reserve fund for emergencies.

As a result, millennials are the generation most likely to have received unexpected bills and then paid for their most recent visits using a payment plan, with 64% of millennials doing so. They are followed closely by bridge millennials, at 62%. Only 28% of baby boomers and seniors paid via a payment plan after getting a surprise bill, suggesting that they are more able to plan and budget for their healthcare costs.

Consumers living paycheck to paycheck are also more likely to pay via payment plan after getting a surprise bill. While only 13% of patients who do not live paycheck to paycheck set up a payment plan after receiving a surprise bill for their most recent healthcare visit, 59% of all consumers living paycheck to paycheck did so.

FIGURE 3A:
Surprise bill payment methods

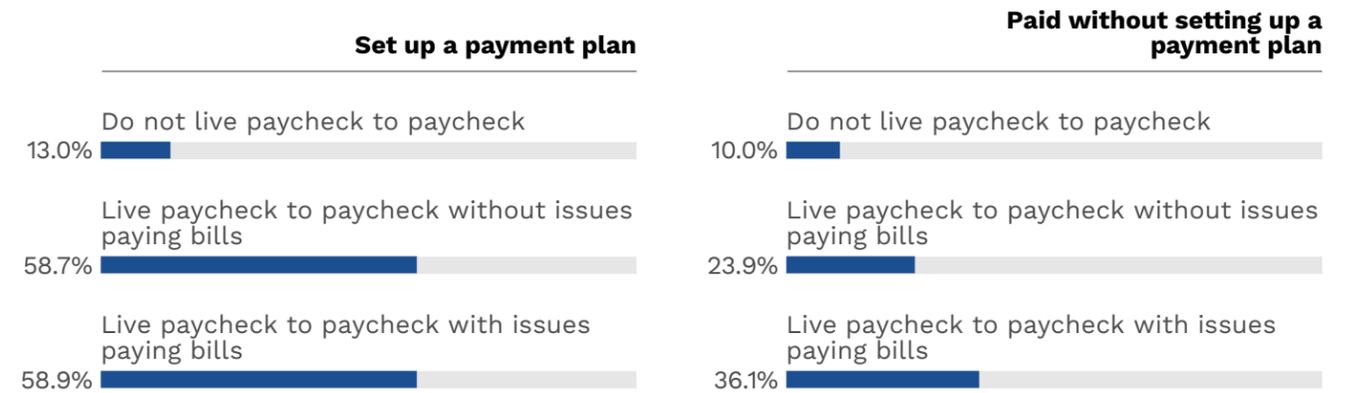
Share of patients who paid out-of-pocket expenses and received surprise medical bills during their most recent visit, by method of paying for most recent healthcare visit and generation



Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 1,026: Respondents who had to pay out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022

FIGURE 3B:
Surprise bill payment methods

Share of patients who paid out-of-pocket expenses and received surprise medical bills during their most recent visit, by method of paying for most recent healthcare visit and financial lifestyle



Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 1,026: Respondents who had to pay out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022

Debit and credit cards are the most common payment methods that all patients surveyed used to pay for their last healthcare visit, as more than a third used each type of card. While similar shares of patients who have not paid with a payment plan have used a debit or credit card, our data finds interesting trends among those who have used a payment plan.

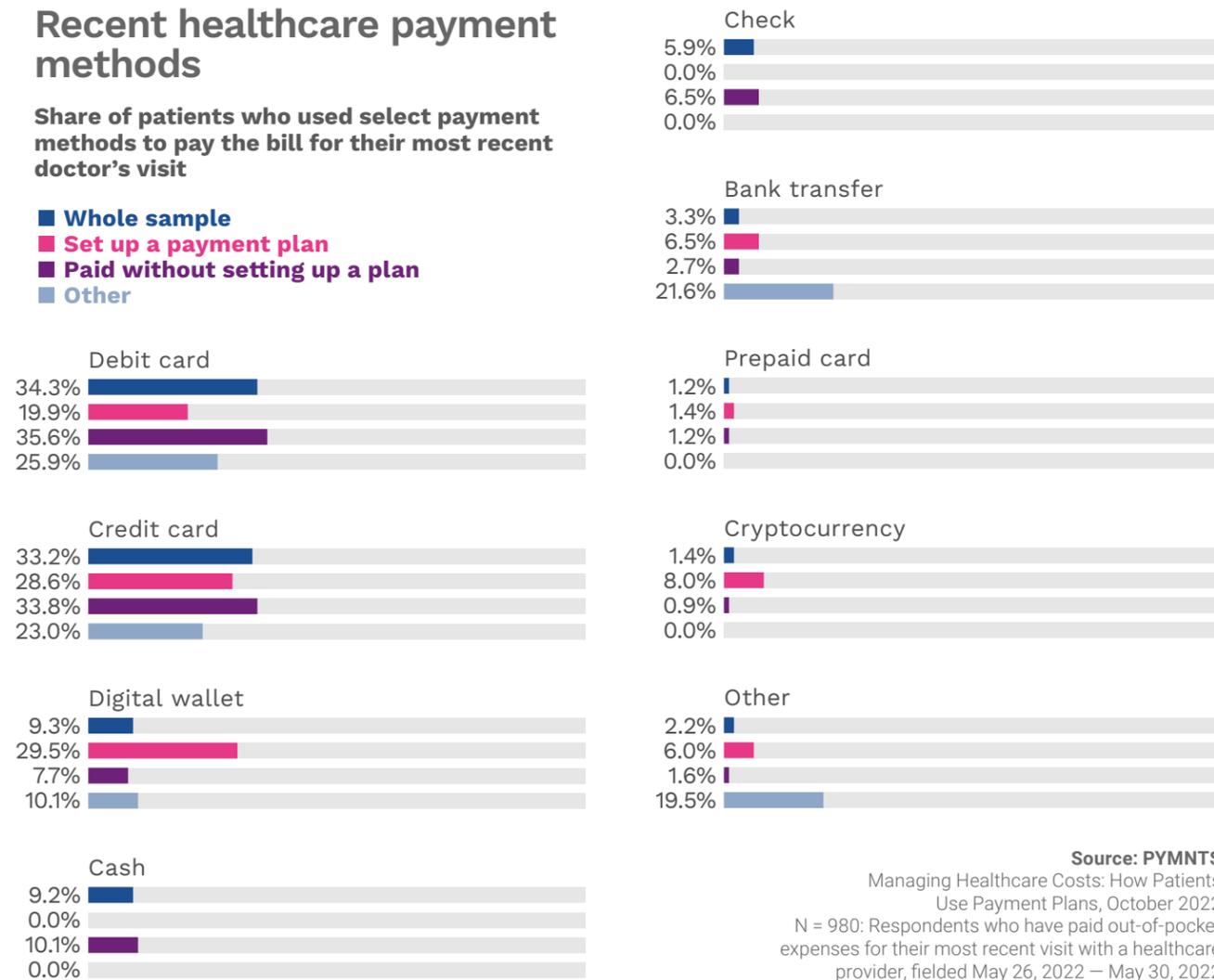
Only 20% of payment plan users used debit cards to pay their bill, while 29% paid their bill via credit cards. Yet, patients who paid for their last doctor’s visit with a payment plan are the most likely to have used digital wallets. In fact, 30% of these patients used digital

wallets, which often connects either to credit or debit cards, suggesting that they pay their monthly bill digitally via their healthcare providers' patient portal, mobile app or website. In contrast, only 9% of all patients surveyed and 8% of those who did not set up payment plans paid via digital wallets.

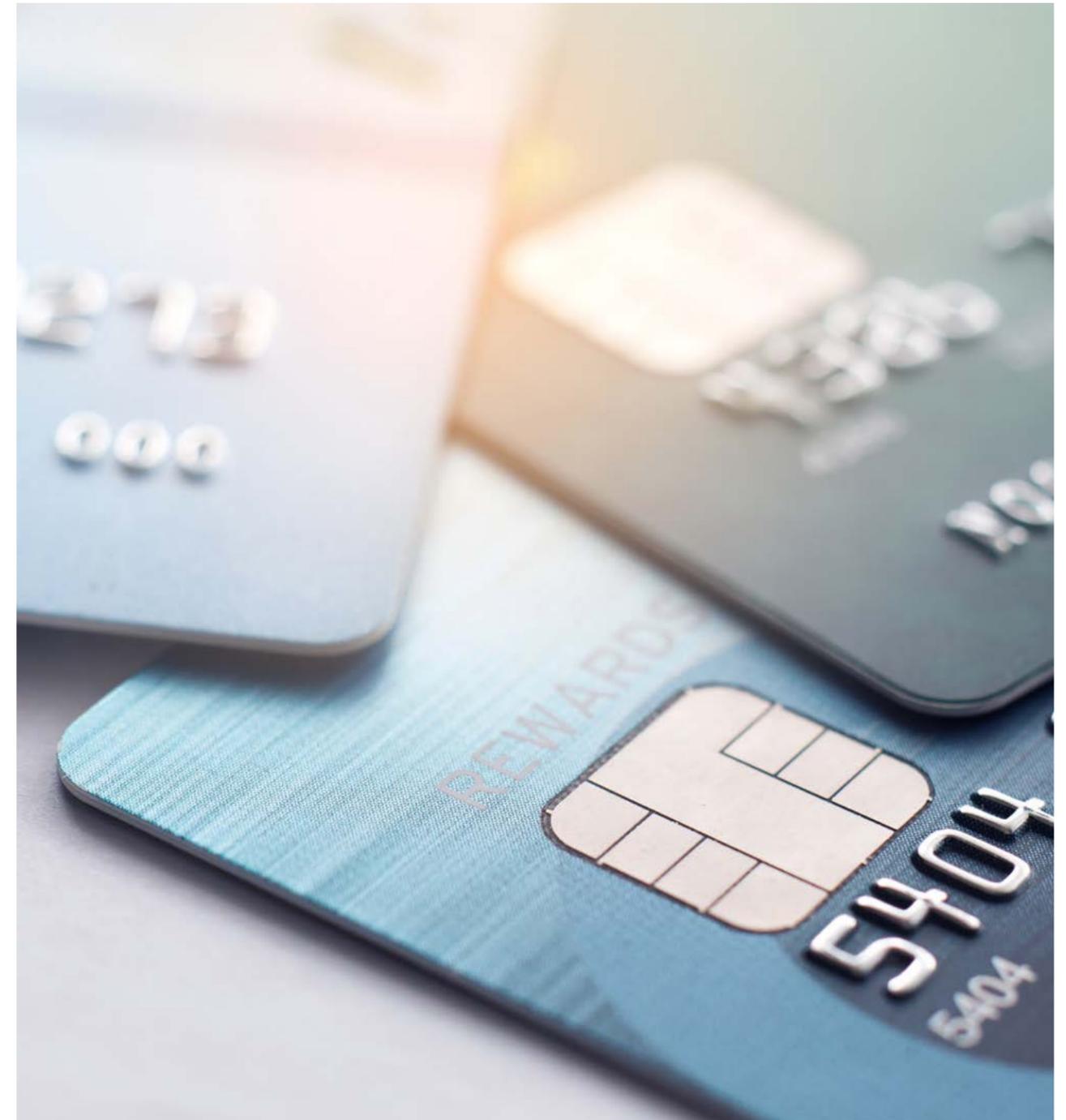
FIGURE 4:
Recent healthcare payment methods

Share of patients who used select payment methods to pay the bill for their most recent doctor's visit

- Whole sample
- Set up a payment plan
- Paid without setting up a plan
- Other



Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 980: Respondents who have paid out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022





Why payment plans matter

Being able to pay for healthcare costs via a payment plan is particularly important for patients under financial distress. PYMNTS' data finds that 37% of patients who used a payment plan to pay for their most recent doctor's visit spent more on healthcare than they can afford. Just 22% of those who did not pay with payment plans were in this situation.

Middle-aged patients are the most likely to experience such financial distress: 46% of Gen X consumers, 48% of bridge millennials and 45% of millennials who used a payment plan have spent more on healthcare than they can afford — far greater than the 16% of baby boomers and seniors and 4% of Gen Z consumers in a similar situation. This suggests that middle-aged consumers may face more healthcare costs and thus need to lean on payment plans to manage their spending.

Patients living paycheck to paycheck who set up a payment plan are also more likely to be in financial distress caused by healthcare costs. While 39% of patients living paycheck to paycheck with issues paying their bills and 38% of those living paycheck to paycheck without difficulty spent more on healthcare than they can afford, only 28% of those not living paycheck to paycheck have done so.

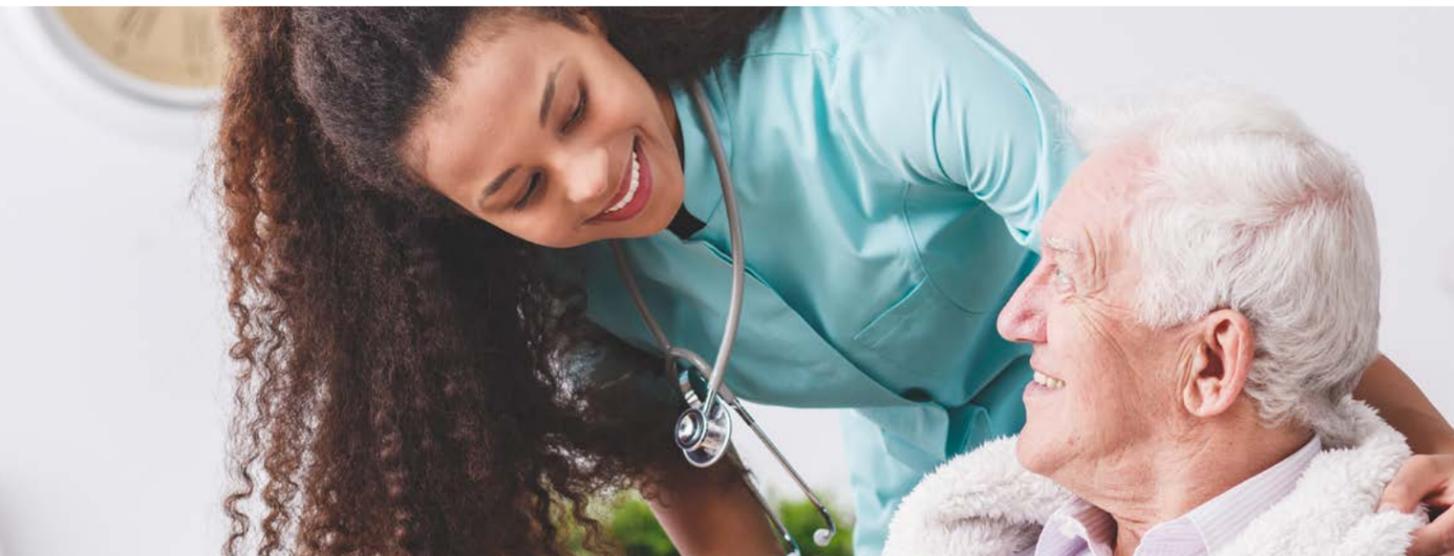
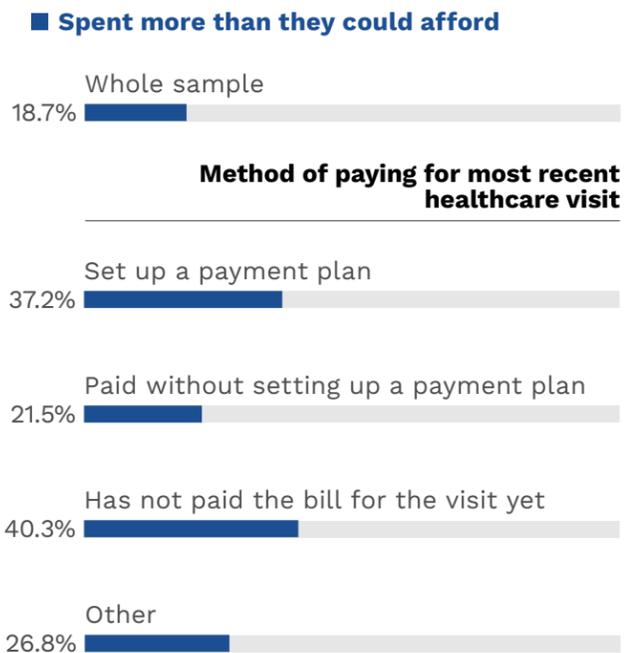


FIGURE 5A:
Financial distress caused by healthcare costs

Share of patients who spent more on healthcare than they can afford, by method of paying for most recent healthcare visit



Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 2,248: Respondents that remember total amount spent, fielded May 26, 2022 – May 30, 2022

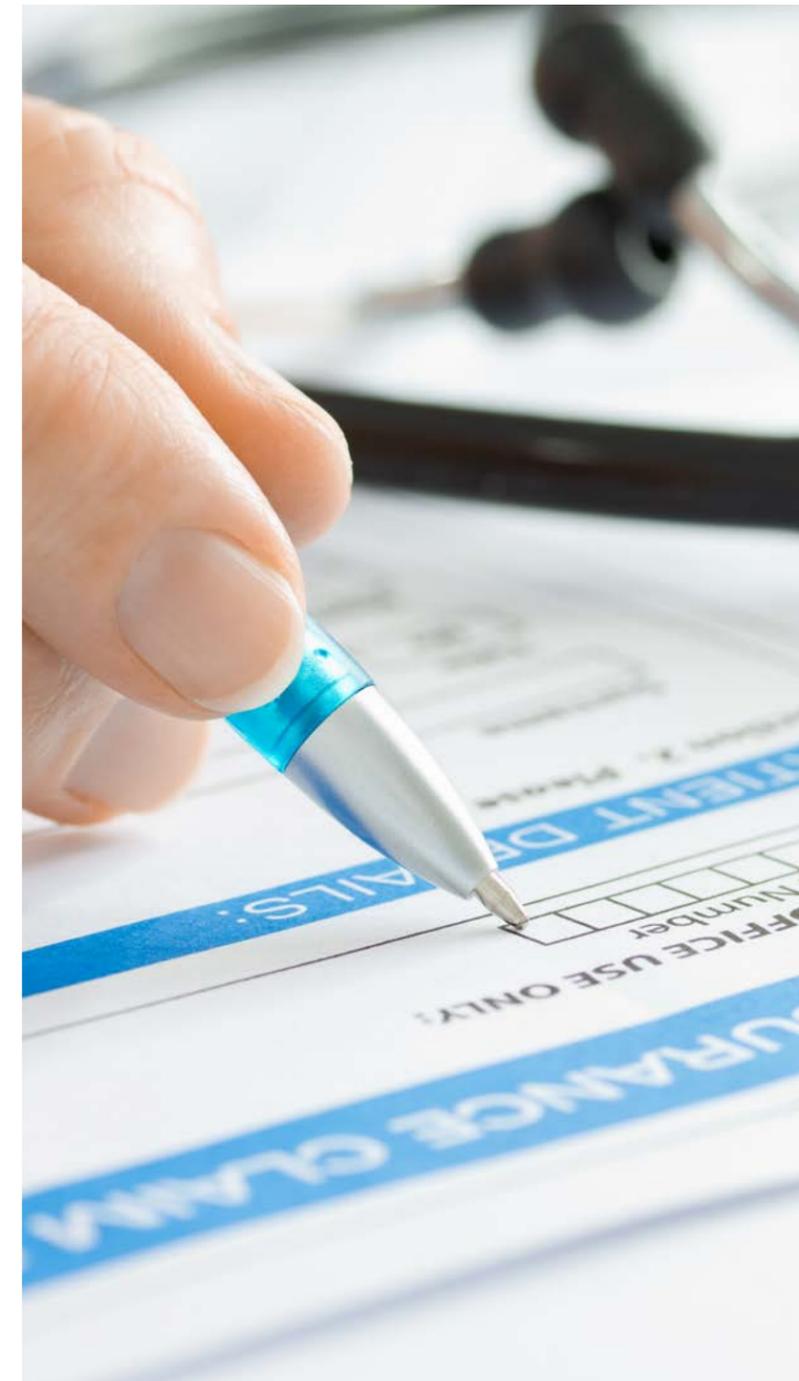
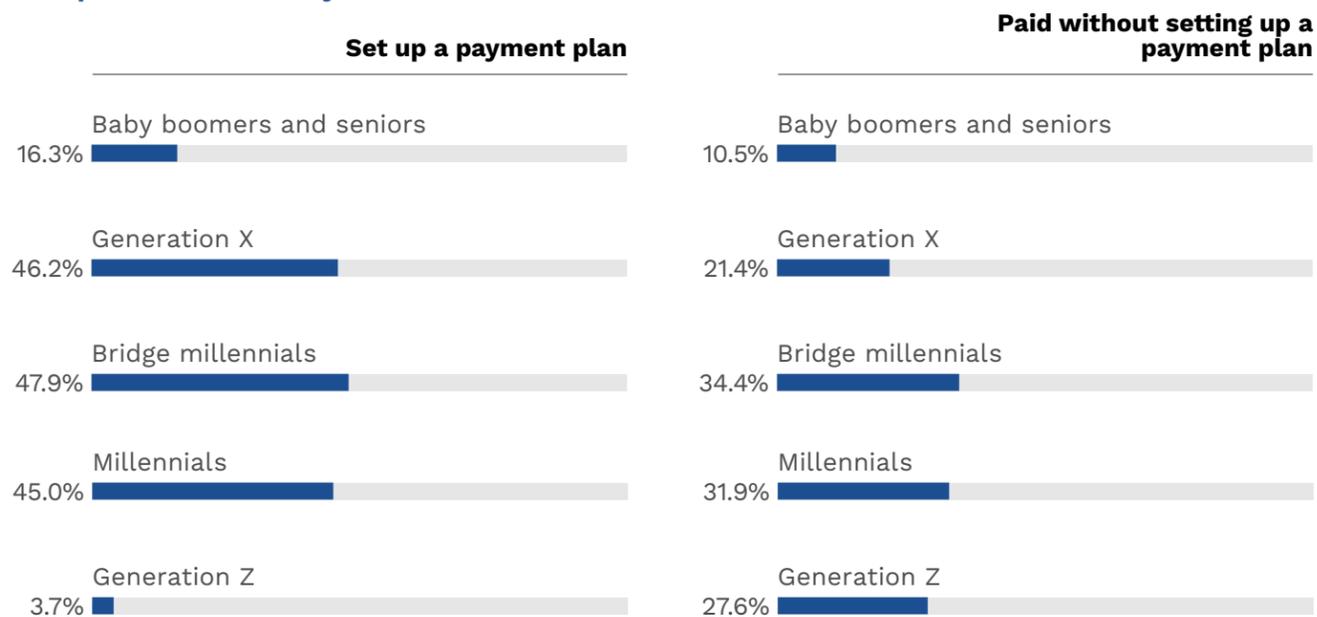


FIGURE 5B:
Financial distress caused by healthcare costs

Share of patients who spent more on healthcare than they can afford, by method of paying for most recent healthcare visit and generation

■ Spent more than they could afford

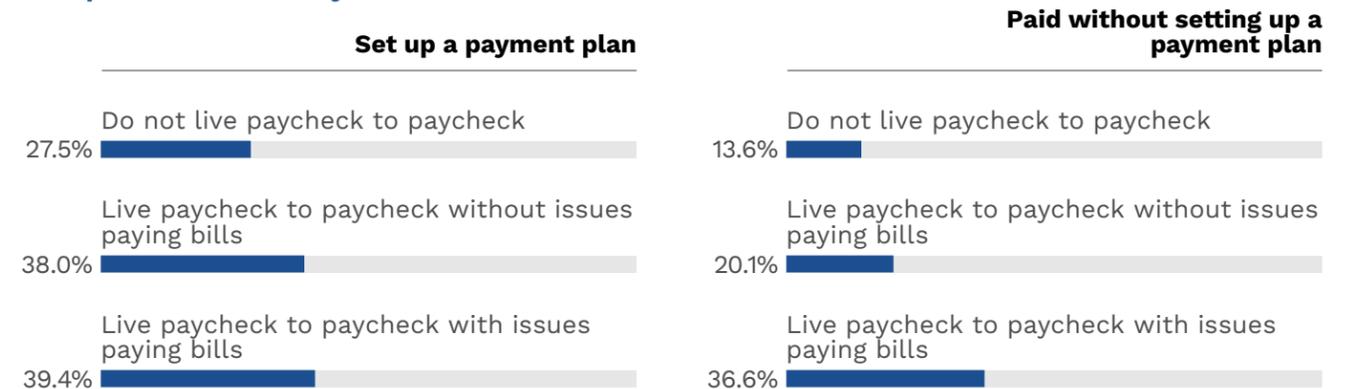


Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 2,248: Respondents that remember total amount spent, fielded May 26, 2022 – May 30, 2022

FIGURE 5C:
Financial distress caused by healthcare costs

Share of patients who spent more on healthcare than they can afford, by method of paying for most recent healthcare visit and financial lifestyle

■ Spent more than they could afford



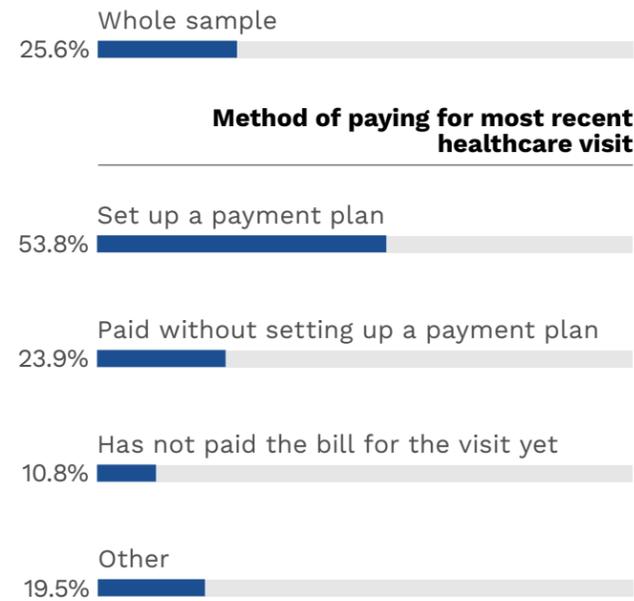
Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 2,248: Respondents that remember total amount spent, fielded May 26, 2022 – May 30, 2022

Patients who use payment plans are particularly interested in switching healthcare providers to gain access to better payments experiences — suggesting that stress-free and seamless ways to pay for medical bills are particularly important when bill payments happen in installments. Our data finds that 54% of all patients who use a payment plan would switch healthcare providers to gain access to a better payments experience.

Particularly at risk are millennials: 63% of those who set up a payment plan would switch healthcare providers for a better payments experience, exceeding all other generations. The patients who could stick with healthcare providers the longest are also apt to switch healthcare providers for a better payments experience, as 54% of Gen Z patients who set up payment plans reported they would do so. On the other hand, only 22% of baby boomers and seniors who used a payment plan would switch healthcare providers, suggesting that they will stick with their providers no matter what.

A majority of patients who used a payment plan are likely to switch their healthcare providers for a better payments experience, however, regardless of their paycheck-to-paycheck status. While 58% of patients not living paycheck to paycheck would switch, 56% living paycheck to paycheck without difficulty and 51% of patients living paycheck to paycheck with issues paying their bills would do so as well. This suggests that healthcare providers that offer the ability for patients to pay healthcare bills over time — and that in so doing provide a better payments experience — are better positioned to retain current patients and attract new ones. This also likely signifies that payment plan integrations must be considered and well-executed, as a flawed payment plan will more likely than not push patients away.

FIGURE 6A:
Patients' likelihood of switching healthcare providers
 Share of patients who paid out of pocket and were very or extremely likely to switch their healthcare provider to one that offers a better payments experience, by method of paying for most recent healthcare visit



Source: PYMNTS
 Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
 N = 1,026: Respondents who had to pay out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022

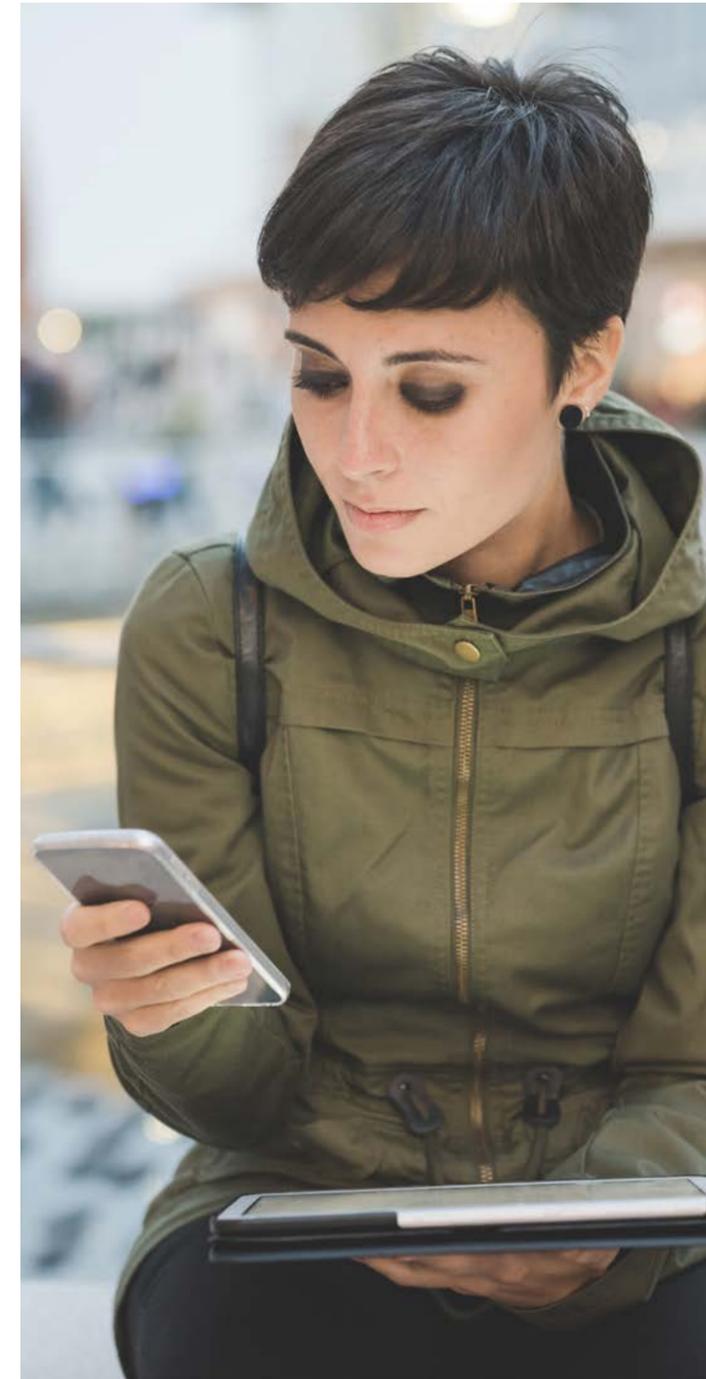
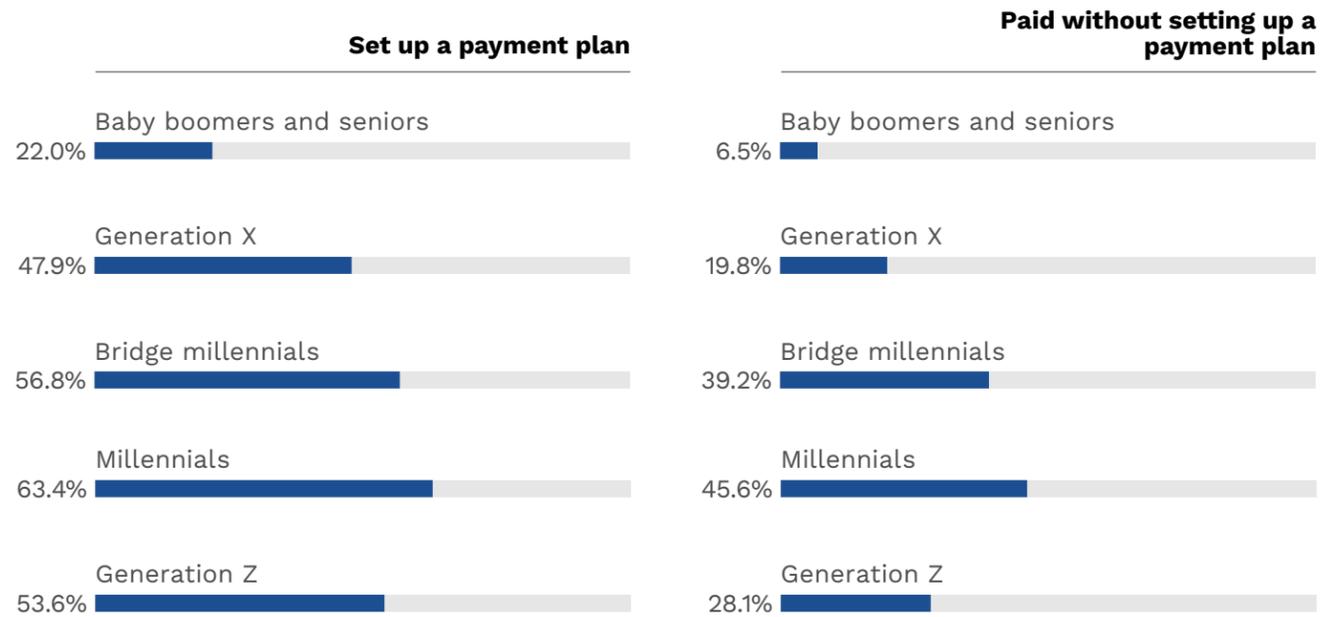


FIGURE 6B:
Patients' likelihood of switching healthcare providers

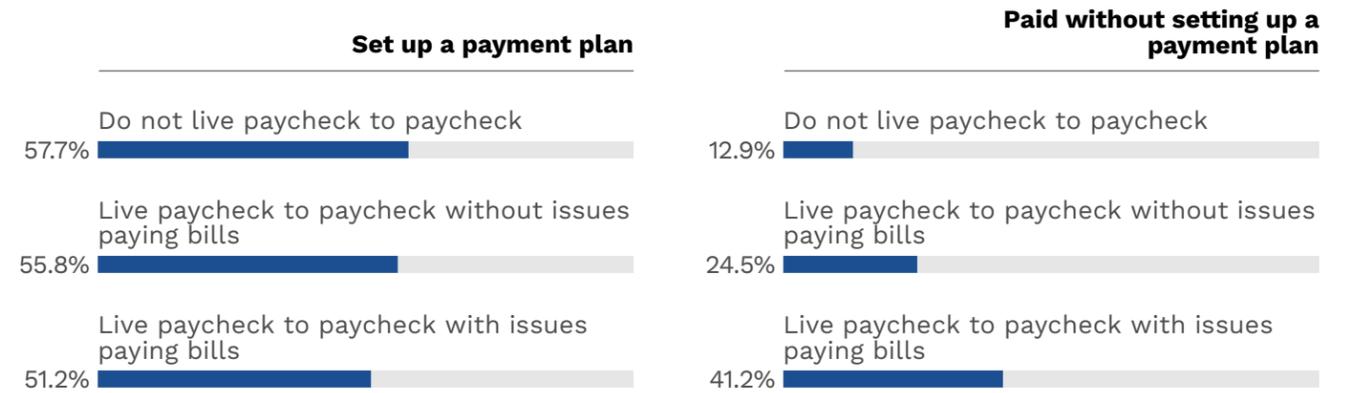
Share of patients who paid out of pocket and were very or extremely likely to switch their healthcare provider to one that offers a better payments experience, by method of paying for most recent healthcare visit and generation



Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 1,026: Respondents who had to pay out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022

FIGURE 6C:
Patients' likelihood of switching healthcare providers

Share of patients who paid out of pocket and were very or extremely likely to switch their healthcare provider to one that offers a better payments experience, by method of paying for most recent healthcare visit and financial lifestyle



Source: PYMNTS
Managing Healthcare Costs: How Patients Use Payment Plans, October 2022
N = 1,026: Respondents who had to pay out-of-pocket expenses for their most recent visit with a healthcare provider, fielded May 26, 2022 – May 30, 2022



Conclusion

Healthcare costs broadly impact patients' access to care, meaning healthcare providers should offer patients access to timely and accurate cost estimates, as well as stress-free and seamless ways to pay their medical bills. When faced with an unexpected bill, financially struggling consumers — relatively younger patients and those living paycheck to paycheck in particular — are apt to experience financial distress and turn to paying their medical bills over time via a payment plan. Offering such a payment alternative can improve patient care and satisfaction, which is crucial as patients are opting to switch healthcare providers for ones that offer better payments processes. Because the quality of the experience is so paramount, healthcare providers may need to partner with third-party leaders in the field to enhance their payments technologies and foster such a payments experience. Enabling patients to manage and pay for their healthcare over time via a payment plan helps to improve patient care, raises the accessibility of healthcare and redefines how leading providers engage with existing and new patients.

Methodology

Managing Healthcare Costs: How Patients Use Payment Plans, a PYMNTS and Experian Health collaboration, is based on a survey of 2,483 consumers from May 26 to May 30 that explored the effects of rising healthcare costs on patient care and how healthcare providers' ability to provide payment plans drives patient satisfaction and improves care. Respondents were 49 years old on average, 54% were female and 36% held college degrees. We also collected data from consumers in different income brackets: 34% of respondents earned more than \$100,000 annually, 32% earned between \$50,000 and \$100,000, and 34% earned less than \$50,000.

About

PYMNTS

PYMNTS is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.



At Experian Health, we serve more than 60% of U.S. hospitals and more than 7,700 medical practices, labs, pharmacies and other risk-bearing entities with data-driven platforms and insights that empower our clients to make smarter business decisions, deliver a better bottom line and establish strong patient relationships. We are part of Experian, the world’s leading global information services company, providing us access to deep data and analytics capabilities that complement the strong healthcare heritage rooted in our legacy companies. Our industry-leading solutions span revenue cycle management, identity management, patient experience and care management. For more information about Experian Health, visit [Experian.com/healthcare](https://www.experian.com/healthcare)

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