

ICD10 may affect your cash. Are you Prepared?
CASH ACCELERATION OPTIONS AND LIQUIDITY ALTERNATIVES



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THE HEALTHCARE INDUSTRY | *A look at today*

Healthcare Industry Overview

- The US healthcare sector includes more than 820,000 hospitals, doctor offices, emergency care units, nursing homes, and social services providers with combined annual revenue of more than \$1 trillion.
- In total, around 60% of Americans are covered by employee-sponsored health insurance and 5% on individual ("private non-group") insurance; 15% are enrolled in public insurance programs like Medicaid and Medicare. People over 65 are almost universally covered by Medicare.
- An estimated 30% of US doctors use electronic medical records (EMRs).
- Healthcare costs are growing 7% per year and are projected to reach 20% of the US GDP by 2015.
- To contain costs while maintaining coverage, the industry is turning to innovative programs, such as wellness programs, early diagnostics, lower-cost testing, drug treatment versus surgery, and participation in HMOs.

Source: First Research

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YOUR BUSINESS | *Your needs*

Cash is the life blood of your business. Healthcare owners and managers are operating in an environment where there is increasing challenges to efficiently collect on receivables. Assessing cash acceleration options is essential to sound fiscal practice.

Healthcare Industry – Trends & Challenges

- **Dependence on Reimbursement Rates** - Consolidation of third-party payers in the past decade has produced a number of large payers that frequently follow Medicare's lead in setting rates. Efforts to curb healthcare costs have put downward pressure on Medicare reimbursements to physicians in recent years.
- **Operational Costs Increasing** - Insurers dictate reimbursement rates, which have risen only modestly in recent years, but doctors' own costs for labor, supplies, and liability insurance have increased faster. Malpractice insurance premiums rose sharply in recent years, sometimes such that doctors have given up especially vulnerable specialties like neurosurgery or obstetrics.
- **Receivables Difficulties** - Payments for doctors' services can be delayed or denied by insurers. Even though most states have enacted prompt-payment laws, physician payments are often delayed because their billing is not "clean"; that is, payers have questions about it. There is increased usage of high deductible plans.

Source: First Research
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Take time to evaluate your existing collection process and methods

What will you need – 3 months of checking account statements or account analysis statements, merchant provider statements, and deposits slips/receipts.

QUESTIONS TO ASK

- Is a daily bank deposit being made?
- How do your patients prefer to pay? Examine the percentage of collections per month that come from cash, checks and credit cards.
- What do those cash collection methods cost your business in fees? How does that compare to your net charge offs from gross billings?
- How many days does it take for these different collection methods to show up as collected cash sitting in your business checking account
- Are some collection methods better for you as a business owner?
- Potential Benefits: Higher checking account balances, lower fees, better collection times.

Can technology options help accelerate cash?

- Credit Cards
 - Find ones specifically designed to help accelerate the process of collecting patient co-pays in a secure HIPPA compliant method.
- Consider certain cash management products
 - Business Remote Deposit
 - Using the Automated Clearing House (ACH) network to debit patient checking accounts with their permission.

Questions to Ask:

1. Will it help me collect payment for services faster
2. Does it help with patient privacy?
3. What are my clearing times on deposited items?

Webster Bank Merchant Services are offered through a marketing agreement between Webster Bank, N.A. and First Data Corporation.

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How mPay works

- **Calculate**
-mPay Gateway's payment calculator instantly determines the service charges for your patient, taking into consideration relevant health plan discount arrangements.
- **Validate**
-After reviewing a summary of charges with your patient, you swipe the patient's payment card. Your patient signs the receipt committing to pay up to that amount. This allows your office to directly collect payment at a later date. There is no need for further patient invoicing.
- **Collect**
-When you receive the provider remittance, use mPay Gateway to request collection online for the exact amount the patient owes. The money will be sent directly to your bank.

Benefits to healthcare customized credit card collection options: mPay

- "... cost shifting to the consumer is the fastest growing segment of health care spending." (the McKinsey Quarterly)
- 25% of physician revenue comes from patients
- If physicians wait to send a statement in the mail after the patient has left or after adjudication only 50% is collected
- Reduce Statements Sent on Average by 75%
- Eliminate Patient Bad Debt and Collection Agencies
- Improved Staff Efficiency – less time spent on chasing unpaid bills
- Integrate with Practice Management System
- Happy Patients

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MANAGING CASH EFFECTIVELY | *The right solutions to maximize cash flow*

Solutions for collecting, disbursing, and investing cash efficiently and cost effectively.



Manage Cash Flow/Boost Efficiency

- Online Access to account information and payment initiation
- Business Remote Deposit
- Online Payments through ACH
- Lockbox Services
- Payroll Processing*

Increase Cash Flow

- Checking Accounts with products and fees that are customized to you particular needs
- Savings/investment accounts**
- Lines, Loans and asset based financing†
- Merchant Card Services††

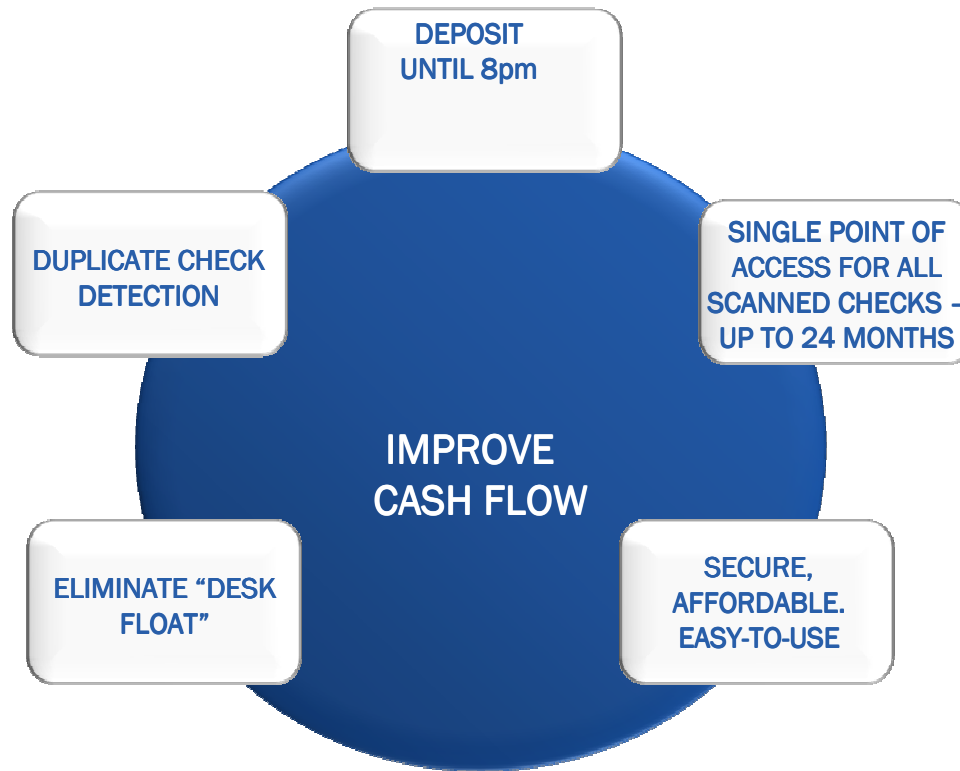
Protect Against Fraud

- Check Positive Pay with Payee Name Option
- ACH Positive Pay
- Dual Control and Tiered Security

*Payroll Services are offered through a marketing agreement with Complete Payroll Solutions, LLC (CPS). **Some treasury and investment products listed above may offer FDIC insurance, others may not. †Credit products are subject to credit approval. †† Merchant Services are offered through a marketing agreement between Webster Bank, N.A. and First Data Corporation Webster Bank, N.A. Member FDIC.

BUSINESS CHECKING | *Quick and convenient Business Remote Deposit*

Business Remote Deposit gives you the extra convenience of depositing checks right from your workplace via electronic images. By reducing your trips to the bank, you'll have more time to spend working with patients more cash for your business. .



Business Remote Deposit subject to eligibility requirements. For additional details and related fees, please contact a Webster associate.

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Can you pay vendors differently and free up additional cash?

- Make as many payments possible through credit cards or using the banking industries business to business payment methods that works off the Automated Clearing House (ACH). This is similar to bill pay on the personal side.
- Consider getting a corporate credit card that has points attached.
 - On a one time basis this can free up 5-15 days of cash.
 - Pay landlords, phone bills, IT bills and supply bills through the card.
 - Use the points to get cash back or to purchase certain goods you would have paid cash for.
 - Making certain monthly payments on a credit card as long as you can clear out the balance on the card every single month.
- Do you know who your vendors are?
 - It's one of the greatest areas of fraud.
 - As volumes with a vendor increase you can seek to negotiate discounts for prompt payment.

DISBURSEMENT | *Fraud - ACH Positive Pay*

Alerts users of unauthorized ACH Debits presented against their accounts, allows them to make pay/return decisions on-line, and maintains history of the decisions made.

Customers can establish repetitive Authorizations by Company ID, specifying limits by:

- Amounts (maximum or exact)
- Number of occurrences
- Expiration date

The screenshot shows the 'ACH Pay/Return' interface in the Webster Web-Link system. The page title is 'ACH Pay/Return' and the account is '123456788 -- ACH POS'. The date is Wednesday, October 14, 2009, at 10:10:11 AM. A callout box states: 'In this example, the default decision for exception items is Return. This means if you do not take action by 12:00PM EST, all exception items will be returned.'

The default decision for positive pay exception for this account is Return. Any items that are not decided by the cut off will result in the items being returned.

Originator Name	Originator ID	Originator Entry Description	Amount	Effective Date	Exception Reason	No	Pay	Return	Info
MERCHANT SERVICE	1941010148	MERCH FEE	\$279.02	10/14/2009	Auth Not Found	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
IRS	3387702000	USATAXPYMT	\$2,387.86	10/14/2009	Auth Not Found	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
IRS	3387702000	USATAXPYMT	\$84,830.00	10/14/2009	Auth Not Found	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
INTUIT PAYROLL S	1028588800	QUICKBOOKS	\$3,134.61	10/14/2009	Auth Not Found	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CT DOR PAYMENT	T011500075	BUS DIRPAY	\$360.37	10/14/2009	Auth Not Found	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CT DOR PAYMENT	T011500075	BUS DIRPAY	\$13,750.00	10/14/2009	Auth Not Found	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Plan B: Can you borrow if you have to? Do you have cash you can inject back into the business?

- Do you have a line of credit that is 45 to 60 days of your average payroll and accounts payable expenditures?
- If you have an approved line is the amount of the line of credit large enough?
- If you have line outstandings, can you pay them off within the year? If not you may need term financing if you have had a steady increase in your core payroll and monthly expenditures.
- Is there unused equity in any real estate you own that could be used to secure term financing at a low fixed rate?
- Do you have a 2012 financial forecast? What happens to it if you slow down collections by 45 days?
- Do owners have access to liquidity through personal assets or home equity lines in case money has to be injected back into the business?

If you need to borrow, bankers will request the following items

- Three years of personal and business tax returns or financial statements.
- Interim financial information on the business if the year end was more than 6 months ago.
- A personal financial statement saying what you own and who you owe.
- A receivables aging to assess the quality of your collection process and the risks you have in your collections.
- A clear understanding of who owns the business.



THANK YOU

