

PARO **Payment Assistance Rank Order**

Introduction

PARO was developed as a tool to help hospitals more effectively, efficiently and less intrusively identify patients who may be eligible for charity care/payment assistance.

Background

The application and approval process for healthcare payment assistance efforts and charity care is widely fragmented, time consuming and not effective in assisting many of the patients it is intended to assist.

Healthcare providers need a tool to simplify interactions with the patients in order to streamline the process for those patients who are engaged and to evaluate those accounts when the patient is not responsive to the charity care/payment assistance application process.

Existing scoring systems, such as collection scores and credit scores, analyze a debtor's *likelihood* of repayment and were developed based on an approach to maximize cash collections. For example, credit scores focus on the credit capacity of the responsible party. However, in healthcare, scoring systems should be based on the debtor's *ability* to pay, which is the purpose of the PARO system.

PARO Development

PARO was conceived as a methodology to apply consistent screening and application standards to all patients. Special attention was paid to those socio-economic factors that might adversely affect those patients deserving the most attention.

Historically, healthcare providers have used manual application processes to assess a patient's financial need, largely for accounting and regulatory purposes. These processes require patients to complete complicated forms and to submit personal financial documents such as bank statements and tax returns with the application. The information submitted by the patient during this application process is then usually verified by credit/FICO scores.

PARO research has proven that patient financial need has a high correlation to where a patient lives, educational background, marital status, age, gender, and language/culture. Traditional credit scoring does not provide an adequate measure of these underlying conditions. The PARO score has been demonstrated to aptly identify those individuals with the highest level of financial need. More than 47 million people in the U.S. are uninsured while 78 million are considered poor or are likely to fall into poverty within any 12 month period. Many consumers living in poverty are challenged by literacy and the high cost of banking. This further contributes to lack of participation in traditional charity programs which require completed applications including bank account information and tax returns. A large portion of these people have been overlooked for charitable assistance.

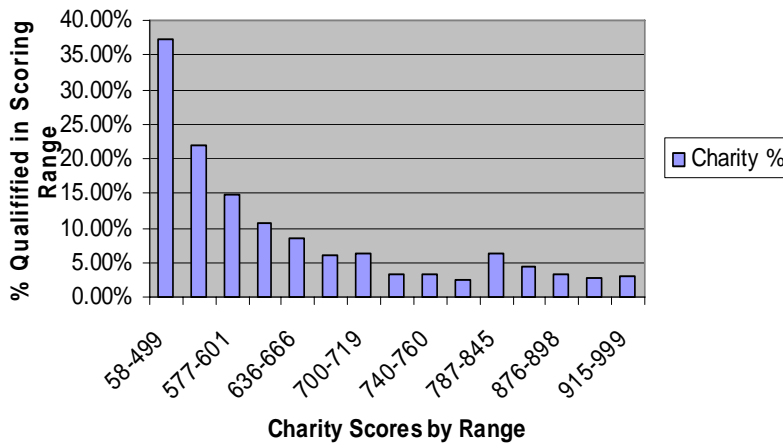
The developers of PARO approached CHW with the proposition to utilize historical data to develop a predictive model for healthcare financial assistance that encompassed approved financial assistance applications, rejected financial assistance applications, and non-responsive patients.

Based on historical financial assistance approvals, PARO was developed accessing the aggregate data from 9,000 sources encompassing 2 billion records. Recognizing the most qualified applicants would likely have the least credit data, and incorporating the demographic fundamentals essential to economic conditions, PARO utilizes US Census data and public data sources to estimate a patient’s liquidity position. The PARO score is not a credit or collection score, but a payment assistance score.

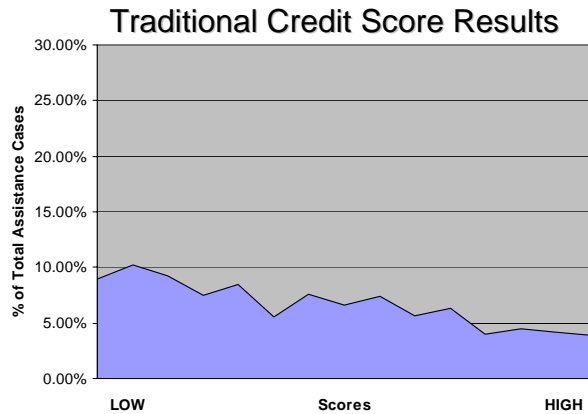
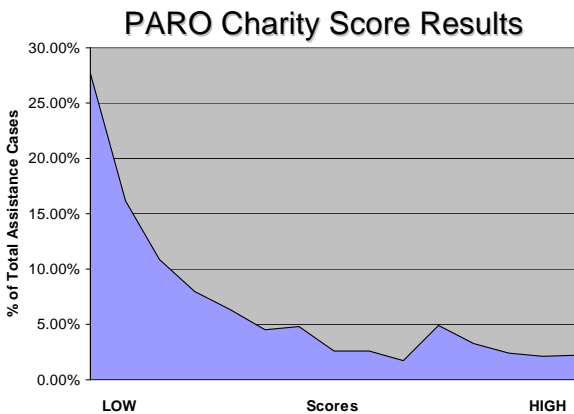
Using a scale from 1 to 1000, PARO assigns a numeric value to each account based on the evaluation of a complex set of criteria used to define that patient’s financial condition. The database process attempts to confirm the patient’s identity through address and phone number matching. The process then estimates economic conditions with the patient’s sub-ZIP code. This data is then matched to consumer activity and asset ownership files. The resulting score is returned with any updated demographic data.

The following chart shows distribution of the approved Charity Care accounts and the PARO scoring:

Charity Concentration by Range



PARO results have proven to be more than twice as effective as traditional credit/collection scores. The PARO Charity Score Results chart shows the relationship between the PARO score and approved cases. The distribution of outcomes of the score ranges demonstrates the higher likelihood of lower scoring patients to qualify for financial assistance. In fact, the majority of approved cases fell below a 600 score threshold.



Implementation

PARO is typically deployed as a final screen for accounts that have completed the initial billing cycle. PARO estimates (score, Federal Poverty Level estimates, and asset indicators) can also be used at the time of service to condense the charity care application. PARO estimates can be used to determine accounts eligible for full discount or partial discount based on financial need.

Contact Information

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