

**EXECUTIVE CONFERENCE CALL**  
**Healthcare Collections 2009:**  
**Challenges and Opportunities**  
**in an Uncertain Economy**

in conjunction with



Strategic  
Advisors  
to the  
ARM  
Industry



### **About Kaulkin Ginsberg**

Kaulkin Ginsberg is the leading boardroom-level advisor to the Accounts Receivable Management Industry (ARM). Credit and collection professionals, owners and investors worldwide rely on us for the insight, access and information needed to make well-informed decisions. Our value-add consulting and M&A services cover almost every stage of a company's lifecycle, from strategic analysis to growth and exit strategies. Our media division publishes [insideARM.com](http://insideARM.com) and is the leader in providing timely news and perspective on the recovery of debt in all industries. For nearly twenty years we have anticipated trends and evolved with the industry.

Our position in the market as strategic advisor to collection agencies and law firms, debt buyers, and creditors, gives us a unique perspective that no other industry publisher can offer. Thousands of industry professionals rely on our news every day because we know which stories to follow; which executives to highlight; which trends are important.

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### **About MDHBA**

MDHBA is a service association of select, quality accounts receivable management companies working together to provide educational programs and quality services for its members and the healthcare industry.

Today's healthcare industry demands optimal performance - especially in the area of accounts receivable management. With a diverse and growing membership, the MDHBA provides the greatest opportunity to share ideas, gain knowledge and learn about trends as they are taking shape. To learn how your organization can benefit from this dynamic process, contact MDHBA today.

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### Handouts from the audio conference

#### **Abstract**

Many economic indicators—from major corporate bailouts to trillion dollar deficits to staggering unemployment figures—point to a gloomy business outlook in 2009. While many outside the collection industry suppose that a rocky economic environment is a boon for accounts receivable management (ARM) companies, those within the industry know that recessionary pressure has an adverse effect on collection agencies and debt buyers too. But amid the financial challenges presently confronting most U.S. businesses and consumers, the healthcare market in the ARM industry is likely to encounter unique opportunities for growth in 2009. This MDHBA audio conference will provide ideas to help healthcare collection agencies in this uncertain economy.

#### **About the Speaker**

Michael analyzes strategic receivables management issues for the ARM industry with a primary focus on the healthcare sector, including the bad debt concerns of hospital creditors and the relationships they forge with service providers in the ARM industry. In addition, Michael supports various types of M&A engagements and related advisory assignments, including sell-side and buy-side representations, for Kaulkin Ginsberg.

In addition to writing a [blog on insideARM.com](#), his work at Kaulkin Ginsberg includes contributions to the 7th edition of *The Kaulkin Report: The Future of Receivables Management*, published in September 2007.

Michael has also published a series of healthcare executive briefs, including [Curses or Cures: State Regulations, Hospital Creditors, and the ARM Industry](#), and [The Tangled Web of Google Health: Online Medical Records Could Change Healthcare Receivables Strategies](#).

Prior to joining Kaulkin Ginsberg, Michael served as a University of Illinois at Urbana-Champaign instructor in the Department of English and as a Communications Specialist in the Department of Accountancy. Michael has also conducted market research projects for KRC Research, a unit of Interpublic Group.

Michael holds a Master of Arts degree in English from the University of Illinois and a Bachelor of Arts degree in English Literature from the University of Evansville.

### **I. Introduction: Where are you going, where have you been?**

#### **a. Overview of the medical collections market**

#### **b. Roadmap for today's presentation**

### **II. Macroeconomic factors affecting medical collections**

#### **a. Unemployment**

##### **i. Data**

Nonfarm payroll employment fell sharply in January (-598,000) and the unemployment rate rose from 7.2 to 7.6 percent, the Bureau of Labor Statistics of the U.S. Department of Labor reported. Payroll employment has declined by 3.6 million since the start of the recession in December 2007; about one-half of this decline occurred in the past 3 months. In January, job losses were large and widespread across nearly all major industry sectors. The number of persons who worked part time for economic reasons (sometimes referred to as involuntary part-time workers) was essentially unchanged in January at 7.8 million; however, this measure was up by 3.1 million over the past 12 months.

##### **ii. Impact on insurance status**

A one percent rise in the U.S. unemployment rate is projected to increase the number of uninsured by 1.1 million and result in an additional 1 million people (600,000 children and 400,000 adults) enrolling in Medicaid.

Health insurance premiums in the United States have risen from just under \$6,000.00 in 1999 to almost \$13,000.00 in 2008.

##### **iii. Takeaway for healthcare collections**

#### **b. Bankruptcy**

##### **i. Data**

The labor situation in the U.S. is a key driver of consumer bankruptcy filings. 2008 saw 1.1 million consumer filings, up 30 percent from 2007. Completing a vicious circle, commercial bankruptcy filings in 2008 rose dramatically—a 92 percent increase over 2007—to 54,000 companies seeking protection from creditors.

##### **ii. The myth of medical bankruptcies**

How consumer credit is like a Krispy Kreme doughnut.

##### **iii. Takeaway for healthcare collections**

#### **c. Consumer spending v. the U.S. savings rate**

##### **i. Data**

Two macroeconomic reports in January 2009 reveal a somewhat contradictory picture of consumer/patient behavior with direct implications for hospitals and the healthcare ARM market: First, excluding inventory adjustments, GDP fell at a 5.1 percent rate in Q408, including a 3.5 percent drop in consumer spending; however, The U.S. savings rate jumped to 3.6 percent in December 2008.

##### **ii. Takeaway for healthcare collections**

### **III. Microfoundations of healthcare ARM**

#### **a. The collections environment**

### **i. Drill-down on service provider market segments (collection agencies and vendors)**

Recent results from insideARM's Credit and Debt Collection Industry Confidence Survey (Q408).

### **ii. M&A activity**

Special guest speaker.

### **iii. Takeaway for healthcare collections**

## **b. Recent and impending market developments**

### **i. Healthcare providers**

#### **1. Demand for integrated solutions**

#### **2. Performance v. public perception**

#### **3. Consolidation and new lines of business**

#### **4. Growth**

Even as the broader economy continues to shed jobs at an alarming rate (more than 2 million between December 2007 and December 2008), the U.S. healthcare industry actually added 30,000 jobs last year.

Healthcare spending made up roughly 16.5 percent of GDP in 2008. By 2017, healthcare dollars are projected to comprise one-fifth of the U.S. economy.

### **ii. Strategic responses from healthcare outsourcing partners**

### **iii. Takeaway for healthcare collections**

## **c. Legislative and regulatory changes**

### **i. SCHIP**

<http://www.insidearm.com/go/search?criteria=SCHIP&searchOperator=PHRASE>

### **ii. The stimulus package (COBRA and healthcare IT)**

<http://www.insidearm.com/index.cfm?objectid=4560FFAD-A5BA-9A56-6C4D664038BB5A36>

### **iii. IRS Form 990**

<http://www.insidearm.com/index.cfm?objectid=4560FFAD-A5BA-9A56-6C4D664038BB5A36>

### **iv. Insurance coverage reform & case study of uncompensated care**

#### **1. Obama's reform mandate**

#### **2. Uncompensated care**

See Appendix.

### **v. Takeaway for healthcare collections**

## **IV. Challenges and opportunities for healthcare ARM**

## **V. Questions**

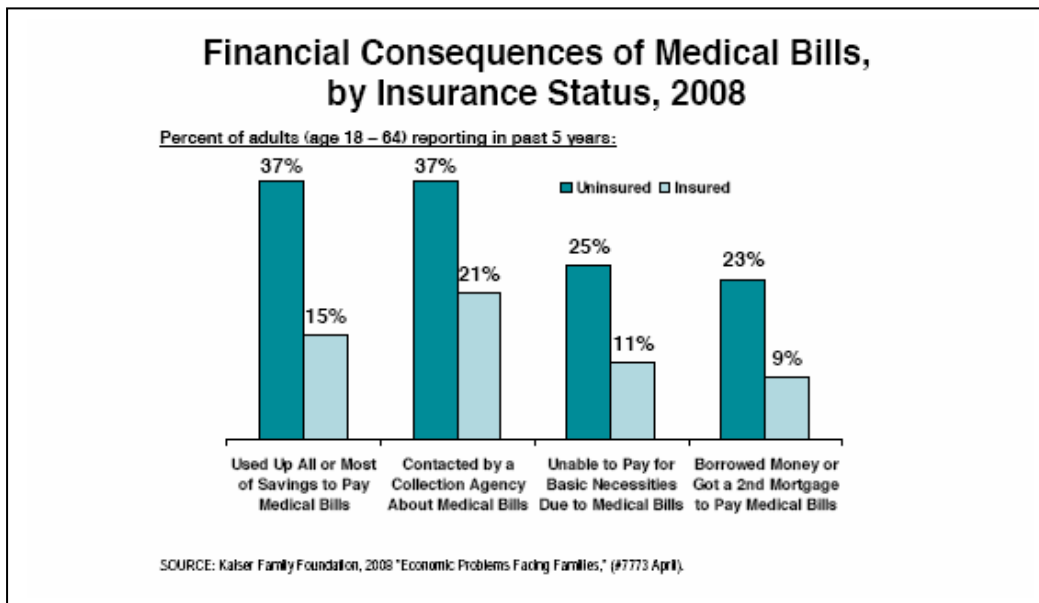
## **Appendix**

### ***Uninsured v. Uncompensated Care: A Case Study***

#### The Big Picture:

- Debates about health insurance coverage typically hinge on the number of uninsured Americans, obscuring nuances that underlie those statistics and largely ignoring the corollary problem of uncompensated care.
- Clashes over the actual number of uninsured patients nevertheless tend to split hairs, quarreling over a range that falls within a negligible margin of error.
- Outside of the estimated 45M Americans who lack health insurance, a 2008 report by the Commonwealth Fund indicates that 25M Americans are underinsured; rates of underinsurance among families earning more than \$40,000 a year nearly tripled from 2003 to 2007.
- The current cash market for uncompensated care expenses is made up of medical bills not covered by private or public insurance, excluding the cost of catastrophic care; this figure represented \$265B in out of pocket consumer payments in 2006.
- Half of uninsured households had \$600 or less in total assets (not including their house and cars) in 2004, compared to median assets of \$5,500 for insured households. Moreover, after households' debts are subtracted from assets, the median net worth of uninsured households drops to zero—leaving many of the uninsured with no financial reserves to pay unexpected medical bills.
- Since 2001, premiums for family coverage have increased 78 percent, while inflation has increased by 17 percent and wages have gone up only by 19 percent, according to the *Kaiser Survey of Employer Health Benefits*.
- Two recent reports underscore how household budgets are impacted by medical bills. Both studies segment data by insurance status.

**Table 1**



**Table 2**

