

THE PATIENT PAY CRISIS:

Why Hospitals Can't Afford to Ignore the Shift to Patient Responsibility

How rising out-of-pocket costs, regulatory change, and tightening margins compel hospitals to prioritize patient-centered financial engagement.



Executive Summary

Hospitals and health systems nationwide are navigating a critical financial crossroads. Economic pressures and new regulations are transforming how care is reimbursed and are shifting greater responsibility onto patients. These changes—exacerbated by Medicare and Medicaid reimbursement cuts, mandated price transparency, and heightened collection restrictions—are directly affecting hospital margins. Today, nearly 40% of hospitals operate at a deficit, compromising their capacity to provide accessible, high-quality care.

At the same time, rising out-of-pocket costs and living expenses are causing patients to delay or forgo care, leaving more individuals with medical debt and impacting their long-term health outcomes. When care is deferred, patients often present later with more complex or irreversible conditions, further straining hospitals with higher costs of treatment and poorer population health results.

Many longstanding billing processes are ill-suited to this reality, relying on fragmented systems and manual workflows that drive up costs, create confusion, and reduce patient trust.

This article explores the core challenges fueling the patient pay crisis—including policy-driven barriers, reimbursement pressures, and escalating financial hardship for patients—and highlights solutions grounded in both compassion and sustainability. The path forward requires a fundamental shift to inclusive, patient-centered financial strategies. By adopting digital-first engagement platforms and affordable, interest-free financing, hospitals can protect their mission and margins, empowering patients with clarity and practical support.

Inaction is the greatest risk. Hospitals that modernize their financial strategies and foster trust with their communities will secure a more resilient and equitable future for all.

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INTRODUCTION:

A Perfect Storm for Hospital Financial Health

Today's hospitals and health systems face financial headwinds unlike any in recent memory. A combination of rising deductibles, reduced insurer payments, and evolving regulations are rapidly changing the revenue cycle, straining the foundations of financial stability. Patient financial responsibility is now front and center, requiring organizations to adapt with urgency and empathy.

Key indicators illustrate the scope of this challenge:

71% of healthcare delivery organizations (HDOs)

cite Medicare and Medicaid reimbursement cuts as their greatest threat to financial sustainability.

Nearly 40% of hospitals

are already operating at negative margins, a reality felt most acutely by small and rural systems.

86% of HDOs have implemented contingency plans—

ranging from scaling back clinical services to workforce restructuring or even facility closures.

One hospital CEO encapsulates the current sentiment:



Our hospital is
already running
at an operational
deficit. If the federal
match is lowered, it
will be devastating.



For many people, these pressures mean that access—to care, jobs, and community resources—is increasingly vulnerable.

Unintended Consequences of Transparency Mandates

New regulations designed to increase transparency and patient agency have led to both positive changes and unforeseen strains for providers. While the intent is to create clarity and strengthen patient protections, the implementation of these mandates introduces added complexity and risk.



Price Transparency Rules:

Hospitals must now provide detailed cost estimates ahead of care, which introduces administrative burdens and may set expectations that are difficult to predict, given the evolving nature of medical treatment.



The No Surprises Act:

This protects patients from out-of-network billing shocks but often results in hospitals absorbing shortfalls when reimbursement fails to cover costs.



Credit-Reporting Restrictions:

This forbids reporting medical debts under \$500 to credit agencies, reducing hospitals' leverage in collecting on many smaller accounts—a collective loss for already stretched health-system finances.

A regional finance vice president observed:

“If Medicaid funding is cut... we will have more people who can't pay for their care. **Our bad debt is going through the roof.**”


The consequences of these policies are not only financial strain for providers but also deferred care for patients who fear unknown costs. When patients avoid critical or preventive services, they often return with later-stage illnesses or secondary medical issues—escalating both clinical complexity and uncompensated costs to the system.

The Financial Squeeze: Reimbursement Cuts and Their Impact

Ongoing policy uncertainty and direct cuts in payer reimbursements are putting unprecedented stress on hospital finances. The greatest threat comes from both federal and state decisions, which can quickly alter the ability of health systems to deliver care equitably and sustainably.

Notably, potential cuts to Medicaid are mentioned 1.5 times more often than cuts to Medicare as “catastrophic,” particularly as regulatory changes also restrict the ways that hospitals can recover unpaid balances. As reimbursement rates decrease, care delivery in many communities is increasingly at risk.

“If cuts occur, that would be a huge financial burden,” the CEO of a standalone community hospital explained. For many hospitals, this is not an abstract risk: Closures and reductions in services are a lived reality, underscoring the deep tie between policy decisions and the health of local populations.



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The Patient's Reality: Navigating Costs and Choices

Patients are facing unprecedented challenges in navigating their healthcare finances. Escalating costs and dwindling coverage mean that more people are forced to make difficult decisions about their health and financial well-being.

40% of American adults postponed or skipped care last year simply because of cost.

1 in 3 covered workers now face plan deductibles over \$2,000.

4.7% average annual growth rate in U.S. patient out-of-pocket healthcare spending projected through 2032.

When balances exceed **\$1,000** collection rates fall to just ~30% without access to affordable payment plans.

Families and individuals are prioritizing basic needs over medical bills—understandably choosing to pay for housing, transportation, and groceries first. With insurers and federal programs shifting more costs onto patients, unpaid healthcare debt is climbing, creating a cycle that threatens access, outcomes, and dignity.

Where Traditional Billing Falls Short

Legacy billing models, designed for an insurer-centric system, create barriers for both patients and providers. Today, even hospitals on advanced EHR platforms face significant challenges in managing self-pay accounts. The real issue is the administrative burden on internal hospital revenue cycle and A/R teams to chase outstanding balances and navigate fragmented processes.

Fragmented Communication

Multiple, confusing statements from different hospital departments cause frustration and erode trust.

Manual, Paper-Driven Processes

These inflate administrative costs by up to 40%, slow down collections, and introduce errors.

Rigid Payment Options

One-size-fits-all plans ignore patients' capacity to pay, contributing to higher rates of default.

If the experience is confusing or unforgiving, even willing patients won't engage. This breakdown not only damages patient trust but also forces providers to absorb higher collection costs with limited returns.

A Patient-Centered Path Forward

To support both financial health and patient well-being, hospitals must move beyond piecemeal fixes to sustainable, human-centered financial engagement.

ClearBalance® Solutions:



Patient Financing: No other solutions combine immediate provider funding, patient-first affordability, and proven ROI like ClearBalance®. Our interest-free financing model consistently delivers collection rates of more than 90%, stabilizes hospital cash flow with up-front funding, and supports universal patient enrollment.

Unlike competitors who leaned heavily into AI “hype,” ClearBalance® takes a balanced approach: leveraging AI where it truly adds value (e.g., data analytics, account prioritization) while preserving the human touch that patients prefer in sensitive healthcare settings.

Patients consistently rank live, personalized financial support as more trustworthy than automated-only experiences—a key differentiator that ClearBalance® sustains while competitors move to fully digital models.



Doorstep® Digital Engagement:

A modern platform that streamlines billing, reminders, and secure mobile payments. Deployment reduces paper/ mailing costs by up to 70% and accelerates revenue collection. At MaineGeneral Medical Center, Doorstep® reduced staff workload by 40%, enabling teams to focus on higher-value patient interactions.

Industry Alignment

Bain & Company and KLAS Research confirm that, despite margin pressure, 75% of hospital leaders are sustaining or increasing IT investments, focusing on solutions that:

Streamline collections and revenue-cycle efficiency

Reduce administrative burden on staff

Enhance patient engagement through digital channels

Deliver measurable ROI

ClearBalance® directly aligns with these priorities by combining immediate financial benefit to hospitals with a patient experience proven to drive satisfaction and repayment.



Empowering Action and Building Trust

Hospitals don't need more vendors and fragmented tools—they need one proven partner that can deliver the complete patient pay solution. Too often, “integrated solutions” still pit multiple vendors against each other, diluting ROI and confusing patients. ClearBalance® eliminates that complexity. By combining digital engagement through Doorstep® Digital Engagement with industry-leading patient financing, ranked #1 by KLAS Research, ClearBalance® provides a single, streamlined approach that maximizes collections, reduces cost to collect, and ensures patients pay at the lowest cost, with the highest ROI for the hospital.

Here is an example of how we would approach integrating this program into your system.

90-Day Action Plan for Patient Financial Modernization

Days 0–30: See the Reality

Identify, segment, and analyze outstanding patient balances by collection performance and payment behavior.

Establish a baseline for cost to collect, paper/postage spend, and self-pay DSO.

Days 31–60: Simplify and Digitize

Launch consolidated statements with clear, patient-friendly templates and introduce flexible repayment options using plain, easy-to-understand language.

Activate digital notifications (text/email) and one-tap payment options to streamline patient engagement and reduce friction.

Days 61–120: Expand Affordability

Offer interest-free patient financing at point of bill and across all outstanding balances.

Track conversion, time-to-cash, and call-center dedication to measure operational impact.

Share a monthly Patient-Pay Performance Scorecard with leadership to monitor ROI and patient satisfaction.

Provide immediate funding to the hospital for enrolled patient balances, allowing the system to realize cash upfront while ClearBalance manages ongoing patient repayment.

CLOSING

Doing nothing is still a decision—and it's often **the riskiest one.**

ClearBalance Healthcare® is ready with a proven roadmap to modernize patient pay: from establishing a baseline to digitizing patient engagement to expanding affordability with industry-leading financing.

The solution is clear.

Partner with ClearBalance Healthcare,® the provider for patient pay solutions ranked #1 by KLAS Research, and equip your hospital to achieve higher collections, lower operating costs, and stronger patient trust. Together, we'll move your system from financial strain to financial strength—restoring resilience, building trust, and ensuring peace of mind for every person you serve.

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