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State of Healthcare Affordability:

The Provider Perspective 2025

Benchmarks, Insights & Analysis from 213 Healthcare Revenue Cycle Executives

PayZen

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Hospitals and health systems are navigating growing financial strain, driven by shifting regulations, rising patient responsibility, and increasing reimbursement challenges. With more costs pushed onto patients through high-deductible health plans (HDHPs) and rising coinsurance, hospitals are seeing a surge in bad debt and longer Days in A/R—all while trying to protect access to care and maintain financial viability.

This report, *State of Healthcare Affordability: The Provider Perspective*, offers a first-of-its-kind industry benchmark, based on insights from 213 healthcare revenue cycle leaders surveyed in partnership with HFMA. It builds on PayZen's annual *Patient Perspective* report to create a comprehensive, growing database of affordability metrics—uncovering misalignments between billing practices and patient financial realities.

Recommendations include implementing structured pre-service payment policies, offering long-term, patient-friendly financing options, and partnering with non-recourse financing providers to reduce risk and improve the patient financial experience. Taken together, these insights offer a strategic roadmap for systems looking to stabilize revenue cycles and advance affordability-driven innovation in healthcare.

213 revenue cycle executives

<$100M – $25B+ NPR range

9 key metrics

KEY FINDING

Health systems can meaningfully increase collections and reduce bad debt by aligning billing practices with patient affordability, such as offering flexible, extended-term payment options with minimal overhead.

Assessing the State of Patient Payments & The Rising Burden of Patient Debt

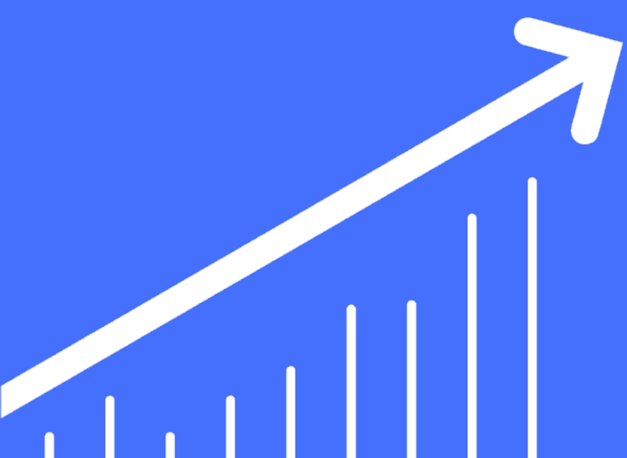
As healthcare costs continue to rise, hospitals and health systems face mounting financial challenges, with patient bad debt reaching unprecedented levels. An external study found that bad debt rose 14% between 2023 and 2024, signaling a growing crisis in patient affordability and provider reimbursement. In the PayZen and HFMA Patient Revenue Survey, **hospitals ranked improving net collections and reducing days in accounts receivable (A/R) as their top financial priorities** over enhancing the patient experience or reducing cost to collect, stressing the need to stabilize revenue streams and maintain financial viability.

Rising patient debt has implications beyond hospital financial performance. Delayed or unpaid medical bills contribute to operational inefficiencies, increased reliance on collections agencies, and strained patient-provider relationships.

To fully understand the impact of rising patient debt, it is helpful to examine the patient billing benchmarks of healthcare systems nationwide. The PayZen and HFMA Patient Revenue Survey collected insights from 213 healthcare systems and hospitals, offering a comprehensive view of key performance indicators related to patient billing, collections, in-house payment plans, outstanding balances, and default rates.

These benchmarks critically assess revenue cycle performance, highlighting the effectiveness of existing payment structures and the areas where healthcare providers continue to experience financial strain.

Survey question: As it relates to patient balances, what is your top organizational priority in the next 12 months?



Patient bad debt rose 14% between 2023 and 2024, reaching unprecedented levels.

Kaufman Hall's National Hospital Flash Report

This report explores:

- Overall collection rate on patient balances
- Pre-service collection rate
- Outstanding balances (as a percentage of annualized patient collections)
- Default rates on payment plans

By analyzing these financial benchmarks, healthcare providers can identify trends, compare their performance against industry standards, and develop strategies to enhance patient affordability while improving their bottom line. The following sections delve into insights in greater detail and offer data-driven recommendations for optimizing revenue cycles and reducing financial risk.

Patient Collections Challenges

The PayZen and HFMA Patient Revenue Survey found that across all surveyed systems, **patient collections hover around 24% of total patient billings.** One primary contributor to rising patient debt is the evolving structure of healthcare coverage, particularly the increasing prevalence of high-deductible health plans (HDHPs) and the steady rise in coinsurance rates. As a result, 23% of working-age adults in 2024 are now considered underinsured, a sharp increase over the past decade, when 16% were underinsured in 2010.

HDHPs place a greater financial burden on patients, requiring them to cover significant out-of-pocket costs before their insurance benefits apply. This shift not only increases financial stress for patients but also amplifies collection challenges for providers. Many patients with large deductibles and higher coinsurance obligations struggle to pay their medical bills, leading to a growing volume of unpaid balances and rising bad debt for healthcare systems.

Average health insurance deductibles:

Employer-provided coverage:

$1,787 (2024 average)

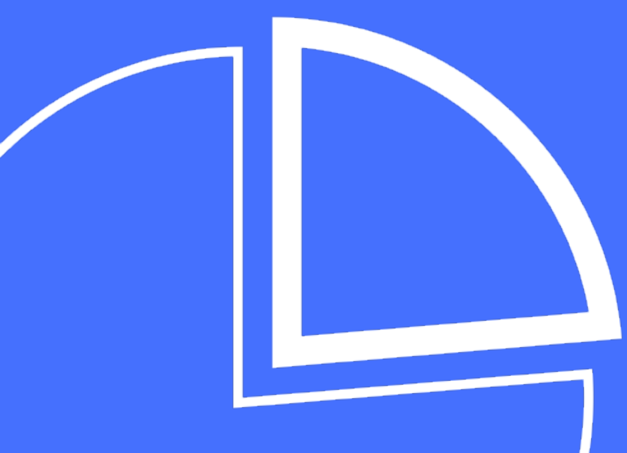
Marketplace plans:

$7,258 Bronze

$5,241 Silver

$1,430 Gold

These figures highlight that even insured patients face steep deductibles, contributing to longer collection cycles and an increasing number of patients unable to meet their financial obligations.



On average, hospitals collect 24% of total patient billings.

PayZen and HFMA Patient Revenue Survey

Health Systems As Lenders: In-House Plans

As patients take on greater financial responsibility for their medical expenses, hospitals and healthcare systems increasingly function as de facto lenders, carrying large patient balances on their books due to delayed or unpaid bills. The financial burden on healthcare systems has intensified, with patient balances over $7,500 tripling between 2018 and 2022, illustrating the escalating financial pressure on providers and the widening gap in affordability.

To manage growing patient balances, most healthcare systems offer in-house payment plans. The PayZen and HFMA Patient Revenue Survey revealed key insights into in-house payment offerings:

- 7% do not offer in-house payment plans
- 28% cap in-house plan terms at 12 months
- 58% cap in-house plan terms at 24 months

Furthermore, an additional **30% of annualized patient collections are tied up as outstanding balances on open payment plans**, dollars that could otherwise be deployed to accelerate investment in the system. For illustration, data from a $1B system offering 12-month, in-house payment plans indicates they have nearly $6 million in extended balances. For a $1B system offering 36+ month terms, this figure doubles to $12M. Additionally, as term lengths increase, so does the likelihood of non-payment—**default rates on internal plans longer than 12 months range between 20% and 30%.**

Given the high default rates and operational costs associated with extended-term in-house plans, most healthcare providers impose limited repayment terms. The result? Too many patients sent to bad debt and missed collection opportunities.

77% of Providers Constrain the Terms They Offer In-House

36+ months (23.2%)
25-36 months (12.3%)
13-24 months (29.7%)
12 months or less (28.4%)
No in-house plans (6.5%)

Payment Plan A/R Increases With Extended Terms

Max plan term 36+ months
Max plan term 12 months

The Patient Affordability Crisis

With 50% of Americans living paycheck to paycheck, payment plans have become an essential tool for making healthcare more affordable. As the cost of care continues to rise, more patients are seeking manageable ways to meet their financial obligations—yet many available options fall short of what patients can realistically afford.

PayZen's 2024 Healthcare Affordability Patient Survey found that, on average, Americans can only allocate $97 per month toward medical expenses, and many struggle to afford much less – 21% of patients can only afford $15-30 per month. Assuming a monthly payment of $97, a 12-month plan works for a bill of less than $1,200, and a 24-month plan supports a medical bill of less than $2,350—far below many patient balances.

12-month payment plan:

A medical bill

>$1,200

is unaffordable

24-month payment plan:

A medical bill

>$2,350

is unaffordable

There is a significant gap between what patients can afford and the duration healthcare systems typically offer for payment. Even with insurance, healthcare affordability is out of reach for an increasing number of people. This is reflected in the data: Self-pay-after-insurance patients represented nearly 60% of patients in bad debt in 2021, a fivefold increase in just three years. Whereas most of the bad debt in the past was attributed to uninsured patients, the majority of bad debt now is associated with patients with insurance, according to Crowe research. This trend underscores the widening affordability gap and the urgent need for sustainable payment solutions that align with patients' financial realities.

As coinsurance rates grow, healthcare providers must navigate these challenges with strategic adjustments that balance financial sustainability with patient accessibility. Understanding the financial impact of current billing practices and payment models is critical for improving overall performance and minimizing uncompensated care.

A Misalignment of Billing Practices & Affordability

Despite financial constraints, patient non-payment is rarely due to an unwillingness to pay. Instead, it is primarily a consequence of misaligned payment terms. According to PayZen's 2024 Healthcare Affordability Patient Survey, 75% of patients state that having options to pay over an extended period would make them more likely to fulfill their financial obligations. Patients value high-quality healthcare and are willing to pay for it when they have financial flexibility.

Yet, the PayZen and HFMA Patient Revenue Survey found that **62% of healthcare systems do not work with third-party financing partners to offer extended-term payment plans.** This gap threatens operating margins in two key ways.

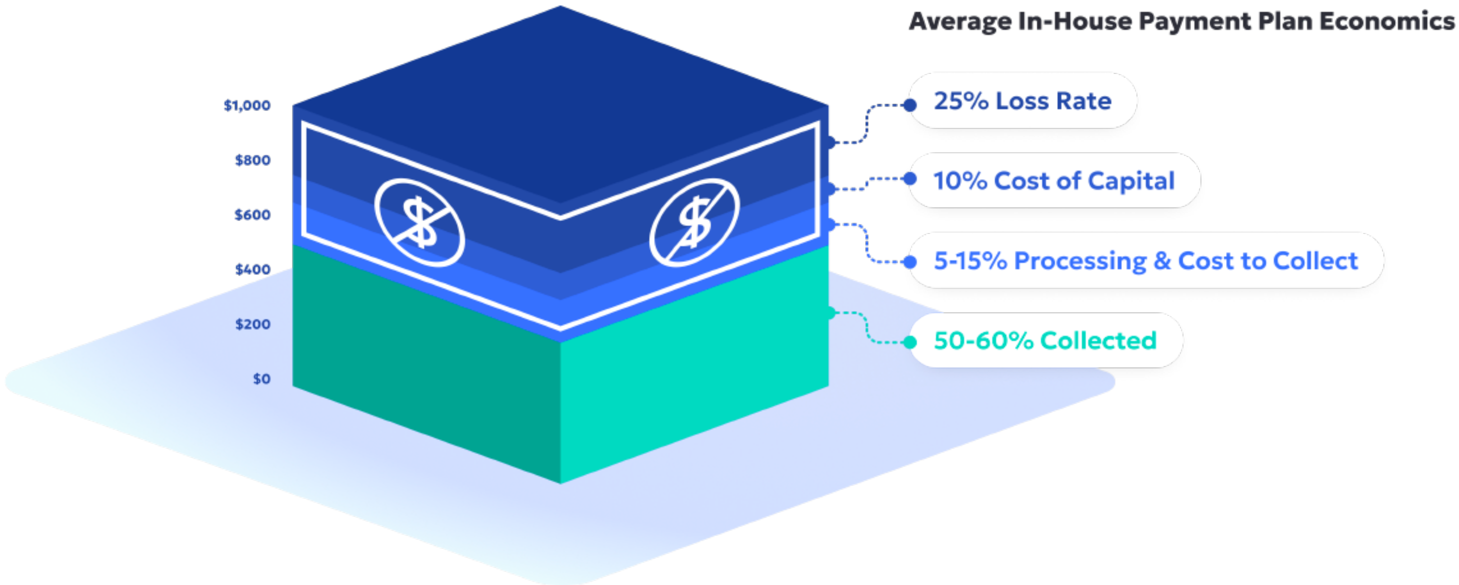
Threats to the bottom line:

1. Patients without access to extended-term payment options (12+ months) are more likely to be sent to bad debt collections.

2. When health systems offer extended-term payment plans (12+ months) internally, they tie up working capital and observe exponentially higher loss rates.

62% of systems do not work with third-party partners to offer extended-term payment plans.

PayZen and HFMA Patient Revenue Survey



The Opportunity: Extended-term Financing Partners

The opportunity lies in partnering with patient financing platforms that underwrite individuals based on their ability to pay and offer flexible, zero-interest plans up to 60 months. These solutions integrate seamlessly into existing billing systems and workflows, using AI technology to keep patients on track. They also protect providers by offering non-recourse structures, which accelerate cash flow and eliminate the financial risk of default.

By complementing shorter-term, in-house payment plans with third-party financing solutions, healthcare providers can unlock tied-up capital, reduce uncompensated care, and improve the financial experience for patients and performance across the revenue cycle.

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KEY FINDING

When thoughtfully implemented, pre-service payment policies can significantly increase collections without driving care avoidance.

Pre-Service Payment Policies Boost Overall Collections

The PayZen and HFMA Patient Revenue Survey revealed promising opportunities to improve financial performance through pre-service collections. On average, 16% of patient self-pay responsibility collections occur pre-service. The study observed **systems that require or encourage payment upfront or request a payment method on file experience a 21% lift in pre-service collections and, most interestingly, a 20% increase in overall collection rates.**

Despite these measurable gains, adoption remains limited: **only 18.8% of hospitals require any form of pre-payment, and just 3.8% require a payment method on file.** Among hospitals that do require pre-payment, 41.7% proceed with services even if the minimum amount is not paid.

Most healthcare systems use multiple communication channels to support these efforts to deliver pre-service estimates. The majority (73%) rely on phone calls, followed by patient portals (52%), email (45%), direct mail (30%), and text messaging (12%).

Survey question: To what extent are you currently tying estimates and pre-service payments together?

53.4%
We encourage a payment, but don't require it

18.8%
We require a payment

18.8%
We don't ask for any payment

5.3%
We ask for a payment, but don't encourage it

3.8%
We require a payment method on file

PRE-SERVICE PAYMENT POLICY

20% higher overall collection rates were observed among systems that require or encourage pre-payment and/or collect a payment method.

PayZen and HFMA Patient Revenue Survey

The Opportunity: Pre-Service Financing Options

Pre-service payment policies have demonstrated a clear impact on financial stability by improving collection rates. However, they also introduce challenges in ensuring patient access to necessary care. Research indicates that one in four adults delay healthcare due to financial concerns, and 60% of uninsured adults forgo necessary care because of cost barriers. This reality underscores the need for healthcare providers to pair pre-service payment strategies with patient-friendly financing solutions to mitigate care deferral, especially since 58.3% of surveyed systems with a pre-payment requirement do not proceed with services unless a minimum amount is paid.

Integrating patient financing solutions into pre-service workflows is crucial for optimizing revenue and unlocking the potential of pre-service billing.

Pre-service financing benefits:

- Reduce care avoidance by ensuring affordability for patients across different financial situations.
- Drive higher overall patient payments by enabling collections earlier in the revenue cycle.
- Enhance patient satisfaction by offering transparent and manageable payment options.

Without an accompanying affordable financing solution, pre-service payment policies and price transparency may exacerbate patient access challenges, leading to worse patient outcomes and negative revenue impacts for hospitals. By incorporating pre-service payment policies alongside flexible patient financing solutions, healthcare providers can bridge the affordability gap, increase collection rates, and ensure patients receive the care they need without financial hardship.

Case Study: A Masterclass in Revenue Optimization

Facing mounting self-pay balances and rising bad debt following the pandemic, the University of Texas Medical Branch (UTMB) sought a solution to improve financial outcomes for the organization and its patients. While implementing a pre-service payment policy improved collections, a critical challenge remained: Many patients could not meet pre-service payment requirements, delaying necessary care.

UTMB's in-house payment plans were effective for smaller balances but lacked flexibility for more expensive services requiring longer repayment terms for most patients. As self-pay balances grew and bad debt increased, it became evident that a more adaptable financing solution was necessary.

To address this, UTMB conducted an extensive RFP process to identify a patient financing partner that could seamlessly integrate with its existing systems, enhance pre- and post-service collections, and expand access to longer-term, patient-friendly payment options. After evaluating multiple vendors, it selected PayZen as its financing partner and implemented PayZen's Care Card and Post-Care Payment Plans.

The Care Card provides a seamless pre-procedure financing solution with 100% approval and 0% interest, enabling UTMB to implement an effective pre-service payment policy without restricting access to care. PayZen's interest-free Post-Care Payment Plans, powered by its unique AI technology, are tailored to each patient's budget with options up to 60 months. This long-term financing complements UTMB's in-house options, ensuring patients can manage healthcare costs.

After 22,000 plans were originated through PayZen, UTMB analyzed 48 months of data and conducted a year-over-year review of collections, payment plan utilization, and pre-service payment performance. The results were significant:

25% ↑ Overall collections

37% ↑ Pre-service collections

183% ↑ Payment plan utilization

14% ↑ In-house payment plans

71.1 PayZen's NPS Score among UTMB's patients (Industry Average 45)

By integrating PayZen's non-recourse financing solutions, UTMB successfully optimized its revenue cycle, accelerating cash flow and reducing bad debt while ensuring greater financial access for patients.

Read the entire case study here.

Patient Revenue Key Benchmark Roundup

The following benchmarks, drawn from 213 health systems across the country, provide a snapshot of current patient billing and collections performance. While averages are presented here, the data revealed meaningful variability across systems—highlighting the varied challenges providers face and the opportunities for improvement. These figures help contextualize where most systems stand today and where strategic adjustments can drive meaningful impact.

Total Patient Collections

Patient Collections

24%

patient collections as a % of patient billings

Pre-Service Collections

16%

portion of self-pay collections occurring pre-service

Payment Plans

Outstanding Balances

30%

portion of annual patient collections in open payment plans

Default Rate

26%

on internal plans longer than 12 months

Strategic Recommendations for Revenue Leaders

The data in this report highlights the increasing financial burden facing health systems—from rising coinsurance and the patient affordability crunch to extended Days in A/R and increasing patient bad debt. At the same time, it reveals promising opportunities to optimize revenue performance through patient-centered financing strategies.

Key areas of focus:

- **Boost Collections & Reduce Bad Debt**
  Adopt a zero-interest patient financing solution that extends payment terms beyond traditional in-house limits, aligns with patients' ability to pay, and reduces default rates—helping to recover more revenue while supporting patient affordability.
- **Implement Pre-Service Collection Strategies Without Limiting Access to Care**
  Implement structured pre-service payment policies—such as requiring a card on file or encouraging upfront payment—paired with clear cost estimates and flexible financing options to improve collections without creating barriers to care.
- **Accelerate Cash & Reduce Risk**
  Partner with a non-recourse financing provider to eliminate patient repayment risk, reduce administrative burden, and accelerate cash flow, allowing systems to focus resources on care and strategic initiatives.

Want to Know How Your Health System Compares?

Beyond the average industry benchmarks shared in this report, PayZen offers customized readouts tailored to your organization's net patient revenue (NPR), payor mix, current payment plan offerings, and more. Gain a personalized benchmarking analysis and explore targeted opportunities to optimize revenue with data-backed recommendations.

Request your custom benchmarking report today.

ABOUT PAYZEN

PayZen is a mission-driven healthcare fintech company with smart technology and a patient-first mindset. Rated the top Patient Financing Company by KLAS, PayZen is expanding beyond financing and building a comprehensive AI platform that brings financial health to healthcare. The company is backed by premier capital partners and led by tech veterans with a track record of helping millions of Americans overcome financial struggles.

PayZen