



# The Role of Third-Party Financing in the Health and Wellness Payment Landscape

*With demand for health and wellness care rising, is in-house financing still optimal for spreading out costs over time? Learn how third-party financing helps meet patients' needs while delivering business benefits for providers.*





In this white paper, we will review findings from a number of sources, including Synchrony's 2023 Healthcare Journey Research: Consumers and Providers study<sup>5</sup> and CareCredit's Lifetime of Healthcare Costs.<sup>6</sup> These sources provide valuable insight regarding challenges of out-of-pocket healthcare costs, consumer demand for healthcare services and treatment, the role of payment options in selecting a provider and payment solutions for wellness services, as well as expand on data informing best practices for introducing payment options.

## Introduction

The demand for health and wellness-based services has become more prevalent in the United States in recent years.<sup>1</sup> Even as healthcare costs continue to grow,<sup>2</sup> Americans recognize the value of overall wellness and want to prioritize their health, fitness, nutrition, appearance, sleep and mindfulness.<sup>1</sup> Yet, as the desire for a wellness-focused lifestyle continues to grow, financial barriers remain a challenge for many.<sup>3</sup>

According to research from McKinsey & Company, the U.S. wellness market is valued at over \$450 billion and continues to grow by 5% each year.<sup>1</sup> Consumers are placing a greater focus on their health as part of their everyday routines with increased use of wearable technology and mindfulness apps. People are also broadening their understanding of health to embrace a more comprehensive view of wellness — one that integrates physical, mental, emotional and social well-being, with an emphasis on not just living longer but experiencing a higher quality of life.<sup>3</sup>

The combination of increased demand and growing costs for care puts healthcare providers in the critical role of offering and educating their patients on **payment options**. But as market dynamics shape demand, they also shape the options available. In-house payment plans, now quite common, often fail to meet the needs of today's patients. Providers may be constrained by how long they can keep these receivables on their books. According to research from KFF Health, 28% of patients with less than \$2,500 of healthcare debt expect to pay it off in one to two years, while 9% will need three to five years. Eight percent will never pay it off, meaning nearly half (47%) could benefit from extended payment plan options.<sup>4</sup>

Integrating patient financing options into the **healthcare billing process** offers a solution to help patients meet their financial obligations. Patient financing provides patients with extended payment terms, enabling more of them to meet their financial obligations and reduce the likelihood of bad debt as they pursue their health goals. Providers who offer third-party financing options can benefit by reducing accounts receivable and administrative burden. Meanwhile, patients receive more options to help navigate the cost of care.

# Rising Costs Can Result in Delayed Care

The Healthcare Journey Research: Consumers and Providers survey, conducted by Synchrony, surveyed 2,336 consumers pursuing wellness services in cosmetic/plastic surgery, hair restoration and/or transplantation, day spa and medical spa, ophthalmic or orthopedic surgery, optometry, pregnancy and fertility, and refractive or orthopedic surgery.<sup>5</sup>

The survey revealed that out-of-pocket costs for these services vary by specialty; on average per care event, patients spend:<sup>5</sup>

|                                                                                                                                               |                                                                                                                                                                              |                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
|  <div>Cosmetic or plastic surgery:<br/><b>\$4,804</b></div> |  <div>Hair restoration/transplantation:<br/><b>\$3,986</b></div>                           |  <div>Day spa:<br/><b>\$123</b></div>               |
|  <div>Medical spa:<br/><b>\$734</b></div>                  |  <div>Fertility:<br/><b>\$3,755</b></div>                                                 |  <div>Ophthalmic surgery:<br/><b>\$1,850</b></div> |
|  <div>Orthopedic surgery:<br/><b>\$3,708</b></div>         |  <div>Pregnancy:<br/><b>\$4,901</b><br/>(vaginal delivery)/<br/>\$5,888 (C-section)</div> |  <div>Refractive surgery:<br/><b>\$2,675</b></div> |







Some of these services may not be fully covered by insurance, or may have a large out-of-pocket copay, and therefore could present significant expenses for consumers.<sup>7</sup> Three out of four consumers surveyed said they would pursue additional medical services if they had the means to pay for them.<sup>5</sup>

According to Synchrony's Lifetime of Healthcare Costs in the U.S. research, the average cost for monthly health insurance premiums is \$3,180 per year.<sup>6</sup> Even with health insurance, adults between the ages of 18 and 79 in the U.S. spend an average of \$1,310 per year in total out-of-pocket healthcare expenses.<sup>6</sup> With this level of spending, it should be no surprise that 1 out of every 2 consumers report delaying care due to cost.<sup>5</sup>



# Providers Recognize Cost Impact on Pursuit of Care

The survey also assessed the perspectives of 960 providers from various specialties.<sup>5</sup> Within those groups, the following specialists agreed (either somewhat or completely) that out-of-pocket costs are a major concern for their patients and are a barrier to scheduling appointments or procedures they want or need:

| Provider type                                                                                       | Major concern | Barrier to access |
|-----------------------------------------------------------------------------------------------------|---------------|-------------------|
|  Fertility        | 90%           | 79%               |
|  Orthopedics     | 89%           | 72%               |
|  Ophthalmology   | 88%           | 72%               |
|  OB/GYN          | 86%           | 67%               |
|  Plastic surgery | 83%           | 67%               |
|  Dermatology     | 83%           | 65%               |

## Payment Options Affect Consumer Selection of Providers

Given these costs, many consumers look to their providers for alternative payment methods or financing options that allow them to pay the full amount over time. The Healthcare Journey Research: Consumers and Providers survey found that the availability of payment options had a substantial impact on provider selection by patients. More than half reported feeling their payment options were too limited, and many said that having flexible financing available was a priority when choosing a provider.<sup>5</sup>

Overall, patients have numerous options on the path to paying for wellness services, including health insurance, financial assistance (when applicable), Flexible Spending Account (FSA) and Health Savings Account (HSA) programs, in-house payment plans and third-party financing. More than half of providers surveyed in almost all specialties completely agreed or somewhat agreed that offering patients alternative payment solutions was critical to the success of their practice.<sup>5</sup>

Many practices reported offering in-house financing to their patients,<sup>5</sup> which allows payment flexibility that benefits the patient and may temporarily reduce outstanding accounts receivable for the provider. However, in-house payment plans often fail to address the needs of today's patients. Providers, who essentially become the lenders, are constrained by the limited time they can carry receivables on their books. Research from KFF Health reveals that 28% of patients with healthcare debt under \$2,500 anticipate paying it off within one to two years, while 9% expect it to take three to five years. Meanwhile, 8% may never pay it off, highlighting that nearly half (47%) could benefit from extended payment plan options.<sup>4</sup>

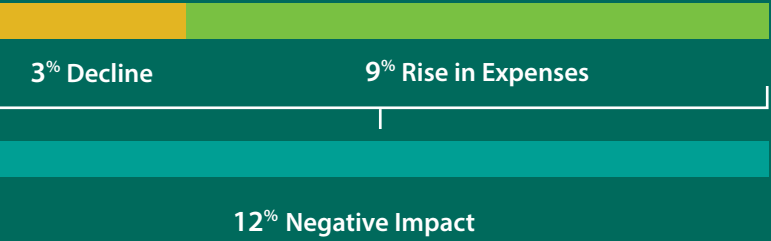


# In-House Payment Plans Can Pose Substantial Administrative Burdens

Compared to other sectors, healthcare providers must file a claim for payment after rendering services. However, that’s often only the start of the administrative burden. The Crowe RCA benchmarking analysis revealed that in the summer of 2021, hospitals collected an average of 97% of their expected cash within six months. By the same period in 2022, this figure fell to 94%.

**This 3% decline, combined with a more than 9% rise in expenses, resulted in at least a 12% negative impact on health systems’ financial performance.<sup>8</sup>**

## Financial Impact on Health Systems



An article published by the American Medical Association in 2023 revealed that amid rising labor and supply costs, health insurance company takebacks are costing physicians and hospitals over \$1.6 billion in losses each month.<sup>9</sup> Additionally, average-sized health systems faced 110,000 claim denials in 2022, driven by prior authorization requirements and other factors.<sup>8</sup> Also, the Healthcare Journey Research: Consumers and Providers study revealed only 40% of providers that offer in-house financing are happy with that arrangement.<sup>5</sup> Research also suggests that despite the availability of financing solutions, many patients are unaware of them while planning for their wellness expenses.<sup>5</sup>



## Gaps in Communication About Payment Options

Results from the Healthcare Journey Research: Consumers and Providers survey on impact of costs suggest a disconnect between how patients prefer to receive information about service costs and payment options and how providers present that information. A vast majority of patients (88%) would prefer to receive information about payment options before their appointment, including 55% who would like that information even before scheduling the appointment, and 33% who would prefer it at the time of scheduling. In contrast, providers indicate that 77% of payment discussions do not happen until a patient’s visit, and 45% of them occur even later.<sup>5</sup>

Similarly, most patients (61%) prefer to learn about payment options directly from their healthcare provider, but providers indicate they handle billing and payment conversations only 5% of the time.<sup>5</sup> Discussions about payment plans were often driven by patients between 23% and 40% of the time, and some were never even offered those options.<sup>5</sup> Research suggests that patients are relying on providers to inform them about their payment options, but the data suggest providers may be reluctant to initiate these conversations.

# CareCredit Can Help

## Minimize Accounts Receivable and Administrative Burden

The **CareCredit** credit card, a Synchrony solution, is a third-party financing solution that helps satisfy the needs of both consumers and providers. Synchrony, a leader in consumer lending for more than 90 years, has also been a leading financial institution in the health and wellness space with its CareCredit credit card for more than 35 years.

The CareCredit credit card is accepted at more than 270,000 healthcare provider and retail locations. For patients, CareCredit provides financing options that makes it easy to pay for the care they want or need with confidence.\* For providers, CareCredit enhances the payments process and helps streamline revenue cycle management.

### Here's how CareCredit delivers value:

**Collaborative consultation.** Providers can fill out a simple form and talk to a member of the CareCredit team about their specific needs, including program and processing fees, to help identify the financing options that work best for their practice.

**Patient education.** Synchrony equips providers with materials and **digital tools** that make CareCredit's benefits and patient financing details clear. The more knowledgeable patients are regarding their options, the more informed decisions they can make.

**Streamlined application and payment processing.** Patients and clients can see if they prequalify for the CareCredit credit card, apply and, if approved, pay right away — all on their mobile device. They just scan their provider's custom QR code or click their **custom link**.

**Fast payment within two days.** When patients or clients use the CareCredit credit card, providers receive direct payment within two business days without risk if patients delay or default,\*\* allowing providers to stay focused on care.



CareCredit offers a range of resources to support providers in **financial conversations**, including training, on-site assistance and educational tools. These resources help providers effectively communicate payment options to prospective and existing patients, ensuring clarity and understanding.

CareCredit's website provides a number of tools to help people navigate financing for healthcare services. These include:



Online applications and instant credit decision. If approved, consumers can take advantage of financing options to help fit their budget.



Online payment options with 24-hour accessibility.



**Search tools** to easily access providers that accept the CareCredit credit card.



Resources like the **payment calculator** and **financial glossary**, which enable consumers to estimate monthly payments using available promotional financing options.



These tools help consumers be prepared with a way to pay for care. As a result, patients may begin their healthcare journey having CareCredit as a way to pay with financing options to manage costs for the services they want or need. Visit [carecredit.com/providers](https://carecredit.com/providers) to learn more."

# Key takeaways



Consumer awareness and demand of the benefits of comprehensive health and wellness care continues to increase.



Costs for wellness services can be a concern for consumers, and their choice of provider may be influenced by the availability of payment options.



To remain competitive, providers may want to consider offering payment options for patients.



Less than half of providers who offer in-house financing are happy with that arrangement.



CareCredit is a third-party financing company that offers a convenient option for patients and clients to pay for care and eases the burden of accounts receivable management for providers.

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\*Subject to credit approval.

\*\*Subject to the representations and warranties in the Agreement with Synchrony.

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