5 STEPS to Perfect Patient Collections

kareo™
Go Practice

Table of Contents

Introduction

Patient collections, a key to your success

When you go to buy groceries or stop in at local stores, you have to pay for your purchases before you walk out the door. Until recently, this has not been the way it happened in healthcare. Providers have gotten used to waiting 30, 60, even 90 days or more to get paid. Even worse, some practices write off small balances as a matter of routine, costing tens of thousands of dollars per year.

Did you know?

For the average provider, a 5% improvement in patient collections results in $24,000 additional revenue to the practice.

For your practice to succeed, you have to make the shift to a more retail model. Your practice is a business, and it's time to start running it like one. If you don't get paid for your services, you can't pay yourself, your staff, or even keep your lights on.

Patient collections is more important than ever because more of your income is coming from patients. With rising copays and deductibles, the patient due amount is now approximately 30% of the income to most practices. If you are not collecting that 30%, you are losing a lot of money [i].

The goal for the number of days in A/R for your practice should be 35 days or less.

Accounts receivable and the health of your practice

Accounts receivable or A/R is how much money is owed to your practice, or in other words, how much you have not yet been paid for services rendered. The number of days in A/R (i.e., how long it takes you to collect payment on average) is a great benchmark to judge the health of your practice.

Check out your practice's number of days in A/R with this calculation:
- Total charges for the last 12 months divided by 365 = Average Daily Charge
- Total A/R divided by Average Daily Charge = Days in A/R

Example:
- Total 12 months charges = 1.2M
- 1.2M divided by 365 = $3,288 (average daily charge)
- Total A/R is $200K
- $200K divided by $3,288 = 61
- Days in A/R = 61
- This means that on average it is taking you 61 days to collect the money you are owed.

[i] McKinsey & Co.

STEP 1 - Changing Your Office Culture

Your business plan

According to McKinsey & Co., the patient pay percentage of provider's revenue went up 30% between 2000 and 2010. With so much of your practice's financial success riding on patient payments, training your staff to ensure timely collections is vital.

Having members of your team ready and willing to collect may be the difference between success and failure. It's no longer just the job of the billing department to handle collections. Your staff needs to understand that their ability to collect from patients directly impacts the financial viability of the practice and their own paycheck. They need to be:

- Willing to educate patients on financial issues
- Capable of communicating information to patients
- Clear on the importance of patient collections
- Supportive of the financial goals of the office
- Comfortable asking for payments at the time of service

Turn your staff into collectors

It's not always easy for your staff to ask patients for larger amounts of money when they have been used to asking for small copays or even nothing at all. Follow these simple steps to turn your staff into collectors.

1. Explain to your staff the benefit of collections to the patient and practice. It alleviates the uncertainty for patients and helps ensure the practice stays open to continue providing quality care.

2. Teach your staff to communicate. Offering scripts, workshops, webinars, and role-playing are all great tools to equip your staff with positive ways to deal with collections.

3. Train your staff on customer service, insurance terminology, your financial policy, and the payers in play so that they feel confident in answering patient's questions.

4. Empower your staff to solve problems. They should be able to balance the financial policies of your office with the needs of the patient.

5. Always let staff members know that they can ask for help. Collections work best when your staff works as a team.

Did you know?
One-third of patients who walk out of your practice's door, walk out without ever paying a dime[ii].

[i] McKinsey & Co.
[ii] MGMA

STEP 2 - Implementing Your Financial Policy

A financial policy is the way to start the money conversation with your patients and is the most important tool you have to increase patient collections. Your financial policy will tell your patients both what you expect of them, such as what they must pay and when, as well as what your patients can expect of you, such as will you bill their insurance or not.

Keys to a good financial policy

- Should be in writing
- Should be a graphic instead of dense text
- Should be no more than one page long
- Must be crystal clear
- Should be given to every new patient on their first visit
- Should be given to existing patients when first implemented and again once a year after that

What should you include in your financial policy?

Since your financial policy is your first and best opportunity to communicate with patients what you expect of them, there are some key things you must include:

1. When do you expect to be paid? Will you be collecting copays at the time of service? When are payments due for the amounts not covered by the patient's insurance?

2. How do you expect to be paid? Do you accept credit cards, checks, or cash? Will you be using credit card on file?

3. Will you bill the patient's insurance?

4. What penalties are there for late payments and when will they begin? At what point will you send the patient's account to collections or stop seeing the patient until their balance is paid?

5. Will you charge no-show or cancellation fees?

How to make your financial policy easy to understand

According to Mary Pat Whaley, co-founder and president of Manage My Practice, a three-column format makes your financial policy easy for patients to understand.

- Column 1 – Your Insurance Plan (for example, Medicare)
- Column 2 – What You Do as the Patient (for example, pay your copay of $25 at time of service, pay deductible and co-insurance within 21 days)
- Column 3 – What We Do as Your Provider (for example, we will file Medicare for you)

You can use the front of the financial policy to list the variations of plans your practice accepts and the back of the policy to have the patient sign off on agreement to the financial policy, receipt of the Notice of Privacy Policy, assignment of benefits, and guarantee of payment.

One of the easiest ways to increase patient collections is to check insurance eligibility prior to each visit. You should check that the patient is not only enrolled in the plan but also eligible for benefits on the date of service.

STEP 3 - Collecting at Time of Service

> Did you know? 50% of patient responsibility goes unpaid after the patient leaves your office.

Surveys show that 73% of large employers plan to introduce a high deductible plan to employees within the next three years and 20% of those employers say it will be the only choice offered[iii]. This means that patients will be paying more out of pocket and have more impact on your practice's bottom line than ever before. Since the best time to collect from a patient is before they leave your office, it is vital that you implement plans to take payments from patients at the point of service.

Copays, deductibles, and estimated payments – it's time to get serious

Collecting copays at check-in is not only important to the financial health of your practice, but also keeps you compliant with your payer contracts. Make sure that your staff is trained to verify insurance benefits, check deductible met amounts, collect copays, and whenever possible, collect balance due at check-out.

If you are unable to determine the balance due at check-out, a great way to reduce your days in A/R and increase collections is to collect estimated payments. The patient can pay a portion of their responsibility and be billed only for the balance. And, if you institute estimated payments in conjunction with a credit card on file program, you don't have to worry about sending patient statements.

Deposits for High Dollar Services

Health insurance today is mainly geared toward paying for medical emergencies, meaning patients rarely meet their deductibles. This leaves more patients paying out of pocket for high dollar services and providers waiting to get paid.

The best way to ensure you get paid and reduce your cost for collections is to take deposits for these high dollar services. For example, when a patient has time to plan for a surgery, a practice has time to collect for the surgery. You can find out in advance what the patient due balance will be and collect a deposit or estimated payment before the surgery. The balance can be set up on a payment plan that won't break the bank for the patient while ensuring you get paid.

Patient Payment Plan Points
1. Must be a signed agreement.
2. Define consequences for failure to pay on time.
3. Choose a realistic payment amount and timeframe.
4. Offer incentives to pay off balance early.
5. If you offer a discount, it should only be for the last payment.

STEP 4 - Using Credit Card on File

Credit card on file (CCOF) is a valuable collection tool to implement in your office that will save you time and money. 🐦 Setting up CCOF is simple. Many vendors offer a secure CCOF option. Before you roll this out to patients be sure you have made that culture change and implemented a solid financial policy. This will help prepare patients for the expectation of payment.

Why patients like credit card on file

Patients benefit from CCOF because it allows them to pay their bill with no need to go online, write a check, wait for a statement, or worry about bringing a payment with them to their next visit. Credit card on file is also more secure because your staff members only have to see the credit card once, not every visit.

Why practices like credit card on file

The benefits of using CCOF for your practice are numerous:

- Improve cash flow
- Eliminate patient statements
- Reduce collection expenses
- Eliminate bounced checks
- Faster check-in/out
- Eliminate paper receipts

Best practices for credit card on file

1. Have each patient sign a statement saying that you can bill their credit card for any amount that their insurance does not pay for, including deductible, copays, no-show fees, supplements, services not covered, etc.

2. Set a cap on CCOF charges (i.e., $200). For any charges to be made above that amount, call the patient. You can see if you can charge the card or if the patient needs to make other arrangements.

3. Don't neglect credit card security. Your payment gateway must be PCI-DSS certified. Never photocopy patient credit cards or keep credit card information on paper. If card information is written down, make sure it is shredded immediately after it's entered into the payment gateway.

4. Have a planned roll-out for your CCOF program. Make sure your policies are complete and your staff is trained and prepared to answer questions.

Using CCOF means that you have a guaranteed payment source on file. You can even use the credit card to refund patients for overpayment, which is a great way to increase patient satisfaction.

Did you know?

Using credit card on file reduces collection expenses from approximately 25% to well under 5%.[iv]

iv Mary Pat Whaley, Manage My Practice

STEP 5 - Maximizing Patient Statements and Online Bill Pay

The longer it takes you to collect payments from patients, the less likely you are to get paid. This means that collecting quicker and making payments easier for your patients will significantly boost your bottom line results.

Days in A/R and your probability of collection

We talked about days in A/R, or the average number of days it takes you to collect, as a benchmark for the health of your practice. So, let's take a look at some hard numbers and check out how the number of days it takes you to collect affects your probability of collection.

Days in A/R	Probability of Collection
<30	97%
31-60	90%
61-90	60%
91-120	50%

For example, if you billed $100,000 and your number of days in A/R was 30, you would collect $97,000. However, if your days in A/R increased to 61, you would only collect $60,000, a loss of $37,000.[v]

[v] Mary Pat Whaley, Manage My Practice
[vi] http://www.instamed.com/trends-in-healthcare-payments-annual-report-2014/

Doing patient statements right

The key to doing patient statements right is to do them right away. To get the most out of your patient statements, remember these best practices:

1. Compress your statement cycle: Don't wait for a monthly cycle. Instead, send statements as soon as you know the patient due amount.

2. Offer statement options: Let patients choose between paper and electronic statements. Not only will you be more likely to get paid, electronic statements will also save you postage, get to the patient right away, and reduce your days in A/R.

3. Use professional statements: Professional statements are more likely to be paid because they communicate the message that you are a serious business. You can print them in-house or use a patient statement service.

Online bill pay, a patient-friendly tool

According to InstaMed,[vi] 93% of patients would pay their provider online if given the opportunity. This means that if you are not offering a way for your patients to pay their bills online, you are missing out on a huge opportunity to make paying easier for your patients and collect your payments sooner. The more convenient you make it for your patients, the more likely you are to get paid. Here's what you need to get started with online bill pay:

1. The ability to email or text patients with an alert when they have a bill

2. A way to provide their statements online

3. A secure online bill pay tool

4. An easy-to-use option to pay a paper statement balance (for example, a billing code on the statement that the patient can enter online to pay the bill)

About Kareo

Kareo is the only cloud-based medical office software and services platform purpose-built for small practices. At Kareo, we believe that, with the right tools and support, small practices can do big things. We offer an integrated solution of products and services designed to help physicians get paid faster, find new patients, run their business smarter, and provide better care. Our [practice management software](#), [medical billing solution](#), [practice marketing tools](#) and free, award-winning [fully certified EHR](#) help more than 30,000 medical providers more efficiently manage the business and clinical sides of their practice. Kareo has received extensive industry recognition, including the Deloitte Technology Fast 500, Inc. 500/5000, Red Herring Top 100 Company, and Black Book #1 Integrated EHR, Practice Management and Billing Vendor. Headquartered in Irvine, California, the Kareo mission is to help providers spend their time focused on patients, not paperwork. For more information, visit www.kareo.com.

888-775-2736 | kareo.com