Best practices to improve patient payments
The sorry state of patient balance collections

Private practices are now among the largest unsecured credit grantors in the country. How did we get to this point? As the money from insurance companies decreases, patient portions have increased. As a result, both patient liability and bad debt are on the rise and healthcare providers are experiencing unprecedented revenue and margin pressure. This may not be the patient’s fault because, in many cases, the patient does not know what they owe at the time of service and, in many cases, they are not asked to pay anything more than their copay.

Most practices don’t have policies or office procedures in place to facilitate payments against an outstanding patient balance. Among those that do, they are often not enforced. It’s no wonder that private practices are feeling the financial squeeze, for patient portion has grown to represent ~23% of practice revenue, according to a 2012 InstaMed study entitled, Trends in Healthcare Payments. This same study stated patient portion has been growing by five to six percent per year. Getting control over patient portion an important focus on any private practice that expects to say private.

Another interesting statistic: paying the physician bill is a low priority for the average person. In October 2013, AdvancedMD funded a survey that asked 100 random participants to rate the priority of their bills. The goal of the survey was to determine which bills are paid first. Medical bills ranked number eight out of 10, behind food, utilities, car payments, cigarettes, cell phones and cable. When front office behavior enables a patient to walk out the door before asking for payment against an outstanding balance, the chances of collecting that money significantly diminishes.

On average practices send 3.3 statements before receiving payment. The average cost of printing, handling and stamping a statement is $1.25 per statement (going up every time USPS raises postage rate or office staff gets a raise). That amount does not include the cost of operations to process payments and manage returned mail. Statements cost the average practice tens of thousands of dollars per year.

When patients don’t pay, many practices “finally” place the unpaid patient balance with a collections agency. Practices wait on average seven months (217 days) before placing an account with collections. (Source: Top Collection Markets, 2011, American Collector’s Association)

Medical bills rank low in consumer payment priority

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<tr>
<th>Bill or Expense</th>
<th>Priority</th>
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<tbody>
<tr>
<td>Rent/mortgage</td>
<td>1</td>
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<td>Food</td>
<td>2</td>
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<td>Electric/gas bill</td>
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<td>Car payment/gas</td>
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<td>Cigarettes</td>
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<td>Cell phone bill</td>
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<td>Cable/internet</td>
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<td>Medical bill</td>
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<td>Toiletries</td>
<td>9</td>
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<td>Entertainment</td>
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Other interesting facts from this survey:

- More than 11% of all patient debt is written off
- Practices wrote off an estimated $65B in bad debt during one year
- Practices placed over $1.6B with collection agencies during one year
- Compared with other markets, medical practices placed the second largest dollar amount with collections, behind hospitals
- Value of amount collected decreases with time (see chart to right)
- $18.40 is collected on average against $100 of patient debt by a collection agency (18.4% recovery rate for accounts in the 217 range)
What your practice can do to improve

Many practices over the past several years are set in their ways when it comes to handling patient accounts. Based on the previously presented collection statistics, which in most cases have only degraded over time, not improved, it’s time to challenge current policies and procedures. Ask yourself, honestly, is what you have been doing...working?

If the answer is no, the remainder of this guide will deliver a number of easily-adoptable options, policies, techniques and scripts that can be used by most any practice to improve patient collections.

#1 INCLUDE FINANCIAL POLICIES IN A WELCOME PAMPHLET

Every practice needs a financial policy that can be presented to the patient in a pleasing, non-aggressive manner. Your financial policy should be clear. It should be printed in a welcoming layout that will encourage the patient to read it.

In practice after practice, patients come to the office window, sign documents they don’t read and walk away. How can you expect patients to adhere to practice policies if they aren’t aware of them? Start by creating a simple, easy-to-read Welcome pamphlet that includes a set of office policies, along with your patient portal address, office hours, holidays, contact information and what procedures and services the office delivers.
A welcome pamphlet should include the following financial information:

- Payment due at the time of service policy
- Various methods of making payment – credit card, online patient portal, various payment plans
- Explanation of credit-card-on-file (CCF) and how the office will apply that capability – such as pre-defined, not-to-exceed monthly amount in separate CCF agreement the patient must sign
- Your payment plan policy and how the CCF will be/may be used to automate monthly payments
- “Budget” payment plan policy, with well defined “conditions” (be specific and clear)
- Financial hardship policy (be specific and clear)
- No-show policy
- Definition of your elective and/or self-pay procedures and related policy that explains 100% of charges must be paid in advance or at time of service
- Prompt pay incentives policy

How you deliver this Welcome pamphlet is as important as what you say in it. Define your office procedures and, potentially, a script for your front office staff to follow with new patients. As example: your office procedure could state that at the time of check-in for a new patient, the receptionist is to open this pamphlet and walk the patient through specific sections of the pamphlet, specifically discussing key financial policies and asking the patient periodically if they understand. Essentially, your front office staff is responsible for educating the patient on your financial policies so that proper expectations are set at the beginning of the relationship regarding payments due and payment options.

Once financial policies are defined, they must be enforced. Physicians must be a part of this enforcement effort. That is not to say the physician has to bring up the financial topics during the visit, but a physician must be prepared, must be trained on their response should the patient bring up the topic. We all know of cases where the physician, during the visit, will tell the patient s/he does not have to pay a bill or a copay, completely defeating the good work that has gone into creating the policies and procedures for ensuring patient payments. Everyone in the office needs to be on board.

The hard part: a financially successful practice must be willing to refuse service to patients who don’t abide by the financial policies, to discharge patients from the practice who are not compliant with the practice’s outstanding balance policy. One approach is to offer to schedule a new appointment if the patient is not able to make their agreed upon balance payment at the time of the visit. Everyone in the practice must adhere to the policies, as any exception will likely result in a financial loss to the practice.

“your front office staff is responsible for educating the patient on your financial policies”

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#2 GUARANTOR’S AGREEMENT

A Guarantor’s Agreement is the legal document that guarantees payment from the guarantor. Medical practices often hand a patient an agreement – like financial policies – that have been copied so many times it becomes illegible. Worse, the practice has failed to include critical information that protects the practice. The patient signs without reading.

The Guarantor’s Agreement needs to include a guarantee of payment and assignment of benefits. It needs to reiterate your financial policy and direct the patient to proper section headers in the Welcome pamphlet.

It should state the practice’s policy for charging collection fees or attorney fees, if your practice chooses to have such a policy. In fact, if this document does not clearly state this policy, your practice cannot legally charge these fees.

Here’s a brief summary of what should be covered in this agreement:

- Guarantee of payment and assignment of benefits
- Reiterates acceptance of your financial policy (and where to find that policy)
- Collection and attorney fees
- Default-action – including credit reporting
- Interest rates charged on outstanding balances
- No show policy and fees
- Credit-card-on-file authorization

Review your Guarantor’s Agreement for completeness of coverage. Some practices get so concerned that everything in this document must be on one page that the font size is so small as to be unreadable, especially for your older patients. Do not make this mistake.

Another point: The financial policy pamphlet does not replace the Guarantor’s Agreement; it supplements it with more detail and easy-to-understand explanations and definitions. Expand your new client check-in procedure to include a brief walk through of both your financial policies (ideally contained in your friendly, easy-to-read Welcome pamphlet) and the Guarantors’s Agreement.
#3 PREPARE THE DAY BEFORE THE VISIT

You’ve heard the old saying, “prior planning prevents poor performance.” Proper preparation for the next day’s visits can help a lower-performing practice leap up a level or two. Modern, practice automation software can go a long way in enabling your practice to apply a set of helpful best practices that will improve reimbursement cycles through reduced claim rejections or denials.

First step: know which patients passed their insurance verification. A failed result could mean a range of things, from a change of address or name change due to marriage not yet communicate to the practice but updated with the insurer, to a fundamental change in coverage due to a change in employer or a job loss.

Knowing whether that patient still has valid insurance coverage is the difference between getting reimbursement from the carrier or not, on the first pass. A simple demographics update will enable the practice to avoid “surprise” situations post visit, where the practice learns the patient is now solely responsible for the entire visit and any procedures performed. Modern, practice automation software, such as AdvancedMD, provides features for reviewing each patient scheduled and for automatically running an insurance verification check.

Add a procedure to your practice that includes checking patient demographics and insurance copays during the reminder call. This way you’re taking care of the payment and a demographics update before the patient even comes into the office, saving valuable staff time during the check-in process.

“If it’s convenient, I’d be happy to take care of your payment right now” or “Ms. Johnson, you may not be aware that there’s a small balance of $29 on your account. May we save you time during your visit check-in tomorrow and process that payment now with a credit card?”

Another technique is to print out a charge slip or patient statement prior to the patient’s visit and highlight the outstanding balance on that document. Showing a patient a highlighted statement or charge slip seems to have a psychological effect, encouraging that person to pay at the time of visit.

Example of a verification check result within the AdvancedMD software

#4 EFFECTIVE PATIENT CHECK-IN PROCEDURES

As the patient is checking in, your practice automation software should be able to show each patient’s outstanding balance. As example, within AdvancedMD, you can see each scheduled patient’s outstanding balance and copay by clicking on each patient from within the appointment scheduler and looking in the upper right-hand corner of the appointment screen. [See screen shot on next page.]

The more financial integration you have in your practice management software, the better the opportunity for asking for and collecting outstanding patient balances. With a little education, and some scripting, office staff should feel comfortable on how to review accounts prior to a visit, how to ask for payment during a reminder call or at the time of check-in, and how to update patient accounts to ensure accurate demographic and insurance information.
Onsite POS terminal

This readily available information enables front office staff to see they need to collect $142.50 for the past due balance, as well as the $20 copay, for a total payment of $162.50.

#5 OFFER PATIENTS A RANGE OF PAYMENT OPTIONS

Offering patients a variety of channels to make payments can also help to improve patient portion collections. Giving patients only one or two options to make a payment can greatly diminish your chances of getting paid.

Today’s modern practice should support payment by:

- Cash, check, credit or debit card
- Phone payments (secure credit card)
- Online patient portal
- Patient payment plans

Consider this statistic: An estimated 41% of patients pay by credit card at the time of service. If your practice has not yet stepped up to accepting credit cards, now would be a good time to revisit that decision. Additionally, the credit card payment processor you select to do business with does matter.

AdvancedMD has partnered with OpenEdge, a credit card processing company, because of their strong card security standards and fraud protection programs for their customers, plus their ability to integrate card payments directly into the payment processing technology of our practice management software. [Learn more about AdvancedMD and OpenEdge.]

What many practices don’t realize is there are regulatory requirements, also known as PCI requirements that prohibit making a credit card payment by mail using the card payment form on the statement. Additionally, if the card information handling methods do not meet PCI standards, you and your third party billing partner may be out of compliance when taking a patient card payment over the phone. [Learn more about PCI Data Security Standards: download the PDF.]

The AdvancedMD-OpenEdge secure credit card integration bundle meets PCI data security standards, enabling our practices and their third party billing service to take a patient card payment over the phone.

Another advantage of an integrated credit card system is that it saves time for the front office by requiring fewer steps and key strokes to process a credit payment. As example, with the AdvancedMD practice management software, you left click on the patient account and swipe the card through the secure, encrypted card reader, typically attached to the side of the computer. The payment is autoposted after the payment is authorized through OpenEdge. For front office staff sharing only one credit card terminal, it is not uncommon to see situations that require them to get up and walk across the room to swipe a credit card. This type of integrated solution saves valuable time for your front office staff.

Offering an online Patient Portal can also increase patient payments. As example, an online Patient Portal application is included, at no additional charge, as part of your AdvancedMD subscription. It takes 15 minutes or less to setup. While our portal offers a number of communication opportunities between the practice and the patient, when combined with OpenEdge, it enables patients to make secure credit card payments online.

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The system can process payments from multiple card types: MasterCard, VISA, AmEX and Discover.

# 6 PAYMENT PLANS ARE PATIENT FRIENDLY

The ability to offer payment plans is yet another avenue for improving patient payments. I’ve gone into many offices and seen sticky notes everywhere reminding the staff person about this or that payment plan. This is neither an effective nor scalable method for managing payment plans for a growing practice. Any good PM system should enable your staff to set up an automated payment plan so that the system does most of the work for you.

If the practice chooses to offer payment plans, it should be clearly defined in the practice welcome pamphlet, along with the other key financial policies.

- Clearly explain when the patient qualifies (such as only accounts greater than $100)
- No more than three payments
- Require credit-card-on-file for all payment plans
#7 THE VALUE OF CREDIT-CARD-ON-FILE

Many practices have not heard about this technique, but results from practices that I have worked with who use this highly effective patient payment method are reporting significant reductions in outstanding patient balances. In today’s environment of high-deductibles, leading to high patient portions per encounter, every practice should immediately institute this method to protect their financial health. The technology is called credit-card-on-file (CCF).

When coupled with a patient payment plan, the practice gains an automated method for collecting a credit card payment against an outstanding balance every month. And the beauty of this approach is that the practice does not have to call each patient to “beg” for a payment against that balance each month. The debit happens automatically against the patient’s credit card.

Sample copy for a credit-card-on-file policy:

Our practice is dedicated to keeping the cost of healthcare as low as possible. In order to keep our operating costs down, we ask that you pay your visit in full at the time of service. If you have insurance that will cover a portion of service, we require our patients to sign a credit-card-on-file agreement authorizing this practice to debit your card for an amount not to exceed $100 after insurance has paid.

How might this operate in the real world of a practice? If you are using AdvancedMD with OpenEdge the billing process starts by running the “billing wizard”. The system returns a list of all outstanding balances that have a credit-card-on-file amount that can be applied against that balance. You click to process each payment. Once the payment is authorized through OpenEdge, that payment amount is automatically applied to the account. The money, of course, is transferred directly into the practice’s bank account, like it would be with any other credit card payment.

A great advantage of AdvancedMD and OpenEdge together is that none of the patient card information is stored locally. A token is stored on the AdvancedMD servers, enabling a patient account to be related to a stored card on the OpenEdge servers. This approach is PCI compliant, as no patient card information resides on your computer.

An advantage to the practice is you gain a more reliable cash flow from patients, and you save money because patient statements no longer have to be prepared and mailed. No practice should be doing business in the age of high patient deductibles without a CCF-based payment plan policy.
This is the step that gives most front office staff anxiety: asking for money from a patient. If not handled properly, this step can create an awkward moment for both your staff and the patient. With practice, asking for payment becomes easier. To follow are some tips and scripts that will make this moment less awkward and a lot more comfortable for your staff and patients.

Work with your front office people to modify the following scripts then encourage them to memorize their scripts. The goal is to keep the communication respectful, personal, private, and professional.

**The Wrong Way:** I know you have been in a doctor’s office and heard the receptionist yell across the waiting room, “Miss Jones, there’s a $20 copay and a $50 balance on your account.” That’s no way to collect an outstanding balance from a patient. That kind of behavior is likely to embarrass the patient and perhaps upset them.

Remember, every patient balance that goes out to collections is, typically, only worth $18.40 out of every hundred dollars to the practice. Collection agencies rarely have a great recovery rate. Your goal, therefore, is to protect the financial viability of the practice by getting your front office staff comfortable with this process.

**The Right Way:** keep the conversation personal and private. Have the staff call the patient to the window. Show them the charge ticket, which has their balance on it, and quietly discuss the balance with them. You want to create a sense of urgency and importance in paying that bill, reiterating that the practice does not carry balances, and that payment is due at the time of service.

Maintain good eye contact with the patient during the request. This lets them know that you’re serious. Follow your predefined patient protocols and payment options, all of which should be stated in your financial policy in your Welcome pamphlet. Practice, practice, practice. Asking for payment will become easier overtime.

Avoid open-ended questions
Another best practice: avoid open-ended questions that the patient may respond to in a negative fashion. Example:

“Miss Jones, you have a $50 balance. Can you pay that today?”

The answer Miss Jones could give is “No”. She needs that $50 to pay her cable bill. Instead, state the question like this:

“Miss Jones, your balance is $50. Will that be cash or charge today?”

The difference, there is not an option to say “No”. You’ve indicated the office is expecting payment today.

Be prepared to handle objections
When you assume there will be payment in how you ask the question, you have introduced a bit of urgency in the statement, so be prepared to handle objections. A typical objection may be:

“My insurance should pay that bill” or “Let me call my insurance to pay that bill.”

Have your front office staff make a list of the most common objections and together craft responses for each. Coach them with role play on how to respond to those objections. Be prepared.

**Useful scripts**

**#1 How to prepare a new patient for your practice financial policies**

“Thank you for choosing our practice. Regarding our financial policy Mrs. Fox, it is our goal to keep healthcare costs low, a goal that I’m sure you share. In order to do this, we request that patients pay for services at the time they are rendered. If you have insurance that will cover a portion of the service, we ask that you sign our credit-card-on-file agreement so that any balance after insurance can be paid and we avoid the costly expense of statements. This greatly reduces costs to our practice as well as to our patients.”

**#2 How to ask for a balance payment during appointment confirmation** (after confirming the appointment)

“Mrs. Garcia, you may not be aware, but there’s a small balance of $29 on your account. May we save you time and go ahead and process that payment now with a credit card?”

**# 3 How to ask for a past-due balance payment at the window**

“Ms. Jones, you may not be aware, but there’s a balance of $56 on your account. Would you like to put that on a credit card?” (or … )

“There’s an account balance of $73 remaining, Mr. Smith. We can put that on your credit card or would you rather pay by cash or check?”

The key is that your staff is trained to ask, and that it is done in a professional and courteous manner.