

Montgomery County Medical Society

**Patient Collections:
Why Is It Becoming More Important Than Ever?**

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Maureen is a partner with the firm Snyder Cohn, PC and is the Director of the Healthcare Consulting Division. Her extensive 25+ years of experience with healthcare organizations has allowed her to be one of the firm's most valuable assets. She has worked closely with organizations to provide not only accounting and tax advisory services, but aided many organizations by consulting on a wide variety of practice management projects for private practice physicians, hospitals, medical trade associations and medical billing companies. Other services include general business consultation for mergers and acquisitions. Maureen is actively involved in the healthcare community and is frequently called on by the local medical societies, hospitals, and practice management associations. She has taught the HealthCare Management Certificate program at Georgetown University for many years. In addition, she has taught at American University and George Washington University Medical School. Ms. McCarthy is the editor of Snyder Cohn's in-house newsletter, Doctor's Perspectives, which is published in five major cities across the country.

Maureen holds a Bachelor of Science in Accounting from the Robert H. Smith School of Business at the University of Maryland. Maureen is a member of the AICPA, MACPA, MGMA, and a member of the Leadership Montgomery Class of 2004. She is also listed in the Who's Who of Financial Management.

Patient collections is often a difficult (and sometimes unpleasant) task.

Due to current economic factors as well as the increase in popularity of consumer driven healthcare accounts and high deductible health plans, EVERY practice needs to reassess their patient collection systems.

Today we will focus on ways you can improve your patient collections in this challenging environment.

A General Overview

What has Changed Over the Years?

In the good old days, patients used to be responsible for a % of charges.

- These amounts were easy to determine and collect at the time of service.

Co-pays then became the industry norm.

- This required more work in determining what a patient owed at the time of the visit (or at least required your front desk staff to learn how to read insurance cards.)

Due to the massive premium increases for traditional insurance products in recent years, the popularity of consumer driven health plans is growing.

These types of plans carry high out of pocket costs and further complicate the patient collection process.

And finally.....

The huge increase in uninsured patients over the last couple of years has placed an additional burden on practices and patient collections efforts.

Now let's consider some statistics.....

According to a 2008 report from the U.S. Census Bureau, there were 46.3 million uninsured people in the United States. Since that time, millions more have lost their jobs.

The Bureau of Labor Statistics lists the national unemployment rate at 9.5% as of July 2010.

According to the Milliman Medical Index Report, it is expected that employers will shift an additional 10% of healthcare costs to employees. These costs will be in the forms of higher premiums, deductibles, co-pays, and co-insurance.

While the average out of pocket cost was 10% just a few years ago, it is now approaching 30%.

This means an additional 20% of each practice bill will now be due from the patient (an already difficult group to collect from!)

According to the National Center of Health Statistics, 22.7% of people under the age of 65 who have private healthcare coverage are enrolled in a high deductible health plan.

A recent survey conducted by the Kaiser Family Foundation found that 18% of respondents with insurance had deductibles in excess of \$1,000.

According to the McKinsey report, 36% of patients have a balance more than 60 days past due.

Once a patient leaves the office, the probability of collecting any outstanding balance decreases dramatically.

So...What can you do?

Over the counter collections at time of service must be your **TOP PRIORITY** to maintain practice revenue.

(This is the money that is used to maintain Providers' salaries.)

Every effort must be made to collect any balance owed prior to rendering the service.

Every practice must have an established and documented patient payment policy.

- Straightforward
- Simple
- Firm (set expectations up front)

- Payable in any way possible (cash, remote scanned checks, VISA, Master Card, debit cards, HSA/HRA debit cards)

Co-pays, deductibles, and any amounts related to co-insurance are due at the time of service.

Remember, it is much easier to refund an overpayment than it is to collect on an outstanding balance!

Communication to patients regarding payment should be clear and concise.

- All new patients should be made aware of the payment policy prior to their first visit. (patient brochures, website, signs)
- When appointments and reminder calls are made, reiterate the policy

Think about writing a script for your front desk staff to follow for:

- Co-pays
- Co-insurance
- Deductibles
- Past due balances
- What to do if patient can't pay

Consider the following.....

It costs twice as much to collect on patient receivables than it does from insurers. (Believe it or not?)

The average individual practitioner has at least \$100,000 in outstanding patient receivables. Close to half of that will never be collected.

Upfront and effective patient collections will save (and make) a practice big \$\$.

- Reduced write offs
- Employee time (and morale)
- Operational costs of invoicing and follow-up (\$2 - \$3 per bill)

Unfortunately, past due balances will always be an issue....

Even though every effort is made to collect all money up front, unpaid balances are often discovered after filing a claim with the insurance company.

There must be diligent follow-up on all outstanding balances.

- Put a dunning process in place and stringently follow it (3 30-day cycles and an in-house or outside collection agency)

- Cycle billing – so that a patient receives your invoice within a week after receiving an EOB from their insurance carrier

- Add a notation to the patient's chart regarding any outstanding balance owed so that the front desk can collect it prior to the next appointment (This is a crucial step to your collection success!)

➤ Call all patients with outstanding balances prior to their next visit and inform them that their balance will be due when they come into the office

(or if your resources are limited, call all patients with balances > than \$100 or \$50, depending on your specialty)

Health Savings Accounts (HSAs):

HSAs are offered with High Deductible Health Plans, and the deductible can be funded (pre-tax) by an individual and the employer.

The dollars contributed to an HSA belong to the individual and are fully portable.

Patients are responsible for all payments up to the level of the deductible, which can range from \$1,000 to several thousand dollars per year.

If patients don't use the money in their accounts, it is theirs to keep.

Make sure that your fee schedule is current and reasonable. Many patients with HSAs will inquire about the practice's fees for services and may request a fee schedule in writing.

Make sure that you know the allowed amount for each carrier for your top services, as this will be the amount patients are responsible for.

Patients with HSAs will want to know how much of their payment will be applied to their deductible.

If the practice participates with an insurer, the Usual Customary Reasonable (UCR) charge will apply towards the deductible.

This will also assist the practice in collecting the *correct* deductible up front.

Utilize online eligibility and verification whenever possible.

Greater patient financial responsibility will also mean more payments via debit & credit cards.

All practices should be equipped to handle credit & debit transactions.

And remember, the majority of patients have an HSA debit card and \$ in their accounts to use.

Consider the 'Easy Pay' Solution:

This works much like check-in services at a hotel.

Upon arrival at the practice, the patient provides credit or debit card information and consents to a future charge, once the exact amount is known.

Once determined, the payment is then processed and patients are notified of the date and amount of the transaction.

Collection costs and days in A/R are substantially reduced, thus improving cash flow and the bottom line.

Additional Tips For Successful Collections:

- Make sure that patient statements *always* go out in a timely manner.
(at least every 30 days and as close to the carrier's processing date as possible)

- Make sure that patient statements contain *accurate* information (all payments must be posted timely to ensure balances are correct)

Medical practices are businesses. All businesses need adequate cash flow to operate.

With an additional 20% of total collections now due from a different source, this is an important area to focus on.

Keep your practice healthy by following the suggestions we discussed today.

Any Questions?

