

Improving Collections



From the Editors at Medical Office Manager

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READER TIPS

Patient collections ‘bonus incentive’ program increases patient payments and staff pay

An Indiana practice established a bonus incentive program for its support staff that has been a huge help to patient collections.

“I had managed an office prior to joining this practice where I was able to track patient collections percentages each day,” **Leanne Craig**, office manager at Hendricks Therapy, tells *Medical Office Manager*. “I had a report within our practice software that enabled me to see what percentage of outstanding patient balances were collected when the patient came in for an appointment. We had multiple locations and a prize was awarded each week to the location that collected the highest percentage of outstanding patient balances when the patient came in for an appointment. It became quite the ‘bragging tool’ for each location to claim the reward each week.”

In her current role, Craig had been trying to find a similar report within the practice’s software so she could offer a bonus to support staff whenever a preset goal was met regarding outstanding balance collections. She had not had any success in obtaining a report that she could utilize for this purpose.

Then it finally dawned on her that she could track when an employee collected on an outstanding debt by simply having the staff member notify her that they had done so.

“Our software has a tool that allows any staff member or provider to send a “ToDo” (a form of notification) to any other staff member or provider within the patient’s demographic screen,” she says.

The practice added a button in the screen that allows a staff member to notify Craig whenever they have collected from a patient on an outstanding debt by simply tapping the

“The results have been remarkable.”
—Leanne Craig

designated button. “From that point it is very easy for me to see who the staff member was that collected from the patient, and I can then easily look at the patient’s ledger to see how much in old debt has been collected,” she explains. Craig then adds the information to a spreadsheet that she created to record the collections.

The practice owner/physician agreed to reward every staff member with a bonus each pay period which pays the staffer 3 percent of the amount that was collected from the patient.

“The results have been remarkable,” Craig says. “We have seen a major uptick in collections for outstanding balances, and it has been well worth the added expense for the practice to pay staff for collecting old balances as the amount of time and energy to pursue those balances has gone down incrementally.”

The bonus is only awarded for pre-existing balances, not for payment collected for services rendered that day (as this should, obviously, be done without question whenever the patient is in the office for an appointment). “It has been a good reason for staff to check patient outstanding balances when they have them on the phone scheduling appointments as well as when the patient is checking out after an appointment,” Craig says.

Every other week, on payday, Craig sends a note to all staff to let them know who collected the most in outstanding balances each pay period.

It always results in an increase in staff morale as the one staff member feels they have done a good job and the other members of the staff always congratulate and applaud the most highly successful staff member.

"I use that opportunity to really build on morale and to keep it front and center, on everyone's mind, to always be looking to manage our practice collections better," Craig says. "This type of bonus incentive program has worked as it is a win-win for all concerned: management, as well as staff."

BILLING & COLLECTIONS

Simple but workable ways to improve collections

What's the cause of poor collections?

Don't blame it on the office, says one collections expert.

Sadly, the underlying reason for poor collections is today's all-too-common attitude that bills don't deserve respect. In the past, people were proud to pay their bills. No more. A bill that can be avoided gets avoided.

And along with that, "the world has changed," says **Karen Cooper**, district sales manager for Transworld Systems Inc. in Shrewsbury, NJ, a national cash flow management company for business and health care.

Physicians' profit margins have shrunk to the point that offices have neither the resources nor the staff time to give unpaid accounts enough follow-up to bring the money in.

It's a catch-22 situation. Offices can't afford to hire people to do sufficient collection work to be effective, but without the collection work, they don't get paid.

Here Cooper outlines some very small, yet very effective steps managers can take to help bring in better receivables. "They aren't a 100% fix," she says. But in the big picture of revenues, she notes, "little things count."

PUT THE PHONE NUMBER ON THE BILL

Perhaps the easiest of all collection improvement strategies is simply to put the office's phone number on the invoices.

A lot of offices don't do that, Cooper says. And it's an invitation to payment delays.

The patient has a question and would ordinarily call right then but sets the bill aside, planning to look up the phone number later. And later usually means it's several days or several weeks before that bill gets picked up again.

"People don't pay what they don't understand," she says. So make it easy to get the questions answered. When a patient is looking at the bill and sees the phone number, there's a good chance the call will get made immediately. But with no number, the call probably won't get made today.

LEAVE OFF THE AGING BOXES

Another easy collection improvement strategy is to remove the aging line from the bottom of the bill.

It's common for a bill to show if the outstanding amount is at 90, 60, 30, or zero days. But that doesn't tell the patient to step on it and get the check out. To the contrary, it says "lots of our patients wait 90 days to pay, and we expect you to do the same."

The message the patient needs to get is "here is your bill, and it's payable right now."

SPEED IT UP WITH PINK OR ORANGE

Even colored paper helps. Turn to color when the first bill goes unpaid, Cooper says. Use the office's regular white mailing envelope, but print the invoice on pink or orange paper.

To anybody looking at a pile of bills "the color stands out," she explains. What's more, it's obvious this isn't the first bill—because that one came on white paper. She cites a CPA office that tried using color on accounts "that were months and months old" and got results it never expected.

The best money-getting colors are bright pink and orange, she says. Blue and green are weak, and yellow is muted, and none of those is especially effective.

AN ONGOING FINANCIAL RESPONSIBILITY

Improve the collections further while the patient is in the office.

The office needs to keep patients constantly aware that they are personally responsible for their accounts, Cooper says. And the way to do that is to have them sign a financial responsibility statement at every visit.

Many offices get the statement signed by new patients and stop there. "But people don't remember what they signed five years ago," Cooper says. And over time they forget they are responsible for the bill regardless of what the insurance company pays or doesn't pay.

COLLECTING THE DIRECT PAYMENTS

Get another signature at each visit to a statement that if the carrier pays the patient directly, the patient "is responsible for forwarding the payment to the physician immediately."

Direct payments most often occur when the physician is out of the payer's network. And it's not uncommon for a patient to deposit the check and keep the money. Thus, the statement needs to say that the physician does not participate in the plan, that the carrier may send the money to patient, and that the patient is responsible for the entire bill and should forward the payment to the office.

Cooper cautions, however, that the office has a responsibility here, which is to make patients aware when a doctor does not participate in a plan.

That's often overlooked when a patient's regular physician, who does participate in the plan, is on vacation, and the office schedules the visit with another doctor who is new to the practice and isn't yet credentialed.

Always tell a patient about lack of coverage and give the option of waiting until the participating

The most effective response to the forgotten wallet is to offer a payment option that's positive—and also very personal.

doctor returns, she says. That patient has every right to assume the second doctor's services are covered, and if the nonparticipation isn't explained, it's scarcely fair to expect that person to pay.

A LITTLE PSYCHOLOGICAL WORDING

Cooper also points to a bit of psychology to use in talking with patients about their bills.

Set the expectation of payment before the patient comes in.

When the office calls to confirm an appointment, whether it's a live conversation or an automated message, say "your copay is due when you check in." In other words, "bring your wallet!"

Some offices go so far as to refuse to see people who don't have the copay at the time of the visit, she says. But her advice is not to do that because it fails to recognize patients' individual circumstances. It can bring about ill feelings—and even lost patients.

'Oh gee—I forgot my wallet'

Another point of psychology: you should have a good script ready to roll when a patient can't pay the copay amount at the visit.

The most effective response to the forgotten wallet is to offer a payment option that's positive—and also very personal.

Give the patient a copy of the statement plus an addressed envelope to mail the payment in. And at the same time, tell the patient "Here's an envelope you can use to send in your payment. I'm Staffer A, and I'm putting my name here on the envelope for you. I'll watch for it."

The staffer then writes her (or his) name on the envelope while the patient is watching. And the key to success, Cooper says, is for the staffer's name to be written out while the patient is standing there watching.

Now the patient hasn't talked with "some anonymous person in the business office" but with Staffer A herself, and Staffer A herself knows that payment is due and is watching for that envelope.

There's a personal contact. There's somebody watching for that payment. "It's embarrassing not to pay," Cooper says.

A new twist to 'what can you pay?'

Still more psychology comes from the wording staff should use when calling about outstanding balances.

When the patient says "I can't pay the full amount," don't come back with "what can you pay?" Say instead "how much are you short?"

Ask how much somebody can pay, and that person is going to try for the smallest amount possible—"the most I can pay is \$10." The office has just said "we're willing to take whatever scraps you can throw us."

But asking how much the shortfall is assumes the person "can pay most of the bill but just not quite all of it." Now the patient knows the expectation is high, and the office will likely get the largest payment possible, not the smallest.

WRITE OUT THE COLLECTION PROCEDURES

Still more good cash flow results come from simply putting the office's internal collection procedures in writing.

Most offices have a written procedure for getting the bills out, but few have one for following up on unpaid accounts, Cooper says.

There needs to be a standard procedure, not a haphazard, when-we-get-around-to-it system.

A response she often hears from her own client offices is "well, we make some phone calls whenever we can get to it."

She also finds that offices tend to follow up on some patients but not others. Or they do or don't follow up depending on the size of the balance or which physician is involved.

There needs to be a standard procedure, not a haphazard, when-we-get-around-to-it system. And to make sure that procedure is followed, it needs to be in writing.

If nothing else, a written procedure is essential for new staffers. Unless things are laid out, "they have no idea where to begin," she explains. And along with that, having it in writing keeps the office from sliding into bad habits.

The plan can be as elaborate as the office wants, but in general it should tell what letters are sent and when and what calls are made and when.

She adds that for best results, the procedure should require the same follow-up for every patient so the office never lets anybody off the hook on the argument of "oh, he always ends up paying." That's the very patient who may well not pay next time.

A QUICK RESPONSE TO RETURNED MAIL

Along with the general collection procedures, set a system for handling returned mail.

Most offices do call immediately and try to get the correct address, Cooper says. But what if the phone has been disconnected and there's no way to get a new address?

When a patient is not to be found, the account should go to a collection agency immediately.

An agency's volume allows it to do skip tracing and database searches at discounts, which is far more efficient than spending staff time to hunt somebody down for a \$30 invoice.

THE EARLY BIRD GETS THE MONEY

Finally, Cooper says, collections improve the faster the work begins.

After two unpaid bills (or even after one bill), call and ask if there is a reason for nonpayment. Is there a question about the charge? Is a payment plan necessary? The patient has already ignored two bills, so there's not much chance of getting any money from a third that carries the same information.

Then at 90 days, don't send a third bill. Send a warning letter.

Some offices hold the warning until 120 days, she says. But if the first two invoices have been ignored and the call has produced no results, why wait?

If the warning letter doesn't bring in the payment, absent an insurance appeal or some unusual issue, send the account to collections. The message is clear: payment is not coming.

If there were any intention to pay, there would have been a courtesy call explaining an effort to make a payment or asking for a payment plan. But no call at all is evidence enough that the patient has no respect for the office or its services or its bill.

READER TIPS

For payment plans, credit cards on file mean payments on time

For any patients on a payment plan, having a credit card on file is just good business, says a Kinnelon, NJ, practice administrator.

Automatic card payments are the only way an office can be assured of getting the agreed-upon amount at the agreed-upon time.

Kathleen Davis uses that approach for Kinnelon Dermatology Associates and also for a second practice she manages as a consultant. It's a logical thing to do, she says. When the office has already sat through several billing cycles without being paid, "why get back into the waiting game?" If somebody hasn't paid up to now, there's no reason to think the money will start coming in on time just because there's a payment plan.

A BENEFIT, BUT WITH A LIMIT

Davis offers patients the plan by explaining that instead of paying the full amount all at once, they can break it up into automatic monthly card payments. Then she asks how much the amount should be and what day the charge should go through so it doesn't hit at a bad financial time.

The amount depends on the circumstances, she says. For a single mother who's out of work, the office is lenient. There is a limit, however. The office doesn't settle for \$10 a month. Also, if the patient doesn't have a credit card, the office gets postdated checks.

Most people have no objection to having card charges made at regular intervals, but if someone is hesitant, her response is that "it's no different than giving a card for a hotel reservation." She also tells patients that while it's new for a medical office to keep a card on file, most businesses do it routinely.

The key to success is to be human about it.

The key to success, she says, is to be human about it. There's no form letter. Instead, she meets with the patient and explains that "we understand your situation, we want to help you, and we are willing to work with you. We are trying not to send this account to collections."

But she also explains that if there's no payment resolution, the bill will have to go to a collection agency, "and then it's out of our hands." That usually ends the matter "because people don't want to go to collections."

Meeting and setting up plans that accommodate individual circumstances is time-consuming, she admits, but it's necessary to maintain good relations. What's more, the economy demands compassion. "People never thought they would be unemployed."

She adds that the cards are a last resort. When an account does go to collections, the office discharges the patient.

That person "has no intent to pay," she says, so there's little reason to continue the relationship. No business "can let people float and run up tabs."

CARDS FOR TWO SITUATIONS

The card plans are used in two situations.

One is overdue accounts. After two regular statements, the office sends a letter outlining the overdue bill, and if there's no response, there's a phone call of "We haven't received payment. If it's easier for you, this is what we would like to do."

The other situation is potential hardship. A card plan gets offered at the outset when it appears a patient will have difficulty paying the bill.

That happens, for example, when there's a large unmet deductible and the service is somewhat expensive. At the first visit, Davis explains that because of the large deductible, the patient may want to take advantage of the regular card payments.

She does the same if a bill could add up significantly as when a treatment is expected to last a while. She presents it as "we're looking at a long treatment period, and it adds up. Let's stay on top of this so there's not a huge debt in six months."

A SIMPLE DAILY CHARGING TASK

To track the charges, the offices use nothing more than an expandable file with slots numbered from 1 to 31 for the days of the month. Each patient's paperwork showing the amount to be billed goes into whatever day of the month the charge is to go through.

Every morning the billing manager simply pulls out the forms for that date and runs the card charges through.

While the information could be kept electronically, the office opted for the paper file "because it's all right there."

And the results are good.

The second practice Davis manages had more than \$100,000 in outstanding receivables, many of them as much as three years old.

The calls and the meetings were time-consuming, but the office has now collected a large percentage of those receivables—even some of the very oldest accounts. And by using the card plans with current accounts, it has significantly improved the ongoing revenues.

BUT NOT FOR ALL PATIENTS

It's possible to offer on-file card payments to all patients, Davis says, but she has opted not to do so.

Routinely asking for a card is impersonal and gives the impression the office doesn't trust people to pay. It can also be insulting to somebody who does pay, because it raises the question of "why don't they think I'm going to pay my \$50?"

The card plan is best received when offered as a benefit, or a way to help somebody avoid collections. And to somebody who doesn't have a payment issue, "it's not a benefit at all."

INCREASING PROFITS

How to write a strong collection letter

Increasing patient payments improves the practice's bottom line. But how exactly do you motivate patients to pay?

To write an effective collection letter, follow these guidelines.

- Make it short. Limit the letter to one page. Limit the paragraphs to two sentences. Limit the sentences to 22 words. And limit the words to three syllables. Do this and the message will be concise, direct, and powerful.
- Don't start a sentence with first person. Instead of "our records indicate" or "I am writing to tell you" or "it has come to my attention," use second person, as in "your account is past due." Or, instead of "we need you to pay now," make it "you need to pay your bill now." Follow with a second-person reason to pay: "so we can continue to keep you as our patient."
- Don't give a payment time with an *-ly* word such as *immediately* or *promptly*. To the patient, *immediately* may mean next month. Be specific: "Your bill needs to be paid no later than June 1." This says, "We're going to sit here and wait for your payment."
- In some offices, the treating physician signs the letters, and the response is good. When the patient realizes the doctor knows about the nonpayment, the embarrassment factor figures in.

These are guidelines for a first collection effort. What happens if you still don't get results after you send that first letter?

One office gets good results with a last-chance letter before sending an account to collections. The letter offers options for the patient.

Here is sample copy you can modify for your purposes.

Before your account is submitted to a collection agency, and to give you the opportunity to protect your valuable credit rating, please indicate your preference of the following:

- ✓ I prefer to settle this amount in full at this time. My check is enclosed.
- ✓ I will make 12 monthly payments, each for one twelfth of the balance. My check for the first installment of \$X is enclosed.
- ✓ I will use a credit card to pay the entire amount due. (A credit card form is enclosed.)
- ✓ I will pay directly from my bank account. (Online payment details are enclosed).
- ✓ You may assign this account to a collection agency.

Remember, words are powerful. And when you put them in writing, they are hard to ignore. This is why collection letters get payment results. In addition, these letters serve as documentation should a dispute regarding payment ever arise.

PATIENT REGISTRATION

Want to improve collections? Start by looking at your Patient Registration System

By **Ranadene (Randi) K. Tapio**

First and foremost, a good intake system and/or form is a must! If set up properly, your intake system and/or form will collect all the necessary information you need to bill a patients insurance carrier(s). Offices should collect, at minimum, the following information:

Demographics

- Patient's full name
- Gender
- Birthday
- Patient's full mailing address
- Patient's home phone
- Responsible party info
- SS # (not required, but helpful later in collection purposes, if needed)

Insurance Information

- Primary Insurance carrier name
- Patient's ID # / group #
- Full claims mailing address, phone and fax #
- Name and birthday of Insured (if other than patient)
- Secondary Insurance carrier name (if applicable, will also need the same information as listed under Primary Insurance)

WC / MVA / PI Claims

- Date of injury
- Claim #
- Carrier name and claims mailing address
- Name of Adjustor, phone and fax numbers, and email address

AUTHORIZATIONS AND RELEASES

Patients must sign a statement releasing payment directly to your facility for services rendered.

HIPAA NOTICE OF PRIVACY PRACTICES

Your office must have a HIPAA NPP, your patients must be informed of its contents, and they should sign their receipt of this document.

FINANCIAL POLICIES


Your office should have a Financial Policy that specifically outlines your expectations of your patients. Patients should be required to read this and sign that they have.

A good practice is for offices to use separate intake forms for private insurance vs. PI claims. It's easiest to distinguish between them by simply color-coding the forms. White forms could be for commercial carriers, whereas blue forms could be for the PI claims.

Your Verification of Benefits (VOB) system is also an important process. Offices that routinely verify benefits generally have better collections and cash flow than practices that do not.

CONCLUSION

A good Patient Registration System, which obtains all necessary information, is a benchmark of better business practices.

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