

MANAGING YOUR PATIENTS' ACCOUNTS

By Marsha Freeman

Money certainly makes the world go around, and this is equally true in our dental world. It takes a major initial investment of capital to start or purchase a dental practice as well as numerous significant investments throughout the life of the business. Dentistry *is* a business after all. We may wish differently at times, preferring to focus solely on the clinical care and interaction with people we enjoy. However, the reality is that we must charge and receive payment for the services we provide in order to stay in business.

We pay our team members so they can pay their bills. We pay the rent or mortgage so a nice facility can be maintained. We buy the best dental materials and equipment so we can deliver the high quality of care that keeps our patients coming back to us. It all takes money and a level of customer service that shows our patients that we truly care about them and their dental health, which is why we need to offer payment options.

One way or another, the money cycle continues throughout the years--either successfully with financial benefits for all or haphazardly with continual cash flow problems, frustration, and stress. Our challenge is to let go of the notion that money is a negative issue with patients and embrace a blending of customer service and financial systems that allow us to proactively manage our patient accounts with efficiency and consistency.

Because of the impact and complexity of this subject, this will be the first of a series of articles dealing comprehensively with the six critical steps to managing patient accounts. You will find a quick synopsis of each step by reviewing our "**Six Steps to Managing Patient Accounts**" overview on page 10.

The six critical steps are:

1. Establish financial options

All financial options should be in written form, presented in language that is helpful, not insistent, and available to your patients as a take-home handout. The language should be simple, clear, and concise, approved by the doctor, and familiar to the entire team. Financial options should be firm yet flexible enough to provide for choices, negotiation, and collaboration.

2. Make firm financial arrangements prior to treatment

The standard in all dental practices should be to "inform before you perform." Financial arrangements should be written in language that is clear and concise and signed by the patient. The practice should keep the signed original in a place that is readily accessible, and a copy should be given to the patient.

3. Collect payments on the day of treatment

Accurate and complete chart preparation and the use of routing slips are paramount to this step. There should be no questions at the front desk regarding the amount of payment that is due. Smile, ask for payment using verbal skills documented in your standard operating procedures (SOP) manual, and monitor your effectiveness.

4. Actively manage your accounts receivable (A/R)

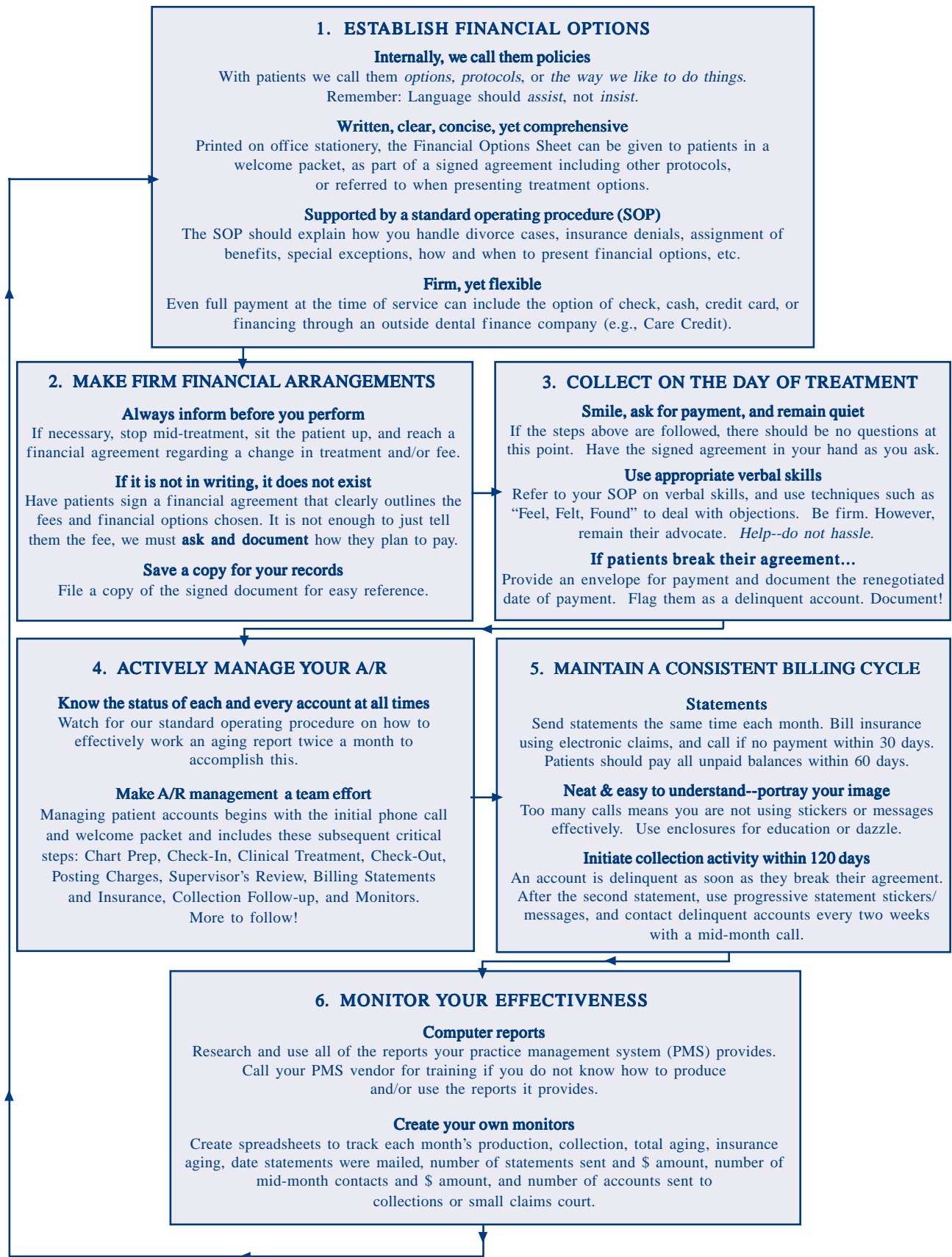
Use SOPs to standardize your success in this area. You need a monthly schedule of all accounts receivable activities, clear job descriptions, and task inventories of who does what, when, and exactly how to maintain the cycle. This is a team effort involving everyone – not just business personnel.

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Consultant's Corner

We are pleased to welcome back Marsha Freeman, President of Marsha Freeman & Associates, a company devoted to improving organization and system delivery in dental practices. Marsha has authored several books including *Standard Operating Procedures for All Dentists* and conducts workshops teaching dental teams how to create their own SOP manual. She is a member of the Academy of Dental Management Consultants and is a certified trainer for the Institute of Foundational Training and Development. Marsha can be reached at Marsha@fix.net, www.marshafreeman.com, or by phone at 800-253-2544. 

SIX STEPS TO MANAGING PATIENT ACCOUNTS



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5. Maintain a consistent billing cycle

Your billing cycle should be consistent with the majority of all accounts billed the same day every month. Statements should portray a professional image and include appropriate messages to your patients (i.e., personalized, handwritten overdue notes, stickers, educational pieces, etc.).

6. Monitor your effectiveness.

Set goals, monitor your performance closely, and fine-tune your processes as needed. Some benchmarks to consider are as follows:

0-30 days:	20-40%
30-60 days:	20-40%
60-90 days:	8-13%
Over 90 days:	18-20%
Adjustments:	< 2%
A/R Ratio:	1 to 1 ½ - times average monthly production

Also keep track of the following statistics:

- # of statements mailed each month
- # of returned statements
- # of complaints
- # of insurance “rebills”
- # of phone calls about statements
- % of insurance claims over 60 days

Understanding that each step must always be wrapped in excellent customer service, we will explore these six steps as if they are critical spokes in a wheel that is taking us to our ultimate retirement destination. Poor performance, staff shortages, computer malfunctions, or staff turnover can mimic broken spokes that take us woefully off course. If our wheel is strengthened with written standard operating procedures (SOPs) and allows for some well-managed flexibility, it can snap back into shape when exceptions or an unexpected crisis occurs.

The Managing Patient Accounts cycle begins and ends with step #1: Establish Financial Options. As a beginning point, we must be very clear with the internal policies that will keep our practice healthy. As an ending point, we must evaluate how well these policies have been followed and if they have allowed us to accomplish our goals.

Notice that step #1 is titled **Establish Financial Options**, even though internally I call them “policies.” The reason for this is that the word “policies” often carries a negative connotation in the patient’s mind. “Policies” appear to serve the needs of the dental practice. However, “options” are perceived as serving the needs of the patient.

Research tells us that 95% of the information we take in is at the subconscious level. Therefore, we start off on the wrong foot when we begin spouting “policies” that may remind patients subconsciously of other unfair “policies” they have encountered throughout their life. And while we must create internal “policies” to ensure the quality of the services we provide, we will be more effective if we use words such as “options” or “protocols” when communicating these policies to our patients. Alternatively, we can use expressions such as, “This is what we like to do,” or “This is what we have found works well for our patients and our office.” Choose words or phrases that communicate customer service. It may sound trivial, but patients tend to be very sensitive about their money. The right words will help you keep financial discussions positive.

Why worry about trying to dazzle our patients when discussing payment for our services? Isn’t it just a necessary evil that they must agree to receive the treatment they need? Can you think of a time when you happily opened your wallet to pay for something? Was it to buy something you “needed” or for something that you truly “wanted?”

Before we even begin discussing payment options with our patients we must first give them the biggest option of all. Do they even want the treatment we are offering, or are they feeling guilty into it based on a lot of oughts, shoulds, and have to’s? Are they reluctant consumers, or are they enthusiastic about their treatment, happily opening their wallets to pay for what they want, not what they need? Which patient do you think will be more committed to paying his/her bill?

I have found that there are two levels of case acceptance: psychological and financial. Until we ask the patient--“If money was not an issue, would you want to have this treatment done?”--it is premature to talk about money. We first need to know if he/she values the service. Once we know that the patient is enthusiastic about receiving the service, the money becomes less an issue, and we simply need to find out which option works best for him/her.

Most patients want to pay their bills and should be treated with respect and consideration. Those not so eager to pay their bill, if treated as though they are responsible individuals, will often respond accordingly. Some patients use money as an excuse to avoid treatment and will respond to empathy and tact. Let your patients know that your job is to help them afford their dentistry by making acceptable financial arrangements that work for everyone. At the same time, follow an effective and consistent accounts receivable routine that provides options, assistance, respect, and consistency—all vitally important when we discuss money with patients.

The goals should always be to:

- Assist--don’t insist,
- Help--don’t hassle,
- Inform before you perform, and finally...
- Never prejudice what a patient wants or can afford.

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I am not suggesting that you let patients establish your internal financial policies. Rather, I am suggesting that you present payment options in such a way that your patients truly recognize your attempts to help them afford their dentistry.

Before discussing how to establish your financial options, I want to make it clear that I support you being paid at the time of service, either your full fee or the patient's estimated insurance portion with the expectation that either the insurance or the patient will clear the account within 60 days. I support offering a monthly payment plan through an outside finance company – not through the office. I support an aggressive, although respectful “Help – don't hassle” accounts receivable program that sends delinquent accounts to collections or small claims court within 120 days, sooner if the patient breaks two promises to pay.

Even with firm policies, it is important to offer patients plenty of options because it gives them a sense of control. You can offer options of payment by check, cash, debit, or credit card. You can offer long term financing or a monthly payment option through Care Credit. You can bill their insurance and accept assignment, working with patients to maximize their coverage and getting the dental plan to pay within 60 days so they will not have to clear the account themselves. You can also offer pre-payment courtesies for total payment at the time of service.

Please take a moment to review the Financial Options insert (B). Given in a welcome packet or at check-in, it allows patients to know and consider their options prior to any discussion with staff. Keep in mind that the Financial Options Sheet does not take the place of a specific treatment plan and signed financial agreement outlining all of the fees and when payments are due.

(This will be discussed in my next article.)

Can you be more flexible with your options? Certainly, and in some competitive areas, you must be. I encourage you though, to keep courtesy fee reductions (avoid the word “discount” because it sounds cheap) to a minimum. Watch your bottom line and adjust as necessary. Remember that once an option is offered, it can be difficult to take it away. Also keep in mind a sense of fairness. Otherwise you may be fielding complaints from patients who feel that they should also be part of the “special people” who pay less.

Clarify these additional courtesies in your SOPs. However, leave them off your Financial Option Sheet. Simply offer them when the time comes. The financial options sheet should be kept simple, clear, concise and relevant to the majority of your patients.

Payment options you may want to offer:

- 50% of the fee collected when you take impressions for a crown, bridge, partial, or denture and the remaining 50% due at the time of delivery.
- Payments in thirds or even over six months or a year.
- A courtesy to senior citizens.
- A professional courtesy to fellow dental or medical professionals.
- A professional courtesy to clergy, military, students, or financially disadvantaged patients.

Keep in mind the following:

- It is considered illegal in most states to accept insurance and waive a patient's insurance co-payment without notifying the carrier.
- Dentists are required to bill dental plans the actual amount billed

to the patient, even if only offering a 5% reduction on the patient's portion. While some dental plans ignore minor courtesies, others adjust their payment accordingly.

- If you trade services, keep track of the value for tax purposes.
- Do not offer payment options that conflict with a participating provider agreement you have with an insurance company.
- Never pre or post-date services to obtain benefits.

If you need to overhaul your financial options, schedule a meeting with all of the appropriate people, crunch the numbers, and consider what you really want to offer. A change in policies/protocols/options should be done when necessary. Educate and train your team on the verbal skills you want them to use to introduce the changes. Patients will accept change if they know “what's in it for them.” For example, you can explain that offering monthly payments through an outside finance company (instead of in-house) allows you to keep your fees at a competitive level so you can continue offering the high quality dental services you pledge all of your patients.

If you meet an objection, acknowledge that the few who abuse the system sometimes make it hard for those who don't, and for this you are sorry. However, you must make the change to remain financially healthy so your practice can continue providing optimum care. When adopting new financial policies/options, feel free to make exceptions for your star patients, but implement the new options with all new patients. Dental practices that do not have strong financial policies and options tend to have unpredictable cash flow and a high number of delinquent accounts. When a patient's account is delinquent, no one

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wins because the patient is not happy and neither is the doctor.

As you create your accounts receivable (A/R) system to manage your patients’ accounts, clearly document each step in a standard operating procedure (SOP), and add it to your operations manual so that unexpected staff changes do not cause a “blow out” in your A/R system. The consequences of reduced cash flows can be devastating to a practice. Obviously, it is not feasible to give team members a raise if money is short. This could then lead to loss of staff that further compromises your ability to produce services--a vicious cycle that every practice owner wants to avoid.

What can you as the dentist or office manager do to avoid this? The first step is to clearly identify your financial goals and establish financial options that you can offer your patients to keep the money flowing. Monitor your results closely, even daily. Be very clear with job descriptions, task assignments, billing, and follow-up deadlines. If you are too busy to work your aging report – hire temporary help to keep you on track. A neglected A/R jeopardizes the future of your staff members and your dental practice.

In the November/December newsletter, we will discuss how to use financial options to negotiate firm financial arrangements so that there are no surprises on the day of treatment. In the meantime, I encourage you to establish (or review) your own financial options (policies) and create a Financial Options Sheet to include in your new patient welcome packet or to present at check-in. 