

Maximizing Patient Collections

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Disclaimer

The information provided here is based on the author's research and experience in dealing with these issues.

This brief outline is not exhaustive and should not be used to replace your own research/judgment or that of your own attorney.



Today's Agenda

- Collections; Your Role
- A Patient's Right To Know
- Accounts Receivable
- Analyzing Debt
- HIPAA and Collections
- Front Desk Collections
- Patient Statements
- Phone Collections



Philosophy

- **There is nothing unprofessional about using sound management techniques in a health care practice.**
- **There is nothing wrong with recognizing that a doctor must charge and collect for services rendered.**
- **If the economic aspect of a practice is not well governed, funds will not be available for either growth or possibly even survival.**



Human Relations and Economics

- Health care fees are perceived as a bill a person must have rather than something they want or desire.
- A patient is a health consumer who, as any other consumer, has the right to know what they are buying and how much it will cost.
- Do not confuse a patient's inability to pay with a patient's inconvenience of paying.



Human Relations and Economics

- Typically three general classes of delinquent accounts:
 - Patients who have the ability to pay, but are habitually slow payers requiring several reminders.
 - Patients who have the willingness to pay but not the immediate ability to pay.
 - Patients who have neither the willingness nor the ability to pay.



Statistics



- US Department of Commerce
 - 87% are controllable debtors who pay in full
 - 10% are uncontrollable debtors who will stall but will pay if forced
 - will require phone calls
 - 3% are deadbeats and have no intention of paying

Why Don't They Pay?

- Not their fault – unforeseen events
- Chronically Slow
- Can't pay – overextended
- Negligent – needs reminding
- Fraudulent – had no intention of paying



Effective Collections Your Role

- Systematically and consistently apply a well-designed collection strategy.
- Motivate employees to collect revenue effectively.
- Educate your patients.
- Fully utilize the capabilities of your computer software.
- Evaluate and track.



Effective Collection Process

- **Cash Practice Strategy:**
 - Estimated at about 25% of practices
 - **Pros:**
 - Immediate Cash Flow
 - No insurance “hassles” for you
 - **Cons:**
 - Patients responsibility for filing to receive insurance reimbursement
 - Complex or lengthy care plans



Effective Collection Process

- **Insurance Pay-Patient Co-pay-Patient Statement Strategy**
 - Most commonly used in the health industry
 - **Pros:**
 - Patients do not receive a bill until after insurance pays
 - Patients pays a co-pay and is billed the balance of what the insurance doesn't pay
 - **Cons:**
 - Practice expensive and time cumbersome
 - Clinic responsible for denials (HMO)
 - Delays cash flow



Effective Collection Process

- **Alternative Strategies**
 - **Prepayment and/or Family Plans**
 - **Pros:**
 - Less frequent payment by patient
 - Attractive cash base for practice
 - May generate a more dedicated patient
 - **Cons:**
 - Larger one time payment for patient
 - Credit balances



Motivate Employees to Collect

- **Accountability**
 - Job description
 - Performance review
 - Consequences of under-collectors
- **Assist success**
 - Understand the link between job security and collections
 - Prepare scripts
 - Play, act and discuss various scenarios




First and Foremost.... Educate Your Patients

- **Let the patient be financially aware at the first point of contact**
 - Do what most offices do very well
 - Review insurance, co-pay, deductibles, establish base as appointment is scheduled
 - And what is difficult in medical oncology
 - Establish approximate out of pocket costs of treatment
 - Upon the decision to treat, establish an *approximate* patient co-pay/co-insurance responsibility and discuss with patient **PRIOR TO TREATMENT**
 - » Use a superbill/protocol
 - » Know how frequent the treatment will be



Educate Your Patients

- **Encourage open discussions regarding fees:**
 - **Be Professional and Sympathetic**
 - **Determine potential financial concerns before treatment** 
 - **Work through problems issues with insurance/finances BEFORE TREATMENT**

Educate Your Patients

- **Consultation:**
 - **Studies have shown that without question the failure to thoroughly inform a patient at the beginning of care of all anticipated fees involved is the cause of more disagreement regarding payment of services than any other factor**
 - **“You should have told me...”**



Educate Your Patients

- Majority of financial discussions will go very well
 - Technique: Positive and Fact
 - “Mr. Brown, I want you to know that I went ahead and contacted your insurance company and according to your insurance the protocol the doctor has ordered for you is a benefit under your plan.....(pause)
 -I also want to let you know that according to your insurance you have a co-pay of 30% after deductible. I went ahead and calculated your approximate responsibility on the days of treatment for this protocol....
 - You will be responsible for approximately \$500. We do expect payment at the time the services are rendered. We also accept Mastercard and Visa. Do you have any questions.....
 - Conversation Scenarios
 - “WHAT, I’ve never had to pay a dime!”
 - Call insurance
 - “No way, my insurance pay’s everything”
 - Call insurance
 - “I don’t have that kind of money, what do I do now?”
 - Get off call politely (step away)
 - Take a look at options for the patient



Agreements

- Some offices have the patient sign an informal agreement
- Some, a formal agreement drafted by their attorney
- Some, and still the majority, document the record/billing system of the agreement and *monitor closely*
 - *Set precedent and be prepared at first two treatments*
 - *Patients come prepared to pay when the KNOW they will be asked*



Patient Assistance

- There are many options....
 - Patient Advocate Foundation
 - Copays.org
 - Pharmaceutical Support
 - Pharmaceutical site or search by drug or manufacturer at;
 - Needymeds.com
 - Rxassist.org
 - Rxhope.com
 - PhRMA.org
 - Pharmaceutical Sponsored Foundations
 - Provides co-pay support for patients
 - Secondary Insurance
 - Look for no or short pre-existing riders
 - AFLAC?
 - Many are only 90 days



Front Desk Collections

- **Prepare a day ahead**
 - **Review Schedule**
 - Usually printed via computer or copy of appointment book
 - **Review Patient Accounts**
 - **Patient balance AND insurance balance**
 - Helps keep accounts clean
 - » Should be completed by billing staff if billing is not a function of the front desk
 - **Establish Amount Due**
 - **Have all anticipated co-pay's been transferred to the patient?**
 - **Are there any insurance problems/concerns pending?**
 - **Is the patient balance correct and easily understandable by the front desk?**
 - Give front desk the information they need to ask for the monies due
 - If patient's questions get too involved, refer the patient to the billing department
 - » That day, preferably (even via phone)
 - » or take phone number to call & **follow up!**



Administrative vs Clinical

- Clinical (in my opinion) should remain just that;
 - CLINICAL and not be involved in patient collections
 - If asked about insurance or monies due, refer to proper administrative staff
- Administrative
 - Include; front desk, billing, manager... anyone not involved in direct patient care
 - BUT THEY NEED CLINICAL HELP
 - USE THE “GREEN DOT” technique or create your own form of communication and support mechanism from clinical staff

Support

Check Out

- **What to say:**
 - » Before giving follow up appointments, parking tokens, etc.,
- **Script:**
 - *“Mr. Jones, the charge for today was \$10, due to your co-pay responsibility. You also have a previous balance of \$320. The amount due today is \$330. Will you be paying by cash, check or credit card?”*
- **Eye contact**
- **Body language**

Control and Monitor

- **Accountability**
 - No, I didn't see the patient....
 - They must have snuck out....
 - Oops, guess we'll get them next time....
- **Use reviewed schedule to report back to billing or patient accounts staff**
 - "They said they are mailing a check next week"
 - "They'll be back on Friday and will pay the whole balance"
 - "They forgot their checkbook and credit card but said we can call them later to obtain credit card information"
- **Follow up, follow up, follow up**



Past Due Collections

- **Establish Policies**
 - **Consistency**
 - **Timelines**
 - **No exceptions**
 - **Step by step process**



Control and Monitor

- **Accounts Receivable (A/R)**
 - *“Money which is owed to a company by a customer for products and services provided on credit.”*
- **A/R Aging Report:**
 - Most commonly – Four categories
 - Current account - 1-30 days
 - Overdue account - 31-60 days
 - Past-due account - 61-90 days
 - Delinquent account - 91 days and over
 - WHAT’S THE COST TO YOU???

Aging affects on Collectable Value

<u>Age of account</u>	<u>Value</u>
• 30 days	\$1 per \$1 owed
• 60 days	\$.90 per \$1 owed
• 90 days	\$.50 per \$1 owed
• 9 months	\$.11 per \$1 owed
• 1 year	\$.02 per \$1 owed
• 3 years	\$.01 per \$1 owed

Monthly Totals

- **Account Analysis Reports**
 - Monthly A/R
 - Yearly A/R
 - \$ Past Due
 - Financial class breakdown by percentage
 - Establish goals and tract
 - Do comparisons

Computing Collection Results

- If A/R are more that three times the average monthly gross, this is an indication that collection procedures must be improved.
 - Dr. Smith grossed (income) \$1,275 thousand last year with an average A/R of \$45 thousand
 - $1,275/12 = \$106K$ average monthly gross
 - $45K/106K = 4.24$
 - This is greater than 3x's the average gross
 - Result: Collection Problems

Another Version.....

- Average A/R =
\$1,000,000
- Average Monthly Collection =
\$300,000
- \$300,000 x 3 =
\$900,000
- Collection needs to improve



Computing Collection Ratio

Average monthly gross income
divided by /
Average monthly *expected* charges x 100
equals =
Collection ratio

- Dr. X had average monthly charges of \$555,000 and an average monthly gross income of \$523,000
- $\$523,000 / 555,000 = 0.94 \times 100 = 94\%$
- The upper three fourths of all physicians in private practice have a collection rate of 85% or better based on expected charges. About $\frac{1}{4}$ of these have collection rates of 90% or better. The average is about 87%
 - MGMA Statistics – Not Oncology Specific

Monthly Statistics

- **Benchmark and set goals on your own statistics....**
- **Consider:**
 - **Charges**
 - **Payments**
 - **Adjustment (write-offs)**
 - **Visits**
 - **New Patients**
 - **Average Charge (collections/visits)**
 - **Collection Ratio**
 - **PVA (total visits/NP)**



Patient Statements

<i>Time</i>	<i>31st day Month</i>	<i>Aging</i>	<i>Event</i>	<i>Add'l Event</i>	<i>HINTS</i>
Month service is rendered	July	Current	Send statement	Nothing	Clearly itemized. Enclose self addressed colored envelope.
Month After	August	30 - 60	Send statement	First reminder	Handwritten reminders on the statement are most effective
Before Mailing September bill	Middle of September		Phone Call	Pull account card or computer printout and patient chart with registration form. Review patient schedule for next appointment.	Objective: To find out why payment has not been made and to secure commitment of payment. Listen. Keep notes.
Third month after service	September	60-90	Send statement	Second reminder	Send in plain envelope. Write out name and address of debtor in longhand. Only indicate your return address on envelope, not the name of the office.
Before mailing of October bill	Middle of October		Phone Call	Pull notes from account	Be specific. WHY wasn't payment received. When can payment be expected. Keep notes.
Fourth month after service	October	90-120	Send statement	Third and last notice	Check with Dr/office manager before sending. Send in plain envelope like second reminder.
Fifth month after service	November	120-150	Turn Account over to collection	Wait til November 15	Send to collection agency, attorney, small claims court or write off. Note action taken on account

HIPAA and Collections

- The Privacy Rule permits a covered entity, or a business associate acting on behalf of a covered entity (e.g., a collection agency), to disclose protected health information as necessary to obtain payment for health care.
 - See: 45 CFR 164.506(c) and the definition of “payment” at 45 CFR 164.501.
- The Department notes, however, that a covered entity, and its business associate through its contract,
 - is required to reasonably limit the amount of information disclosed for such purposes to the minimum necessary, where applicable,
 - as well as abide by any reasonable requests for confidential communications and any agreed-to restrictions as required by the Privacy Rule.
 - August 14, 2002 Revisions, 67 Fed. Reg. 53219.

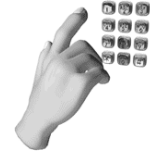


Control and Monitor

- **Collection letters:**
 - **Short and focused**
 - **Don't give the patient excuses or alternatives**
 - **Initial letter should not assume the patient is “bad”**
 - **Command the patient to take action by a specific date.**
 - **Always include a statement with the first collection letter.**
 - **As account ages, letter becomes more assertive**



Collection Calls



- Difficult to make
 - How do you deal with excuses?
 - How do you keep good relations with the patient while collecting?
 - How do you recognize the deadbeats?

Patient Calls More Effective Than Statements

- Statements are expensive
- Statements are often placed at the bottom of the pile
 - 5 to 15 percent of time a payment is returned
- Calls have been proven to be more effective

Who Should You Call?

- > than \$____.____
 - > \$30 to >\$100 – set office policy
- WORK ACCOUNTS IN \$\$\$\$ order
not alphabetical!
 - Work large accounts first!



Establish \$\$\$ Due

- Help patient stay on top of account
 - If patient is still receiving treatment, consider that in your calculations when establishing monthly payment amount
- Consider “financing” over period of time
 - Patient Balance\$1,000
 - “how much can you pay monthly?”
 - \$50 monthly payment
 - Vs
 - “our office can allow payment of balance due over 6 months interest free”
 - \$165 monthly payment

Making that call



- Fair Debt Collection Act
 - Not meant for physician practices
 - 8:00 am to 9:00 pm – ok
 - » 5:00 to 8:00 pm best time
 - Schedule a late day in the office when it is quiet with no interruptions
 - Don't call at work if you know they cannot receive calls or have asked not to call them there
 - Leave a vague message
 - “Call Kim at 248-555-2300”
 - If they know it is you calling for a payment, you're likely not to receive the return call

Review Account Before Calling Patient

- Is the balance correct?
 - When was the \$\$ transferred to account?
- Have they been sent a statement?
 - When?
- Did the insurance pay their portion
- Review what is pending insurance to estimate other charges that may occur
- Have they been overdue before?
- Have they established special payment arrangements?

BE POSITIVE

- Be professional
 - Polite, courteous, business like
- Be positive
 - *“Your account has been given to me for special attention, I’m here to help in any way I can.”*
- Keep calm and cheerful
 - **Never** raise your voice even if they do
 - Don’t allow yourself to be affective
- Listen
 - Maybe they need to vent, let it happen
- Don’t threaten or make false accusations
 - *“If you don’t pay by next month we are going to call our attorney!”*
- Ask for full payment
 - Once you’ve listened, return to your goal



What do I say?

- Make sure you are talking with the patient who owes the money
 - “Is this Mrs. Eleanor Smith?”
 - If a child answers ask for the mother or father vs Mrs. Eleanor Smith
 - Chances of getting the patient to take the call increase
- Say who you are and why you are calling
 - This is Karen Jones and I’m calling about your balance of \$1,000 which has been outstanding over 75 days.

Will vs Can



- Will you mail a check today?
 - Positive and a commitment
- Can you mail a check today?
 - Negative – not a real promise
 - If your office allows credit cards, you could request for credit card payment and mail patient receipt.

Pause and Listen

- “No, I don’t have the money now”
- Look for solutions...
 - Why can’t they pay?
 - Can they pay next week?
- “If you are not prepared to pay by check today, we do accept Visa or Mastercard.”



Excuses



- Check is in the mail...
 - Thank you for mailing your check. What day did you mail it? Where? Amount?
- I don't pay the bills. Talk to my wife....
 - Mr. Brown, you are our patient. That is why I'm calling you regarding the account....
 - Mr. Brown, you are our patient, however, let's schedule a time I can speak with both of you....
- I can't pay it all now...
 - The balance has already been extended over 3 months. Let's establish a payment plan that can bring you current within a 6 month time frame.

Negotiate

- Always start higher than you expect
- Establish exact amounts and time frame
 - Don't accept, "as soon as I can"
- How will payment be made
 - Cash, check or credit card
- Confirm agreement
 - *"I'm very pleased we were able to work out a payment plan that will get you account up to date, I will expect your payment of \$amount on date."*

When The Going Gets Tough.....

- “Doctor makes enough money anyway!”
- “None of my other doctors charge me!”
- “Stop bothering me!”
- “Your charges to high and the insurance says you overcharged me!”



- Be mentally prepared for difficult situations
- STAY CALM!
- Practice responses!

Follow up

- Document the conversation
 - on the computer or
 - on a 3 x 5 card and file w/active collection accounts
- Mail the patient a written reminder of the payment plan
 - enclose your contact information
- Set up a tickler system to be sure the check is received
 - Note on calendar 5 days past promised date

If Money Is Not Received

- Continue with follow up system
 - Contact patient
 - “I’m calling about the check you said you would mail. I see there have been no payments posted to your account and I wanted to be sure it wasn’t lost or posted to the wrong account. When did you mail the check?”



Collection or Write Off?

- **Turning an account over to a collection agency:**
 - **Only 25-27% are ever collected**
 - **Consider cost of the agency vs amount collected**

Terminating A Patient

- Patient may be terminated for failure to properly handle outstanding bills
 - Physician may not refuse to give appointment to patient because of failure to pay bill, also may not refuse to provide medical records.
 - Should give patient adequate notice of termination so care can be sought elsewhere, recommend 30 - 60 days.
 - Notice should be in writing and meet other criteria.
 - Obtain legal advice before terminating patient.

Bankruptcy

- Types of Creditors
 - Secured Creditors
 - Lien holders
 - Mortgage lenders, auto finance companies, judgment creditors
 - These creditors secured their loans, judgments, etc. with collateral
 - They receive special, priority treatment under the Code

Bankruptcy

– Priority Creditors

- The Code carves out special treatment for certain creditors who get paid before the unsecured creditors
- Among others includes taxing entities, employees, and those who provide actual, necessary costs and expenses of preserving the estate
- This could include services providing music, security, etc. if deemed necessary to preservation of the estate AND the debtor assumes the contract

Bankruptcy

– General Unsecured Creditors

- Creditors without a security interest
- Creditors who do not meet the Priority Creditor standard
- Payment is usually pro-rata with other creditors (cents on the dollar)

Bankruptcy

Chapter 7

- Liquidation: Debtor sells or returns all collateralized assets to its secured creditors
- Secured creditor receives the amount of its lien
- Unsecured creditors receive a pro-rata share of any proceeds in excess of the secured creditor's claims
- Debtor, if no one objects to discharge on statutory grounds, will receive a discharge in approximately 4 months after the case is filed and the case will be closed

Bankruptcy

- Chapter 11
 - Reorganization/Orderly Liquidation
 - Involves Corporate Debtors and Individuals with Debts over \$307,675 to Unsecured Creditors and \$922,975 to Secured Creditors
 - Plan setting forth the repayment and priority of payment to creditors must be confirmed (approved) by the Bankruptcy Court

Bankruptcy, cont.,

- Chapter 13
 - Reorganization by Individual Debtors with debts under the requisite amount

 - Debtors must submit a Plan to be confirmed by the Court

 - Creditors can object to their treatment under the Plan

 - Creditors receive payments over a period of time (usually 36-60 months)

Bankruptcy

- What to do when a patient files...
 1. Ensure that a system exists for receiving the notice and distributing it to the proper personnel

 2. File a proof of claim if Debtor owes money (discussed more later)

 3. Halt all Collection Efforts
 - Or potentially face heavy fines
 - Notify your staff to cease all calls and letters to the Debtor

 4. Best Advice: Call an Attorney

Bankruptcy

- File a Proof of Claim
 - The Bankruptcy Court will inform you of the bar date or deadline for filing one
 - List on the Proof of Claim the money owed
 - Usually patient statement

Estates

- How to File
- Where to File
- Spousal Liability

Summary

- Make certain the practice has an effective collection process!
- Motivate employees to collect!
- Go the extra mile and make the second effort.
- Control and monitor!
- Working with your patients and keeping their account current is the best thing you can do.



Questions??



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