

KarenZupko & Associates, Inc.

Does Your Practice Use a Collection Agency? Otolaryngology Survey

Summary of Results

April 2006

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Letter from the President

Dear Friend:

This summary of the March 2006 results from the KZA “Does Your Practice Use a Collection Agency?” Alert survey covers several aspects of important business issues facing surgical practices.

- What does your practice do about past-due accounts?
- Can you trust a collection agency to help you?
- What process should your practice have in place to turn accounts over to a collection agency?
- How much can you expect a collection agency to collect for your practice?

I hope you find the results informative as you look at your accounts receivable and consider your options. I know we are already using the results in our consultative work with clients across the country who are committed to making positive improvements in the way they handle their collection issues. I look forward to hearing how some of you utilize this data—be sure to send me an e-mail at karenzupko@aol.com with your comments.

While you are on the Internet, be sure and bookmark the KZA homepage—www.karenzupko.com. Many of you continue to benefit from the training and expertise of the 2006 KZA/AAO-HNS Coding and Reimbursement Workshops—visit www.karenzupko.com/Workshops/main.htm for information on the 2006 course dates and locations for otolaryngology.

We welcome your feedback on the survey—it is only with your feedback that we can continue to improve this important information source.

Karen A. Zupko
President

Methodology

In March 2006, KZA sent an e-mail “Alert” with a link to our online survey “Does Your Practice Use a Collection Agency?” to a combined 1,463 subscribers in our Otolaryngology community.

The survey was made available online by clicking the web link provided in the notification e-mail. Respondents to the survey were a combination of physicians, office managers, administrators, and billers. About 8% of respondents completing the survey were otolaryngologists.

Respondents completed the survey by reviewing questions and selecting answer from a pre-set menu of responses. In addition, respondents entered practice demographic information in free form entry fields.

KZA received 83 survey returns during the month of March 2006 for a return rate of 5.7%. Results were entered into a database and checked for data entry accuracy.

KZA Observations About Responses

Many physicians' reluctance in using a collection agency has waned as patient debts have dramatically increased.

Using a law firm or reputable agency, one endorsed by medical societies and organizations ensures that the collection techniques used are appropriate. This reduces anxiety about having a third party collect.

Among the respondents, it is significant to note that a majority—some 34%—report turning over accounts when they are 90 days past due. Twenty-nine percent of practices report turning accounts over at 120 days. Beyond this point, accounts become more difficult to collect.

Along the same lines, we see that 72% of practices say that they turn over accounts monthly. This means that the third party has a better chance of successfully collecting for you. Not surprising, we note that 7% of the respondents frankly report that “getting a doctor to sit down and do the review” is a challenge.

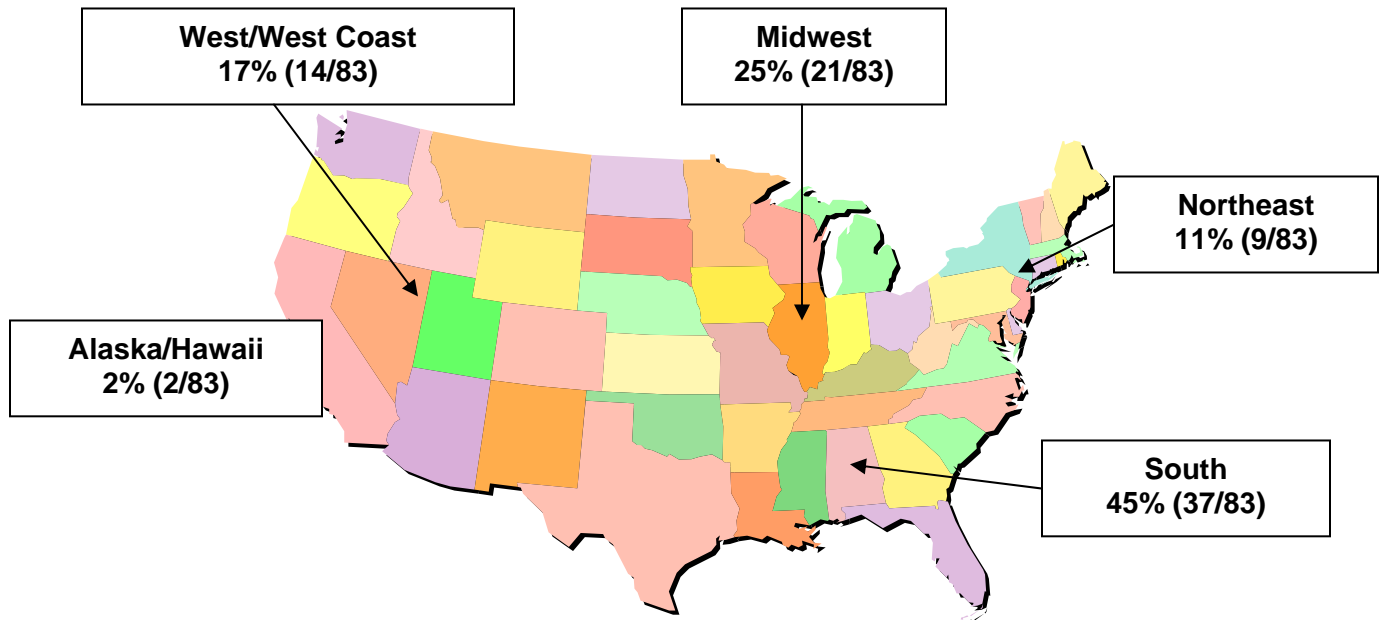
The hour spent reviewing accounts may be the most profitable the doctor spends on business issues. There are patients who simply won't pay until an outside party becomes involved.

Survey Respondent Demographics

The basic demographics of our survey respondents show that the largest group of them—**48%** (40/83)—are from **practices with two to four physicians**.

How many physicians are in your practice?		
2-4	48%	40/83
Solo	36%	30/83
5-8	13%	11/83
9-12	1%	1/83
13-20	1%	1/83

Respondents live all over the United States. Forty-five percent (37/83) are in the South, and 25% in the Midwest. Texas is the state with the most respondents (8), followed by Florida (6) and North Carolina (6).



Your Collection Agency: The Basics

Ninety percent of the respondents (75/83) say **their practice uses a collection agency**. Some of those who do not currently use an agency plan to use a collection agency in the future. Others believe that they can achieve better results on their own, or do not want to send their patients to collections. A majority—**80%** (66/83)—of respondents **use only one collection agency**, while **11%** (9/83) **use two** and **1%** (1/83) **use three collection agencies**. The remainder do not use an agency. **Twenty-nine percent** (24/83) of respondents said their **collection agency is affiliated with a law firm that handles liens**. Several more—**45%** (37/83) said their agency has **no such affiliation** while **18%** (15/83) had no idea.

It is important to turn over late accounts to your collection agency in a timely manner; otherwise, you risk not collecting on the debts at all. Most practices turn a patient's accounts over within the first 120 days, and on a monthly basis.

Over 120 days is **too late** to turn over delinquent accounts!

Do you turn accounts over if the patient has not responded to statements/letters after:		
90 days	34%	28/83
120 days	29%	24/83
150 days	11%	9/83
180 days	10%	8/83
60 days	6%	5/83
181-365 days	4%	3/83
I have no idea	0%	0/83
Do not use a collection agency	7%	6/83

Do you turn accounts over:		
Monthly	72%	60/83
Quarterly	10%	8/83
When we can get a doctor to sit down and review accounts	7%	6/83
Semi-Annually	2%	2/83
I have no idea	1%	1/83
Do not use a collection agency	7%	6/83

Whether physicians approve the accounts that are turned over is not necessarily a factor in how quickly accounts are given to the collection

agency. A far larger percentage of respondents—**55%** (46/83)—indicated that **physicians approve all accounts** than the **7%** (6/83) who had responded to an earlier question that **accounts are turned over when we can get a doctor to approve them**. The latter response seems to imply that the responsible physicians are at times too busy with other duties. **Ten percent** (8/83) of respondents said that **some physicians approve accounts** in their practice, while **28%** (23/83) indicated **no physician involvement**, placing the responsibility with the managerial staff. Regardless of who approves accounts to be turned over, it is important to have a plan that everyone is prepared to follow.

Your Collection Agency: Let's Talk Money

We were surprised that in surgical practices, nearly one-third of respondents indicated that their practices turned over **less than \$10,000** in 2005, and a majority—**60%** (50/83)—turned over **\$25,000 or less**. We would have expected larger dollar amounts, since \$10,000 can be only two unpaid surgeries. At the same time, most of our respondents indicated that their collection agencies collected **\$5,000 or less—54%** (45/83)—on their behalf, the largest group of respondents collecting only **\$1,000 to \$5,000**. Details are in the tables below.

How much did you turn over to the collection agency in 2005?		
Less than \$10,000	30%	25/83
\$10,001-\$25,000	30%	25/83
\$25,001-\$75,000	17%	14/83
\$75,001-\$125,000	5%	4/83
\$125,001-\$250,000	2%	2/83
I have no idea	7%	6/83
Do not use a collection agency	8%	7/83

The amounts collected by agencies hired by the respondents were surprisingly poor, which may be due to practices turning over accounts after they are more than 120 days past due, or due to poor patient demographics. However, the most alarming response to this question is the **10%** of respondents who **have no idea how much their collection agency actually collected!**

How much did the collection agency collect on your behalf?		
\$1,000-\$5,000	40%	33/83
\$5,001-\$25,000	27%	22/83
Less than \$1,000	15%	12/83
\$25,001-\$50,000	0%	0/83
\$50,001-\$75,000	0%	0/83
\$75,001-\$100,000	1%	1/83
I have no idea	10%	8/83
Do not use a collection agency	8%	7/83

The largest group of respondents—**41%** (34/83) are **satisfied with these results**. A little over one-third—**34%** (28/83)—**are not satisfied**, while the remaining **25%** (21/83) indicated they **did not have enough information to evaluate** the situation. However, of the respondents to the next question,

58% (43/74) said that **these results are consistent with the collection ratio their agency has achieved in previous years**. Only **11%** (8/74) said the **results were not consistent**, while **31%** (23/74) **had no idea**. (These numbers do not include the nine respondents who replied that the question was “not applicable.”) Obviously, some changes are due for a number of practices getting consistently unsatisfying results from their collection agencies.

One problem may be that the collection agency is underperforming. Another problem may be unrealistic expectations. In selecting a collection agency, it helps to have a clear and realistic picture of what you expect from one. One of the two largest groups of respondents—**17%** (14/83)—**expected a collection ratio of 21% to 30%**, which roughly equals our respondents’ typical collection ratio of 25% (approximately \$1,000 collected for every \$4,000 turned over). An equal number of respondents, however, **expect a ratio of 41% to 50%**, significantly above what most are getting. Obviously, there is a disconnect here.

Unrealistic expectations lead to nothing but frustration.

What collection percentage do you expect from the agency?		
21%-30%	17%	14/83
41%-50%	17%	14/83
31%-40%	13%	11/83
51%-60%	12%	10/83
11%-20%	11%	9/83
Over 60%	7%	6/83
0%-10%	5%	4/83
I have no idea	10%	8/83
Do not use a collection agency	8%	7/83

As for the cost of using a collection agency, **88%** (73/83) of respondents were **charged a percentage of the collection**, while only **5%** (4/83) were **charged a flat rate**. Well over half of those who are charged a percentage—**71%** (52/73)—said they are **charged between 21% and 40% of the amount collected**.

Rates should be negotiable!

What percentage does your collection agency charge?		
21%-30%	41%	30/73
31%-40%	30%	22/73
41%-50%	13%	10/73
11%-20%	11%	13/73
0%-10%	3%	2/73
I have no idea	3%	2/73

All things considered, most respondents—**70%** (58/83)—**would recommend their collection agency** to others, while **17%** (14/83) **would not**.

Are you looking for another option? Look into **Intelligent Collections at I.C. System**. This agency is national, and they are endorsed by over 250 medical associations. Their ethics and varying types of services make them an excellent choice. Rates will vary depending on the level of service you request and the age of your accounts. I.C. System also has a useful list of questions to ask any collection company before you sign up.

Check them out at www.icsystem.com/kza.htm.