The Cure for Soaring Patient Receivables: 8 Best Practices for Point of Service Collections and Payment Plans

By Cheryl Toth, MBA

Patient deductibles and financial responsibilities are skyrocketing. According to a 2014 survey by the Kaiser Family Foundation, 80% of all workers now have annual deductibles, and the average deductible amount has doubled over the last eight years. The study showed that today’s annual deductibles average $1,217 for employer-offered individual coverage. Deductibles for families are much higher, averaging $2,328 for HMOs and $1,947 for PPOs. And Affordable Care Act (ACA) plans could have deductibles of more than $2,500 for individual coverage and more than $5,000 for families.

Add the trend of medical practices opting out-of-network, and it’s clear that patient collections are becoming a much more significant component of practice revenue than ever. If your practice isn’t collecting from patients at the point of service, you may be at risk of losing more than three-quarters of this revenue, because according to a recent study, only 21% of patient balances not collected up front are ever collected at all.

Here are 8 best practices to keep your patient revenue flowing.

#1 Create a Point of Service Collections Culture

An 8-surgeon group in the Southeast had a history of high patient receivables - the result of a long-held culture of “we’ll submit to your insurance and bill you after insurance pays.” The billing and collections staff worked in the basement, far away from patient and clinic flow.

It took some cajoling, but we got the practice to try collecting from patients as they arrived for their appointments. They moved a staff person up from the basement into a space near the front desk and provided technology tools and training so she could capably speak with patients about what they owed. In her first month in this role and location, this employee collected more than her annual salary.


This is one of our favorite client success stories and it illustrates a key point: point of service collection (POSC) doesn’t have to be complicated. But it does have to be deliberate and coordinated. It takes more than just updating the financial policy to achieve success.

First of all, moving patient collections “up front” is a philosophical change for most physicians and staff. For decades the mantra of “we’ll bill you after insurance pays” has put the first attempt at asking patients for anything more than a visit copay at least four to six weeks beyond the date of service - longer if the case was in appeals. A POSC culture flips this process completely around. Staff collects unmet deductibles, coinsurance and non-covered services amounts before patients leave the office, and prior to having surgery. The ultimate goal is zero patient statements. And this goal is becoming more and more possible, given the improving accuracy of the cost estimators available through clearinghouses and on insurance plan websites.

Our firm has trained staff and implemented collections culture philosophy for 30 years. One thing we know for sure is that success starts from the top: All physicians must stand united and support the philosophical shift. If they don’t, staff won’t change their behavior. And if one or two physician outliers won’t, the effort will be only marginally successful because staff will have too many different rules to follow.

To create a POSC culture, announce to your team that this is the “new normal.” Agree to one standard collection policy. Allocate staff time and resources to develop procedures. Use technology, train staff and monitor performance. And be patient as staff learn and change their behavior. As the old adage goes, Rome was not built in a day. Full implementation of POSC will take months, not weeks. The financial rewards are worth the wait.

#2 Update Policies, But Focus on Procedures

Review your current financial policy and remove language about balance billing, as well as patients only being responsible for paying copays in the office. Strike any language that is vague. For instance, “You will be asked to pay your financial responsibility at the time of service,” really says nothing. One policy does not fit each situation, so clarify yours by coverage type and distinguish between what patients are expected to pay for office services vs. surgery.
These examples can guide your conversation:

### Office Services

- "If you are covered by a contracted plan, our staff will collect your visit copay and any unmet deductible and coinsurance amount up to the contracted rate for office visits, injections, X-ray and in-office tests. We also accept patient financing with the CareCredit credit card."

- "If you are out-of-network, we’ll contact your insurance plan about your out-of-network benefits for office visits, injections, X-ray and in-office tests. We ask patients to pay the out-of-network rate for the office visit prior to seeing the physician. And if tests or X-rays are ordered, we ask for 50% of the out-of-network rate after you have been seen."

### Surgery

- "If you are covered by a contracted plan, our surgery coordinator will provide an estimate of your financial responsibility by calculating the coinsurance and unmet deductible amounts. 50% of this amount will be collected as a surgery deposit and the remaining 50% is due on or before the day of surgery. We offer automatic monthly payment plans on your general purpose credit card, or patient financing is available via CareCredit."

- “For uninsured patients who qualify, we offer financial assistance. One of our staff will help you complete a Financial Assistance application.”

Once policies are refreshed, focus on procedures. Policies set the rules, but the rules won’t be followed if staff doesn’t have a system for how to follow them. Create procedures that address issues such as:

### At the Front Desk

- **How will staff know the amount to collect from patients?** Many practice management software systems (PMS) offer a report that displays collectible copays, past due balances and more. The procedure should explain how to generate it and where to find the information in the data.
• **What if patients can’t pay in full? What are the rules about establishing a payment plan?**

We recommend an attempt to collect at least 50%, and divide the rest of the amount equally into as high a monthly amount as the patient is comfortable. Ideally, the account should be settled within 3-4 months, although this is not always possible with all patients.

• **How should staff handle issues and objections?** Ask staff to collaborate with the manager on the development of talking points for common objections. For instance, if a patient didn’t bring a credit card or checkbook with them, possible scripts are:

  — “That’s ok [INSERT NAME], we can handle this another way. Why don’t I call you this afternoon and take your credit card number over the phone? What time will you be home, and is [INSERT PHONE NUMBER FROM PMS] the best number to reach you?”

  — “Sometimes I run out of the house without my wallet too, [INSERT NAME]! Here, take a look at my computer screen and I’ll show you how you can pay your bill online on our website when you get home.”

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**After the Surgeon Has Recommended Surgery**

• **Who will explain the patient’s financial responsibilities for surgery?** A dedicated staff person for this role is important and the check out desk is NOT the right location for this conversation. A private office or enclosed area is a must.

• **What if the patient has a demonstrable financial hardship?** Staff should be prepared to discuss and facilitate all options, from explaining the practice’s charity care fee schedule (which we recommend a practice establishes based on the annual U.S. Federal Poverty Guidelines, or the amounts used by the local hospital), to walking the patient through the completion of a Financial Assistance form, to discussing the possibility of a charity care write-off with the physicians.

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**#3 Use Payment Technologies**

One of the top reasons staff don’t want to ask patients for more than the copay is that they aren’t sure what to collect. Technology puts collection data into the hands of staff in seconds, empowering them with the information they need.
Start by leveraging the technology you already have in your PMS. Two standard reports in a PMS or clearinghouse, eligibility status and past due balances, indicate amounts patients owe, unmet deductibles, and the ineligible patients whom they can collect from at the appointment. Train staff to generate and use these reports.

There are three additional technologies that are important to implementing POSC: **online cost estimators, recurring billing and online bill pay.** Data provided by online cost estimators empowers staff with the specific amounts they can collect. The use of recurring billing automates payment plans. And online bill pay provides a convenient option for patients to pay.

![Availity CareCost Estimator](image)

**Figure 1.** Cost Estimators like the one offered by Availity deliver estimated patient responsibility data in seconds, and enable staff to collect more at the point of service.

- **Online Cost Estimators** – These free, online tools are provided by payors, and empower staff with real-time data about a patient’s unmet deductible, coinsurance and copay based on the patient’s benefits. Staff enters CPT and ICD codes and patient details into the online cost estimator and gets instant access to amounts they can collect. See Figure 1.

  Many insurance plans offer cost estimators on their websites. Others deliver the data through statewide or regional portals such as Availity (www.availity.com).

- **Recurring Billing** – Recurring billing automatically charges the patient’s general purpose credit card each month, for an agreed upon amount. No paper statements, no payment books and no staff intervention. It’s how you pay for services such as Netflix, Pandora or your gym membership. It guarantees payment every month, and it’s more secure and reliable than maintaining a spreadsheet with patient credit card numbers; recurring billing system vendors store credit card data securely and are payment card industry (PCI) compliant.
TransFirst (www.transfirstassociation.com) is one such vendor. The company offers recurring billing through a virtual terminal that staff log in to at checkout, or during the pre-procedure patient counseling process. TransFirst also offers the option of automatically charging a patient’s credit card after their insurance pays – speeding patient account pay-off and negating the need for statements.

- **Online Bill Pay** – Providing patients the convenience of paying their bill online increases the chance they’ll pay more quickly. Most patient portals offer this feature. If yours doesn’t or you don’t have a portal, processors such as TransFirst can install a secure online payment button on your site in less than 20 minutes. Or, you could offer PayPal (www.paypal.com) on your practice website, or use a system such as Intuit Health (www.intuithealth.com).

#4 Explain Surgery Costs and Collect a Pre-Surgical Deposit

Pre-surgical financial counseling provides total transparency about what the patient's insurance will cover, and the amount they are responsible to pay out-of-pocket. A key component of implementing this system is the use of a Surgical Cost Quotation form (See Figure 2). A surgery coordinator uses an online cost estimator or calls the payor to determine what the patient owes, and completes this form after the physician specifies the procedure and diagnosis codes for the recommended surgery. Ideally, this is done while the patient is still in the office.

Best practice, the surgery coordinator collects 50% of the patient's out-of-pocket costs as a deposit prior to surgery. The remaining 50% is collected at the patient's pre-op visit, or a portion of the 50% is collected, with the remaining amount paid over time via recurring payments on the patient’s credit card. The goal is to have the patient pay his or her amount in full within 90 days of the procedure.

Pre-surgical financial counseling may be very well-received by patients, who prefer to know the amount they’ll owe in advance, as opposed to receiving an “unexpected” bill several months after surgery. Cost transparency puts power into the patient’s hands, and enables them to make decisions about their own care, especially if the procedure is elective. A dedicated surgery coordinator ensures patients understand options.
A surgery coordinator completes this form for each patient who is recommended for surgery. Financial responsibility data is obtained by using an online cost estimator or by calling the patient’s plan. Best practice is to collect at least 50% of the patient’s financial responsibility prior to surgery.

Patient’s Name

Today’s Date

Proposed Surgery Date

<table>
<thead>
<tr>
<th>Procedure Code(s)</th>
<th>Diagnosis Code(s)</th>
<th>Fee(s)</th>
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**Financial Responsibilities:**

Our Charges:

Plan Allowable:

Non-Covered Services:

Deductible:

Coinsurance:

Your Total Responsibility:

Total Deposit Due (50% of Total Responsibility):

The deposit is due ten days prior to surgery. We will accept a personal check, cashier’s check, VISA/MasterCard or cash. The balance of your financial responsibility is due at least two days prior to surgery unless other arrangements are made.

Our fee includes all postoperative visits for_________after the date of surgery.

You will receive a separate bill from the anesthesiologist.

Lab tests are extra and are billed by the physicians providing these services.

Our fee quotations are valid for one year.

If you have any questions, please call me. I’m your Surgery Coordinator:

______________________________  _________________________
Surgery Coordinator Signature    Phone

______________________________  _________________________
Patient Signature                Date
Offer Patient Financing as a Recurring Billing Alternative

If patients need to pace their payments in a way that does not adhere to the practice’s recurring billing policy, the CareCredit credit card can be an effective alternative. CareCredit can be used to finance a patient’s deductible and coinsurance for surgery, physical therapy, injections and tests (subject to credit approval). For a small service fee based on the financing terms selected, the full patient receivable is transferred to your bank account in two business days. The administrative burden on staff is reduced because CareCredit assumes follow-up and collections tasks directly with the patient.

After clarifying costs by providing a surgery cost estimate to patients, three-surgeon Texoma Orthopedic & Spine Associates in Denison, TX collects 50% of the patient’s portion of the bill in advance of the procedure. “If the patient needs elective surgery but would appreciate a way to make this pre-payment without using cash, we find that they are more apt to schedule if they can use CareCredit,” explains Treece Anzaldua, Practice Manager.

For Steve Herron, MD, Director of Advanced Orthopaedic Surgery Center in Temecula, CA, “CareCredit is a reasonable payment option for patients.” The practice replaced its in-house payment plans with CareCredit financing, and it lets all patients know that this option is available. “I used to offer payment plans,” explains Dr. Herron, “but unfortunately patients would not pay or they would only pay half of their surgical fee. With CareCredit the majority of the fee gets paid to the practice right away and the patient makes monthly payments with CareCredit directly.”

Train the Staff

Just because someone collects $10 copays does not mean he or she is comfortable or capable of asking patients for large dollar amounts. It’s the rare staff person who is a “natural” at asking patients for scheduling deposits in a polished and professional manner without training. Especially if that staff person has been with the practice a long time, knows the patients and has a caring personality. Sometimes, these employees “feel bad” asking patients for money and therefore have a hard time making the switch to a collections culture. That’s why training staff how to ask patients for money is vital.
Develop training materials that include scripts and talking points based on your practice’s policies for collecting for office services and past due balances. Make sure staff know how to respond to objections and questions such as:

✓ “I’ve been coming here for years and all I’ve had to pay was my copay.”
✓ “$413.00? That can’t be right. Can’t you just rebill my insurance?”
✓ “I have a $3,000 deductible. Do you have a discount for me?”
✓ “I can only afford half of that amount. Can Dr. Wonderful ‘forgive’ the rest?”
✓ “Can I pay some now, and some later?”

Schedule vendors to train staff on new technologies such as recurring billing. And use role playing scenarios to ensure staff can explain payment plan options and how to apply for patient financing or financial assistance.

If you don’t have a manager or supervisor capable of staff training, hire an outside expert – it’s worth the investment. Without proper training, your team will most likely not be effective at determining amounts owed, asking for money or handling patient objections - all of which will negatively impact collections efforts.

#7 Monitor and Reward Performance

The Hawthorne Effect is a psychological phenomenon that says people perform better and make more positive changes as a result of increased attention. In other words, staff will perform better, and collect more, if they know someone is paying attention.

Review a combination of metrics and monthly reports to understand the status of patient collections. Some practices budget for fun, low-cost incentives for meeting or beating collections goals. Movie tickets, gift cards, a massage or spa treatment are a few options.

Key Metrics

• **Daily Front Desk Collections.** This metric is easiest to review if staff plot a point for each day’s total on a line graph and submit it weekly as you implement a POCS system, and eventually monthly.
• **Daily Surgery Deposits.** Staff should post each deposit as an “unapplied credit,” which enables practice leaders to review the total without having these amounts reduce the overall receivables, as a credit balance would. Talk to your vendor to be certain that posted deposits are correctly stored this way.

• **Percentage of Patient Balances >90 Days.** This metric may start high, but if you follow the best practices in this document, the percentage should eventually fall to 10% or less.

### Monthly Reports

• **Patient Account Balances.** Generate this report in descending balance order, not alphabetically. That way, the biggest balances will be on page one. As your POSC program is implemented, this list should become shorter and shorter, but monitoring it is important to maintain staff motivation.

• **Payment Plan Status.** Be aware of who is current and who is not. Even if patients are set up on automated recurring payments, credit cards can expire or be rejected. Train the staff how to speak with and assist the non-compliant.

In addition to formal data review, stop by the front desk or surgery coordinator’s office a few times a month and ask how much has been collected. And always put collections performance on the monthly partner meeting agenda. Keeping tabs on performance enables the practice to quickly take action when collections head south, and before they become acute.

### #8 Refresh and Retrain

Remember that creating a collections culture takes time. Some of the new procedures will work perfectly right out of the gate; others will have to be modified once they’ve been tested in real patient situations. Staff is learning something new and it will take time to assimilate the knowledge completely.

One-time training only goes so far. After the newness wears off, training principles can be forgotten, and motivation may wane. That’s human nature. Test staff knowledge and conduct role playing in staff meetings to ensure everyone feels comfortable in their role. Encourage peer to peer observation and coaching to address knowledge gaps and missed collection opportunities. Schedule refresher training to fill the gaps and boost your team’s collection confidence.
Patient financial responsibilities are higher than ever. To minimize overdue patient receivables, practices must collect from patients at the point of service and prior to surgery. Commit to a collections culture and update financial policies so that staff is empowered to offer payment plans and patient financing as options. Be transparent with patients about costs and invest in technology tools. Provide staff adequate training so that they have the confidence to collect, and monitor their performance by reviewing key metrics and patient receivables every month. If success is lacking, invest in staff refresher training and coaching.

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How to Deal With All That Old Patient A/R?

Prioritize Follow-Up and Establish Payment Plans

Even if your practice begins implementing POSC today, proactive follow-up on overdue patient accounts is a must. Organize the project by prioritizing account follow-up in descending balance order. Then direct them to pick up the phone and call the patient. This may seem old-fashioned in today’s digital world. But building rapport over the phone significantly increases the chance that staff and patients come to an agreement about how to settle the account. Consider offering patients special incentives to pay off their bill. For example:

“Mr. Johnson, your account balance is $965.30. If you pay in full by the end of the week, we will take $250 off the total. Or, if you can pay half now, we’ll set up an automatic monthly payment for the rest over the next several months. I can take your credit card over the phone…”

“Susan, we understand it can be difficult for patients who have high deductibles like yours. So our physicians are offering a 20% discount if you pay your overdue balance in full, or a 10% discount if you set up a plan with $200 down today, and we can set up automatic payments to your credit card for $125 per month for the rest…”

Ask your team to present the status of ten large patient balances each month. Doing so will increase the diligence paid to clearing up the accounts. And for those patients who can’t or won’t pay, ask staff to prepare a summary and back up details for accounts they recommend be written off to bad debt or sent to outside collections. Keeping these balances on the books for years is foolish financial management and frustrating for staff. Approve the accounts for bad debt or send them to collections, but get them out of the A/R.
When **cost** makes it difficult for patients to get care...

Let them know you accept the **CareCredit** healthcare credit card

Don’t let high out-of-pocket costs, including insurance deductibles and co-pays, stop patients from getting the treatment or surgery they need. Accept CareCredit and you can:

- Provide your patients special financing options* to help fit payments into their monthly budget.
- Help increase acceptance of recommended treatment or care.
- Reduce A/R and billing costs and get paid in two business days

98% of Orthopedic Surgeons accepting CareCredit would recommend the program to a colleague.¹

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1. Inquire Market Research, 2014
* Subject to credit approval. Minimum monthly payments required. See carecredit.com for details.