

Private Practice Will Survive But Patient Billing Will Not

Joseph Eastern, MD

Practice Points

- Aggressive management of accounts receivable is the key to the financial health of any private practice. Physicians must become increasingly flexible in how they accept payments as the population continues to age.
- Consider requiring patients to supply a credit card or debit card to bill for outstanding balances after third parties pay their portion.
- Accommodate health savings accounts and health benefit cards.

For many years I have advised physicians that aggressive management of accounts receivable is the key to financial health for any private practice. In the current health care reform climate, it has become more important than ever. A crucial step toward proper management of accounts receivable in the age of the Patient Protection and Affordable Care Act is minimization, if not outright elimination, of patient billing, which is a hallowed yet obsolete tradition in private practice. Billing, in effect, is extending free credit to patients, and independent physicians can no longer afford it.

Some physicians of a traditional bent cling to the idea that accepting credit cards or even asking for payment at the time of service smacks of “storekeeping.” They feel more comfortable billing patients for outstanding balances but complain that their bills often are ignored; with each passing day following treatment in your office, the likelihood decreases that a patient will pay the bill.

Patient billing also is expensive. When you total the costs of materials, postage, and staff labor, each bill can cost anywhere from \$2 to \$10 or more. Every minute the office staff spends producing and mailing bills is time not spent on more productive work. Billing services are an alternative, but they also are expensive, and those bills get ignored too. Requiring immediate payment may seem distasteful to some physicians, but for physicians who wish to keep their office private and independent, it is rapidly becoming the only viable option.

Health Savings Accounts

Private practices will need to become increasingly flexible in how they accept payments as the population continues to age. This flexibility becomes increasingly important as more and more patients rely on health savings accounts (HSAs). Enrollment in these specialized, tax-deductible, tax-free accounts has increased 10-fold over the last decade.¹ Private practice physicians will want to accommodate for HSAs as much as possible.

A few credit companies are already promoting cards to finance HSAs and other private-pay portions of health care expenses, such as The HELPcard (www.helpcard.com). Major credit card companies also have begun to appreciate this largely untapped segment of potential business for them. Soon you may begin receiving help from them in

From private practice, Belleville, New Jersey.

The author reports no conflict of interest.

Correspondence: Joseph Eastern, MD (joseph.eastern@verizon.net).

setting up creative payment plans for your patients. Some financial institutions have even begun creating medical credit and debit cards called health benefit cards that are designed specifically for use at physicians' offices.²

Credit and Debit Cards

Credit and debit cards eliminate many of the problems associated with patient billing. They allow you to collect more fees at the time of service while you still have the patient's attention and the service you provided is still appreciated.

Charging to a credit or debit card also reduces the chances of a balance owed falling through the cracks, getting lost in the mail, or getting embezzled, and it cannot bounce so it is better than a check. Card payments also can improve your practice's cash flow, which is always a welcome benefit. Additionally, if a patient is delinquent in paying a credit card bill, it is the credit card company's problem, not yours.

Credit cards also offer more payment flexibility for patients. In the case of a large balance, offer your patient the option of charging all of the services to a credit card, which he/she can then pay off in affordable monthly installments. Your practice will get reimbursed in full, even as the patient is paying it off slowly, and the patient is able to pay off the debt at a pace that makes sense for his/her finances.

Payment Policies

Beyond simply accepting credit cards, the next step is one that every hotel, rental car agency, and many other businesses have used for years: Retain a card number in each patient's file, and bill balances as they come in.

Every new patient in my office receives a letter at his/her first visit explaining our policy: We will keep a credit card number on file and use it to bill any outstanding balances after third parties pay their portion. At the bottom of the letter is a brief statement of consent for the patient to sign, along with a place to write the credit card number and expiration date. This policy also comes in handy for patients who claim to have come to the office without cash, a checkbook, credit cards, or any other method of payment. In such situations, my office manager can say, "No problem, we have your credit card information on file!"

Do patients object to this policy? Some do, mostly older patients. But when we explain that we are doing nothing different than hotels do at check-in

and that this policy also will work to their advantage by decreasing the number of bills they receive and checks they must write, most come around. Make it an option at first if you wish; then, when everyone is accustomed, you can make it a mandatory policy. My office manager has the authority to make exceptions on a case-by-case basis when necessary.

Do patients worry about confidentiality or unauthorized use? Most individuals do not worry when they use a credit card at a restaurant, hotel, or the Internet. Guard your patients' financial information as carefully as their medical information. If you have electronic health records, the patient's credit card number can go in the medical chart. Otherwise use a separate portable filing system that can be locked up each night.

Does this policy work? In only 1 year, my total accounts receivable dropped by nearly 50%; after another year they stabilized at 30% to 35% of prior levels and have remained there ever since, which was a source of consternation for our new accountant who we hired shortly thereafter. "Something must be wrong," he said nervously after his first look at our books. "Accounts receivable totals are never that low in a medical office with your level of volume." His eyes widened as I explained our system. "Why doesn't every private practice do that?" he asked. Why, indeed.

Final Thoughts

The business of health care delivery is currently being rocked at its foundations, as I have been detailing in this column. Without considerable adaptation to these fundamental changes, a private practice can do little more than survive, and even that will take luck. A crucial component of adaptation involves doing more of what we do best, treating patients. Leave the business of extending credit to the banks and credit card companies.

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