



BY JOSEPH S. EASTERN, M.D.

MANAGING YOUR DERMATOLOGY PRACTICE

How to Slash Accounts Receivable

Quick, what's the largest asset on your balance sheet? Almost certainly it's accounts receivable. Many physicians fail

to realize that, often because they've never assembled a balance sheet or budget—something I'll discuss in an upcoming column. Many also fail to appreciate that aggressive management of accounts receivable is key to any practice's financial success.

Collecting balances due has always been a problem for physicians. After all, as I've pointed out many times, most of us receive woefully deficient business training, if we get any at all.

One result of that is that we extend more credit than any other business except banks and mortgage/finance companies. That's insane! Like every other business, we should strive to minimize the credit we extend by keeping our accounts receivable at as low a level as possible.

This is, of course, easier said than done. The traditional advice for minimizing accounts receivable has always been that any amount collectable at the time of service should be collected. But some patients inevitably brandish the old "I forgot my checkbook" excuse and escape without paying. And some fees, in particular the patient-owed portion of most insurance plans, are difficult if not impossible to calculate at the time of service and must be billed later.

The problem is once patients have left your office, according to one study, your bill drops to 19th out of 20 on their payment priority list. So why not do what a growing number of businesses, including every hotel, motel, and country inn on the planet, already do: Ask each patient for a credit card, take an imprint, and bill balances to it as they accrue.

Geoff Anders, president of the Health Care Group Inc., suggested this in a talk he gave for my office efficiency course at the 2004 American Academy of Dermatology summer meeting, and it hit me like the proverbial "whack on the side of the head"—Why haven't we all been doing this for years?

After all, patients think nothing of handing a credit card to a busboy in a restaurant or blithely shooting credit card numbers into a black hole in the Internet. So why should they object to doing the same thing with their medical bills?

Beginning last January, every patient entering our office has been handed a letter at the check-in desk explaining our new policy of asking for a credit card number on which any outstanding balances will be billed. (If you would like a copy of my letter, e-mail me and I'll be happy to send it along.) At the bottom is a brief consent for the patient to sign, and a place to write the credit card number and expiration date.

Some did object initially—mostly older people. But when we explain that we're doing nothing different than a hotel does

at each check in, and that it will work to their advantage as well by decreasing the bills they will receive and the checks they must write, most come around.

This year it's been optional, but beginning next month it will be mandatory. Why? Because in only 1 year our accounts receivable totals have dropped by nearly 50%. They are now the lowest they have ever been, in all categories, in my 24 years of practice.

Credit card companies have begun to appreciate this largely untapped segment of potential business for them. Soon, you may begin receiving help from them in setting up a system similar to mine, as well as other payment plans for your patients.

A few credit companies are even promoting cards to finance private-pay portions of health care expenses. One example is the HELPCard (www.helpcard.com). (As always, I have no financial interest in

any enterprise mentioned in this column.)

It's time for physicians to do more of what we do best—treat patients—and leave the business of extending credit to those who do that best. ■

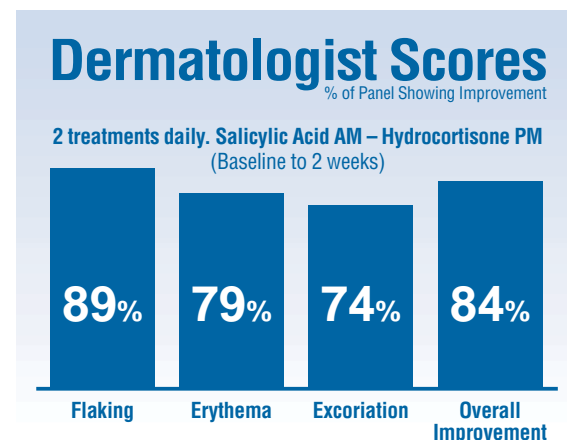
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