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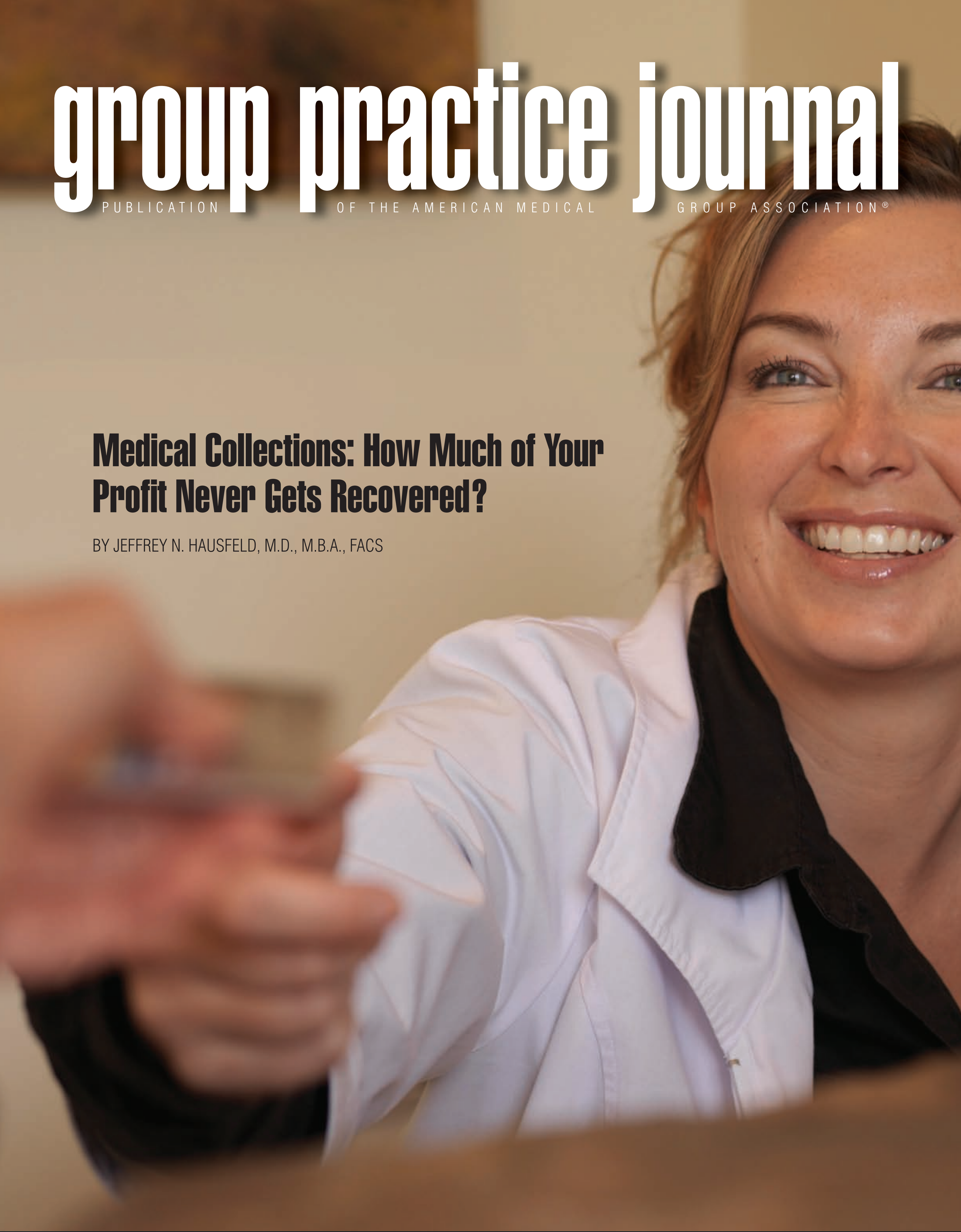

Medical Collections: How Much of Your Profit Never Gets Recovered?

BY JEFFREY N. HAUSFELD, M.D., M.B.A., FACS

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INSIDE: PREVENTING FRAUD

Medical Collections: How Much of Your Profit Never Gets Recovered?

BY JEFFREY N. HAUSFELD, M.D., M.B.A., FACS

Let's face it: in any medical practice, the urgent matters that confront us each day, requiring our immediate attention, are usually related to the practice of medicine. These matters will always have priority over other important ones, such as scheduling, billing, coding, accounts receivable management, and other administrative duties. It's no wonder that the last thing on your and your staff's minds is collecting delinquent debt. The physician billing process is inherently complex, resulting in significant delays and interruptions to our revenue streams. Couple that with increasing delinquent accounts for the patient responsibility portion of the medical or surgical bill, and it creates a financial scenario that is ripe for failure.

> Insights into this last phase of the accounts receivable cycle will help you improve your practice's revenue flow.

"When it comes to matters of money; gentlemen, and physicians, don't get involved." That was the mantra that most of us lived by as we went through our medical training and set up practices decades ago. Unfortunately in this constantly changing healthcare environment—where the decline in reimbursements exacerbates the constant rise in expenditures—every penny counts. CFOs associated with large hospitals or integrated healthcare delivery systems across the country spend an increasing amount of time trying to find the best way to recover this "lost profit" that falls directly to the bottom line. Imagine if Medicare said it was going to decrease reimbursements for medical services by 5 percent next year. Physicians from around the country, across all disciplines, would band together and hire high-priced lobbyists to intervene on our behalf, and in doing so spend tens of millions of dollars to thwart the effort proposed by the government. Yet in our individual practices, when we see an ever-increasing percentage of delinquent patient accounts, we rarely if ever give it the kind of attention, analysis, and appropriate manpower needed to recover this outstanding debt.

After practicing surgery for almost 25 years, I recently completed an M.B.A. specializing in health care, and moved on to manage a debt recovery firm specializing in medical collections. With the benefit of my unique perspective, I hope my insights into this last phase of the accounts receivable cycle will help you improve your practice's revenue flow. Through powerful questions and an insider's careful examination, my goal is to create an opportunity for you to reflect and see if your practice is maximizing the collection effort.

1. Are you utilizing staff for collection efforts instead of for managing your practice?

We all know that our staff needs to focus on delivering superior health care and making sure that our offices run smoothly. Often, however, they lack the time to execute their duties efficiently and effectively. Simply telling staff to "jump higher" can make hard-working, dedicated employees frustrated with the process. This is especially true when asking administrative and billing personnel to perform time-consuming telephone collection chores. Although you may clear up some outstanding collections, the process can prove to be very expensive if these additional duties divert your staff from proper scheduling, patient education, appropriate billing and coding, and handling the HR needs of a busy practice.

2. Does your staff receive continual training in the Fair Debt Collection Practices Act (FDCPA)?

Over the past several years, significant effort has been made to educate medical personnel as to the intricacies of HIPAA privacy regulations. We have all been made aware of the importance of keeping personal health information secure in a world dominated by the electronic exchange of information. The Fair Debt Collection Practices Act is a federal regulation with a similar intent to protect patients and carries serious consequences if the rules are violated. If your billing or administrative personnel are making collection calls without having been fully educated as to the minutiae of the FDCPA, you are putting them, yourself, and your entire organization at risk. Whereas the courts are relatively lenient regarding HIPAA compliance, and dismiss small infractions, they are not so inclined with the FDCPA. Debtors who are savvy in the interpretations and meanings of the FDCPA have used it very effectively in exacting significant financial punishment for collection firms and organizations that do not follow the letter of the law.

3. Does your collection company work predominantly on third-party contingency collections, or do they service a significant portion of the debt from purchases of debt portfolios they have acquired?

This may not seem like an important question to those outside the collection industry; however, it is significant because of the fiscal concerns of the collection company and how they prioritize the collection queues of their employees. Companies that buy significant amounts of debt from medical or other institutions (e.g., banks, credit card issuers, gas and electric companies, cellular carriers) often leverage the debt acquisition with financing. The longer they carry that portfolio of debt, the more it will cost them. Therefore, they will prioritize this debt in their collectors' queues to liquidate it quickly and maximize their return. Physicians and hospital practices usually submit debt to a collection firm on a contingency basis, meaning that only a percentage of debt actually collected is charged to the medical practice. The collection firm that has competing interests between debts they have acquired and debt that they are working on a contingency contract may focus on the "in-house" delinquent accounts that will yield the highest return.

4. Does your collection company sustain collection efforts over time?

I used to think sending delinquent debt to a collection agency was like placing it in a black hole. After sending them a few thousand dollars in overdue accounts, I'd hope to see a few dollars of return in six, twelve, or eighteen months … if I was lucky! Not only did I have no control over the process, I didn't even know where in the process I was. The industry has moved toward a much more transparent way of communicating to clients about activity within their accounts. Most major collection agencies now give the client the ability to log on to a website, view all accounts from all of their practice locations, and see an overview of entire collection effort, either since the inception of their account or on a quarterly or monthly basis. Physicians can authorize their office to access the website and view the specified account information as well. The website enables administrative staff to communicate directly to the collection agency if there are questions about any individual account. Many times, a patient will come into the physician's office and pay directly after he or she has been sent a letter from a collection company. Communicating via e-mail that this has occurred is an efficient means of informing the collection company that funds have been received and the patient should be removed from the credit reporting bureau's list. The electronic access to accounts ensures that the debt recovery efforts will be sustained over time.

5. Will your collection company customize collection efforts to your specifications on both a global and individual basis?

Many collection firms dictate the terms of the collection process to physicians. These are usually the types of firms that deal with debt from many different industries, not just medical debt. When your patient's account appears in the collector's queue, it is difficult for that collector to balance the benefit of getting paid with the drawback of alienating your patients by treating them in a manner that does not reflect your practice. Many collection companies now have specific medical divisions that deal only with medical debt and train collectors specifically to maintain the delicate balance that we, as physicians, understand quite readily. A unique program I have initiated at the collection company that I'm now managing involves originating short-term loans for patients prior to referring them for potential legal action. When a patient has a medical savings account with a large deductible and an unexpected medical event occurs, it is much better to allow that person to have a loan for a short period while maintaining good credit than to report them to the credit bureau and possibly take legal action against them. It is a philosophy that reflects the care and respect we render to patients on a daily basis.

When setting up accounts with practices that are able to communicate electronically, many administrators now have the opportunity to customize the collection effort. You may choose from just having collection calls made, to reporting the person to the credit reporting agencies, to having a letter series sent out or proceeding with legal action. You may also choose to give the collection company settlement authority for a specific percentage on a global practice or individual patient basis.

6. Does your collection company offer IT support to assist with the debt submission process?

The more time elapses from the date of service, the less likely it is to recover funds. Hence, it is important to establish an easy way to submit this debt on a regular basis. Most practice management software systems have the ability to create an Excel spreadsheet, a Common Separated Value or Common Delimited Tab file. Your collection company should be able to work with your administrative staff to generate a reproducible report that contains the appropriate demographic and insurance data, so that delinquent accounts can be imported electronically after the appropriate period of internal collection efforts has passed. We have found that the optimal time for submission of debt is about 90 days after the adjudication of the insurance claim. Some collection firms have instituted programs that charge reduced fees for a letter campaign targeting this early recovery period.

> Outsourcing should not only let your office run more smoothly but also increase the percentage of debt that is consistently recovered.

7. Whose profits are being maximized … yours or the collection company's?

When evaluating a potential collection firm, don't look only at the percentage fee they charge for contingency work. An invitingly low collection fee may by offset with other hidden fees. These may take the form of sign-up fees, yearly administration fees, returned mail fees, and long-distance telephone call fees. Some collection companies also charge a higher rate for their collection efforts based on the age of the account. In other words, if the debt does not get collected during the first 90 days, the percentage the collection company charges automatically increases. As you can imagine, this type of protocol does not incentivize a collector to resolve the delinquent account swiftly, and it is a practice you should watch out for. You should also be aware of how collection companies create payment plans with your patients. Many times, they will create a plan enabling the patient to pay off their debt over a period of six to twelve months. But some collection agencies take their fees out before you get your payment, which may result in the collection agency getting a return on its investment while the physician is left holding an empty bag.

8. Have you received a HIPAA Business Associates Agreement from your collection company?

If you haven't, chances are that they have not trained their collectors appropriately in the HIPAA privacy act and you should look for an agency that has. Ask if your collection company has specific training from a medical professional in order to mitigate litigation risks. We all know that sending an account to a collection company can prompt the patient to pursue a medical malpractice claim. Collectors need to be educated about these signals so that these scenarios can be quickly identified and avoided.

9. How can healthcare facilities maximize the recovery efforts of a collection firm?

First of all, realize that the collection process is a slow and methodical one. I cannot tell you how many times I have had to counsel practices that have held on to bad debt for more than a year, and are on the phone to my office after a month of submitting the debt wanting to know where their check is. Following the FDCPA laws, reporting to the credit bureau agencies, and skip tracing all take a significant amount of time and manpower.

Secondly, start practicing "defensive information gathering" on your patient intake forms. Information such as e-mails, cellular phone numbers, next of kin, employment, etc. is essential in finding debtors in a timely fashion. Patients should also sign an attestation form delineating your payment and collection policies, especially if you plan to charge the patient a fee for the collection effort. Lastly, stop the bottleneck in your office in submitting the delinquent accounts. Identify those accounts that are potentially problematic early in the accounts receivable process, and submit them on a regular basis.

Outsourcing

Many of you will want to simplify the debt recovery process by taking it out of your office and having professionals handle it for you. The hope is to reduce your overhead as well as your need for full-time employees.

Outsourcing should not only let your office run more smoothly but also increase the percentage of debt that is consistently recovered. The challenge lies in finding the right professionals for the job.

Though many of us have tried to strike a balance between "micromanaging" the office and focusing on our core competencies and professional duties, unfortunately, we are not always satisfied with the outcome. While practicing surgery, my solution was to concentrate my energy and passion on my specialty, while outsourcing ancillary services such as billing, collections, background checks, and debt servicing. Spend the time and take the effort to find a collection firm that offers you an innovative array of products and services that will help your business achieve a dependable and consistent revenue stream and enhance the management of the last phase of your accounts receivable cycle.

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About the Author
Jeffrey N. Hausfeld, M.D., M.B.A., F.A.C.S.

Acclaimed as one of the nation's foremost experts in the fields of Otolaryngology and Facial Plastic Surgery, Dr. Jeffrey Hausfeld has served on the national board and committees of specialty medical societies since beginning his practice 24 years ago. He is an Associate Clinical Professor of Surgery at George Washington University School of Health Sciences and an alumnus of the Yale University School of Medicine.

Dr. Hausfeld is widely published in the medical literature, is the pioneer of innovative laser surgery techniques, is the author of a lay oriented medical book, and has appeared on numerous local and national television and radio shows as a medical expert. He has also served as a health care consultant, spokesperson, and executive coach for multi-national pharmaceutical companies, health care firms, as well as the U.S. military.

Dr. Hausfeld recently stepped down from his clinical duties after receiving a Masters in Business Administration from Johns Hopkins University. He continued to refine his communication and team building talents by completing a graduate program in Leadership Coaching and Organizational Development at George Washington University.

Dr. Hausfeld now manages a national debt collection firm as well as raising capital for health care related real estate ventures both regionally and nationally.

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