Are you frustrated by the number of your patients who are not paying their portion of the medical services that you've provided? ...who “forget” to bring their copay? ...who ignore your invoices for the coinsurance due after their insurance pays? ...who promise to make monthly payments, but never honor that commitment?

These common barriers to successful collection of self-pay balances are common and pervasive in many practices, and they are not disappearing any time soon. As we all know, the shift of insurance policies to high deductible health plans, combined with the current recession, has triggered an epidemic of people unwilling to part with cash. It’s become more difficult than ever to collect self-pay balances.

For the past ten years, my hands-on involvement with medical billing and revenue cycle management has provided me with the opportunity to witness and to test a variety of methods used by medical practices to encourage patients to pay out-of-pocket expenses.

Here are my Top 10 Tips for self-pay collection policies and procedures, which, when followed, yield positive results. Now is the time to fine-tune the way that you manage self-pay accounts receivable (A/R) to infuse more self-pay monies into your practice.

1. Create a written self-pay collection policy that is fully supported by the practice’s principals.

The physician and administrative management team must be clear and in agreement about the practice’s philosophy on when and how self-pay monies are collected. Until that philosophy is written, there is no way that it can be accurately shared or followed. We all have played the telephone game; and a word-of-mouth policy will have the same ending: filled with misinterpretation or simply ignored. Not funny! And not profitable!

2. Ensure that the policy is financially equitable, abides by your Medicare participation agreement and respects the Fair Debt Collection laws (both federal and state).

Have your trusted attorney, who is experienced in both health care and collections laws, review your written policy to ensure that it adheres to all applicable regulations.

Once that is accomplished, take a look at your fee schedule. Are your fees too high to be equitable to uninsured individuals? If you are not participating with Medicare, remember to consider the Medicare Limiting Charge. Is it fair to accept a $1,500 surgical reimbursement from Highmark and then ask the uninsured to pay $3,000?

Sliding-scale fee schedules for self-
pay individuals are an easy way to achieve equanimity. Start with the Federal Poverty Level Guidelines, then factor up to suit your needs and known geographic income parameters. This approach requires having a patient application and approval process, but basing a discount on fact will always keep your practice in compliance.

3. Train your practitioners and staff about the policy and their role in its adherence.

Medical practice collections have been, and will always be, a team effort. Introduce your written self-pay collection policy to your entire team. For each position, specify how the role they take contributes to the outcome, whether it be the front-desk team collecting the copay at the time of service or a physician’s response to a patient complaint while in the exam room.

4. Inform your patients about the policy.

It is essential that patients know what is expected of them financially. A patient welcome letter, a practice brochure, the message that prints on the patient statement—these materials are opportunities to educate patients and repeatedly remind them of their responsibility for payment. Choose your words thoughtfully so that your point is made consistently and concisely.

The goals are to let patients know that you expect them to take responsibility for understanding what the self-pay provisions of their specific insurance coverage plan are, and to work with patients to find ways for them to meet that responsibility.

5. Implement the policy on a daily basis at every office, for every patient, for every practitioner.

I observe staff/physician/patient interactions at the front desk about patients’ self-pay balances that are sometimes not in accordance with what I know to be the practice’s self-pay policy. Patients may be upset; staff is uncomfortable handling conflict; physicians simply want to move on to the next exam room.

Make sure that your implementation plan includes “back-up” support at each location that staff and physicians can rely upon to enforce, or reinforce, the policy and procedures that you know to be effective.

6. Send patient statements according to an internally published billing cycle at a frequency to guarantee even cashflow and volumes of patient inquiries.

The standard I see in many medical groups is to mail patient statements weekly or monthly (by patient last name). I often observe that practices do not stick to that schedule because circumstances intervene to prevent it: staff are out ill; the system crashes; the biller gets pulled away to cover an emergency in another office.

I suggest that medical practices mail daily patient statements. A daily patient billing routine will eliminate the dreaded “second day after mailing” barrage of telephone inquiries that can cripple a billing department. Try it and see if it makes a difference for you!

7. Don’t send more than three patient statements.

How many times has your review of the self-pay A/R uncovered $25 balances for which the patient has been receiving statements for more than six months? If you are sending six electronic statements, you have spent in the range of $3.54 to $4.80 (@ $.59 to $.80 per statement), and you still haven’t been paid! Factor in the time value of money, and losses just keep going up.

Regardless of the balance amount, if the patient hasn’t either paid or contacted you after three months, that patient clearly is not planning to pay the balance. Consider a policy that automatically writes-off small balances after three statements have been mailed. Either accept that loss, place the patient on financial

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"probation," or fire the patient. Whatever your decision, sending more than three statements is a losing proposition and wastes precious resources that could be used in more profitable activities.

8. **Don't sweat the small stuff.** Establish the dollar amount that everyone agrees is "too small to bill" after the first or second statement. Spend your time and money on collecting the larger balances.

9. **Contract with an outside agency/firm to collect high-dollar self-pay balances.**

Most practices, regardless of size, simply do not have the time, interest or background to maintain an effective self-pay collections department. Your efforts will reap higher returns when you partner with those who do. In addition to the traditional collection agencies, some law firms specialize in collection and litigation services for professional service organizations. An attorney-signed demand letter may pack more punch and could shorten your collection cycle; especially for those large balances.

10. **Monitor success or failure—monthly. Reward staff or adjust internal procedures and/or contracted partnerships accordingly.**

For the mixture of medical practices with whom we work, 9.25 percent is the average amount of total A/R that is categorized as self-pay.

Because self-pay is typically a minor portion of total A/R, practice management often doesn't give it frequent oversight attention. Therefore, time is spent neither analyzing patient payment turnaround time, nor tracking in-house activity to determine if patient balances are timely transferred to outside agencies, and if those agencies are successful.

If you identify a success, the responsible staff can receive timely rewards, thus boosting confidence in their work. If you discover failure, quick corrections will mitigate ongoing and unnecessary losses.

This excerpt from AMA's publication, *Assessing and Improving Billing and Collections*, says it all: "It is crucial for a practice to collect all the money due directly from the patient. Timing is important...the collection of copays, deductibles and other patient-responsible payments is good business."

Implement these **Top 10 Tips** and see your frustrations evaporate.

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