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## How Physician Practices Can Improve Cash Flow

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Outstanding insurance and patient A/R can negatively impact the cash flow of a practice and cost additional money if it has to borrow working capital.

### **Define and document your collections policy**

Ensure that your terms of payment are clearly stated in writing – on the patient intake form as well as on every invoice or statement. Schedule financial counseling if the patient has a high deductible, will require lengthy care or an expensive procedure not covered by insurance. Payment arrangements can be set up for estimated patient

responsibility.

### **Identify past-due accounts**

There are many choices for practice management software, each with its own pros and cons. Your PM software should allow customization of financial and collection reports. The collections module should start identifying accounts by 60 days after patient responsibility and insurance claims by 45 days after filing in order to start the internal follow-up process. If possible, get rid of the “aging boxes” at the bottom of statements as people have a tendency to pay the smallest amount showing in the boxes, no matter the age.

### **Train your staff**

This includes front office personnel, who must verify patient address/insurance information at every visit. Here’s a strategy they can use when the patient has “forgotten” their wallet and can’t pay their co-pay at the office: hand the patient a remittance slip with their account number and co-pay written on it along with a self-addressed envelope and have staff say: “My name is \_\_\_\_, I’m writing my name on this envelope. When you get home, please put your co-pay in this envelope and mail it back to me. I’ll be keeping an eye out for it.” By making it personal, the patient is more likely to take care

of it.

### **Use a third party sooner**

90% of your collections budget is spent pursuing 10% of accounts. Statistics show that after 90 days, accounts held in-house depreciate at the rate of 15% per month<sup>1</sup>. The time and financial resources budgeted for collection efforts should be focused within the first 60-90 days where the bulk of your accounts can and should be collected.

Before paying a percentage to a collection agency, check into using a fixed-fee collection service that keeps your staff in control of the collections process. Make sure that agency is HIPAA compliant and offers a website to place accounts and track activity. Some flat-fee agencies also offer an insurance claim resolution program to save the practice hundreds of hours of “on hold” time by contacting past-due carriers on behalf of the practice and instructing the carrier to send EOB/payment directly to the practice.

<sup>1</sup> Source: US Department of Commerce

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