

THE 9 AREAS OF EXPERTISE: COLLECTIONS

By Roger P. Levin, DDS



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Levin Group^{Inc.}

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In consulting relationships with more than 24,000 dental practices since its founding in 1985, Levin Group has developed high levels of knowledge and skill in all areas of practice management and marketing, which we refer to as *The 9 Areas of Expertise*:

1. **Production**
2. **Collections**
3. **Team Building**
4. **Scripting**
5. **Case Acceptance**
6. **New Patient Experience**
7. **Hygiene**
8. **Scheduling**
9. **Marketing**



This whitepaper covers collections—how practices can collect a high proportion of what they're owed—and other financial strategies that will protect gains in production.

Today's dental economy demands that practices take a more businesslike approach to their financial affairs, most urgently in regard to obtaining payment from patients. The doctor may have a stellar reputation for clinical performance, and the practice may be busy. But neither reputation nor a full schedule will bring success without sound collections and financial policies.

The Importance of Numbers

The best companies are led by CEOs who, working with an executive team, drive growth by setting specific targets and implementing systems to achieve those targets. Successful business leaders understand that targets serve not merely as a way to *measure* performance but as a way to *improve* it. This quality makes targets an indispensable tool for practice leaders looking for ways to generate better results.



The recommended targets for collections are as follows:

- Collect 99% of what the practice is owed.
- Call patients who are 1 day overdue.
- Offer financing options to 100% of patients.

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A Word Of Caution:

Your collections may not be what you think they are. In a recent study, the Levin Group Data Center™ found that participants reported an average 94.2% collection rate. The difference between the 99% target and 94.2% may not seem like a big discrepancy at first glance, but for every \$100,000 in production, that difference equals a \$4,800 loss! Consequently, a \$500,000 revenue-per-year practice that only collects 94.2% of its production is losing approximately \$24,000 or more *each year*. In the new dental economy, most practices can't afford that type of deficit.

Hitting Your Collections Target

Improving collections allows practices to increase income and cash flow without increasing stress or hours worked. Following are several strategies every practice can employ to reach a 99% collections rate.

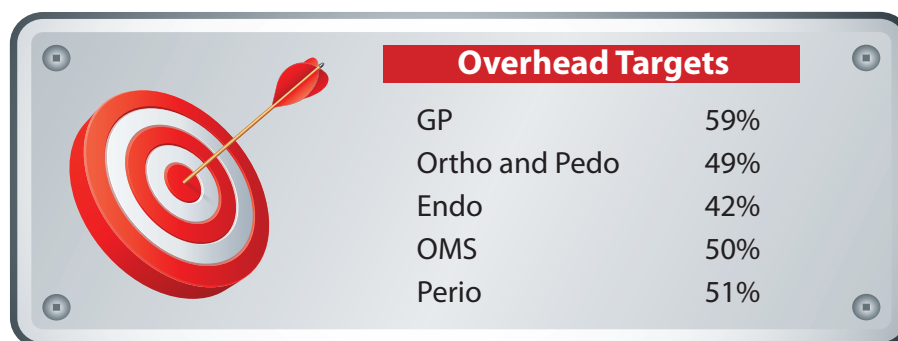
- 1. Establish strict payment policies and use scripting to communicate them clearly to patients.** All practice systems relating to the collection of fees should be documented in writing. This should then be translated into scripts that familiarize patients with their obligations. Scripts not only make it easier to discuss what for some team members is an uncomfortable subject, but also ensure greater consistency in what patients hear.
- 2. Submit insurance claims daily.** To minimize delays in receiving payments from insurers, claim forms should be prepared, double-checked and submitted every day. The practice should also implement a system that alerts staff when insurance payments are overdue. If reimbursements are late, contact insurers immediately to see if there's a problem.
- 3. Offer a wide range of payment options.** Allow patients to pay for services in various ways. When patients choose the convenience of credit cards, the practice avoids billing and collection labor while eliminating the risk of non-payment. For larger fees, offering a discount for payment up-front enables patients to save money while ensuring that the practice gets paid. Similarly, financing a higher fee through a third-party finance company provides the practice with cash flow and peace of mind.
- 4. Collect initial payments or co-pays when patients arrive for their appointment.** This sends a clear yet unspoken message that if they don't pay, they will not be seen that day.
- 5. Schedule time to address overdue accounts.** Rather than letting collections activities take a back seat, give them priority treatment. Identify specific times when a staff member will focus on collecting overdue fees. The time allotted will depend on the volume of accounts needing attention. Various performance targets—in addition to the 99% collections goal—can be established as motivators (such as number of patients contacted per week or number of overdue accounts settled per month).

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- 6. Use the Rule of Threes for contacting patients who owe the practice money.** As soon as an account becomes overdue, the patient should be contacted. First, the staff should place a phone call to the patient once a week for three weeks. If this doesn't work, staff should send one email per week for three weeks. Finally, if payment has still not been made, staff should send a formal letter once a week for three more weeks. This process produces results in all but the most difficult cases.
- 7. Remember that time is of the essence.** The longer a bill remains unpaid, the less likely you are to collect. Aim for collecting 90% of fees either at the time of service or within 30 days. Then focus on obtaining the remaining 10% by the 60th day. Most accounts receivable that reach 90 days will *never* be paid.

Keeping Overhead Low

Collecting fees is just one part of the practice's financial picture. Overhead also has a direct bearing on profitability. By reviewing expenditures methodically, practices tracking above the target percentages shown here are very likely to find excesses that can be eliminated.



To analyze how a practice is spending its money and begin determining where common-sense cuts can be made, the owner should break down expenses line by line. The specific line items will vary from practice to practice but typically include payroll, lease or mortgage payments, utilities, maintenance costs, investments in technology, supplies, clinical materials, lab fees, marketing, professional services, etc.

The next step is to create and follow a budget. Budgeting requires financial decisions based on a careful analysis of all the positive and negative consequences for each expense. Examine each category individually, looking for waste and ways to reduce it. Evaluate overhead for the past three years, compare those figures to current expenses, and target the appropriate categories for reduction.

Conclusion

Operating a successful practice in today's difficult economy requires more than simply increasing production—practices need to do more with what they have. Doctors, as practice owners, must examine every practice operation to increase efficiency and reduce costs. Unless practices can collect the money that is owed and streamline expenses, any gains in production will be lost.

THE 9 AREAS OF EXPERTISE: COLLECTIONS

The 9 Areas of Expertise cover every aspect of successful practice operation. By learning about these areas and seeking professional coaching and training to enhance all nine skillsets, practice leaders can grow their practices—and increase their personal satisfaction—in today's challenging economy.

Dr. Roger P. Levin

Dr. Roger P. Levin is a third-generation general dentist and the Chairman and CEO of Levin Group, Inc., the largest dental practice consulting firm in North America. A keynote speaker for major dental conferences, Dr. Levin presents more than 100 seminars per year. He has authored 68 books and more than 4,000 articles. In 2014, he received the Dental Excellence Award for Best Practice Management Consultant from *DrBicuspid.com*. For the past 12 years, he has been named one of the "Leaders in Dental Consulting" by *Dentistry Today* magazine.



ADDITIONAL RESOURCES:

The Platinum Library

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The Practice Performance Analysis™

Get the peace of mind you deserve, with a Levin Group Practice Performance Analysis™. More than 6,800 dentists and specialists have used this analysis to gain a better understanding of their practices and increase production.

The analysis is conducted by a Certified Practice Analyst at your office with minimal interruption to your business operations. During the assessment, the analyst will examine your practice's operations... pinpoint under-performing areas... and give you solutions for increasing production. Special price is \$1495, a \$500 savings.

To find out more, call 888.973.0000 or visit www.levingroup.com/analysis.

