How to use outside collection agencies

Don’t simply charge off accounts and forget them

Provided by Advisory Publications

Using an outside collection agency to pursue delinquent patient accounts may seem distasteful — downright objectionable — to you as a physician. You may still harbor mental images of telephone “boiler rooms” staffed by desperate, commission-based collectors using unprofessional means to harass struggling debtors.

But for years now, the collections industry has boasted high-quality, professional agencies that learned how to partner with clients and represent them in a manner consistent with the client’s values. Many even specialize in collecting medical debts.

Since they often understand co-payments and deductibles, they can more effectively deal with patients who haven’t fulfilled their obligations to you.

**In-house collectors?**

You may feel that your own billing staff can better handle delinquent accounts.

While that may be true to some extent, there comes a point when pursuing old balances doesn’t make sense for your staff. Moving “hard collections” to an agency frees your staff to focus their talents on effective insurance billing, up-front patient collections and routine follow-up.

Of course, that doesn’t mean you should allow your billers to neglect pursuing patient balances. Set up clear policies and procedures for collecting what patients owe you, including:

- Clear, detailed account statements
- Balance-due reminders on statements
- Automatic collection-letter series
- Telephone collection strategy

• Alternate payment systems like credit cards, monthly payments or balance financing through a financial institution

But despite your staffers’ best efforts, some patients simply neglect or refuse to meet their obligations. When a balance ages beyond 90 to 120 days without sufficient payment (or a promise to make routine payments), consider it eligible for charging off to a collection agency.

Only give a trusted staff member — perhaps your manager or billing supervisor — the authority for sending patient accounts to a collection agency. Make sure they understand how tough you want them to be.

Also, insist upon reviewing every account slated for collections. Have your biller prepare a one-page summary showing the balance, efforts to collect and the patient’s responses.

This way, if you see a delinquent account for a patient whose balance you promised to write off, you can veto the charge-off and avoid embarrassment. Or, if you see an angry or dissatisfied patient’s account, you may avoid a lawsuit by keeping it out of a collection agency.

**Shopping for an agency**

When looking for an agency to serve your practice, start by asking other physicians about their experiences. Ask for specific recommendations.

But whether or not your friends provide much help, look for agencies specializing — or at least experienced — in medical collections. Then, conduct a thorough review.

Interview a principal from the agency. Begin with general questions about licensing (if your state requires it) and affiliation with the American Collectors...
Quality — accounts deemed more collectible (not ancient, hopeless accounts already wrung out by your staff)

Exclusivity — you only use this agency

Larger, national collection houses sometimes offer flat rates, charging you a single fee per account turned over. This method brings at least two advantages:

- The agency gives every account equal treatment. It has no incentive to “skim” the larger balances with a bigger pay-off for the collector.
- You can feel more comfortable turning over larger accounts, since it won’t cost you any more than the smaller ones.

Communicating with the agency

Before settling on using a particular agency, make sure it can provide you with good service that eases, rather than complicates, your staff’s responsibilities. Review samples of agency reports to see if they provide understandable data tracking its activity and performance. Insist on monthly debtor reports.

Ask about billing, too. Sometimes a debtor sends payment to the practice after you’ve turned over the account. If your agency charges a percentage-based fee, you still owe the fee. Insist on net billing, where the agency deducts fees for such direct payments from the checks it sends you.

If you want to report delinquent debtors to the credit bureau, find out whether you can decide these on a case-by-case basis. Have the agency describe its procedure by which you can recall accounts and ask to see its criteria for finally abandoning hopeless accounts. Again, look for uncomplicated procedures and sensible criteria.

Many agencies today offer improved interfaces with clients through Internet or direct computer connections. Sharing data electronically lets you have greater control over what’s going on at the collection agency and provides up-to-date data every day.

Remember, your ability to partner effectively with a collection agency depends on how well it performs in three areas:

1. Professionalism
2. Reasonable fees
3. Smooth interface

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