

RECOVERING BAD DEBTS

Get on top of billing

As *Independent Practitioner Today* revealed last month, doctors in private practice are losing up to hundreds of thousands of pounds in bad debts. Are you one of them? Billing expert **Garry Chapman** outlines the extent of the problem and shows what can be done to get your money back

BUSY, DEDICATED doctors involved in private practice are often so focused on providing a high standard of medical care for their patients that they lose sight of the most fundamental aspect of running their business: medical billing and collection.

During the downturn in the economy, with over 80% of consultants billing less than last year, making sure that your finances are in order becomes even more important.

The focus must be on making sure that invoices are raised in a timely manner, ensuring that every procedure is billed correctly, invoicing with correct codes for each private health insurer, and collecting the money in a timely fashion to avoid bad debts.

We are constantly surprised how rare it is to find these fundamental business practices being carried out within a practice.

The reason we know this is because the majority of our clients come to us in various states of financial distress.

Some have huge backlogs of outstanding debts which quite often go back years. Some have clinics that have not been billed for many months; while some are years out of date with their fee levels. And the worst-case scenarios have all of these issues.

Why does this problem exist?

Doctors not getting paid all that they are entitled to can occur for a range of reasons.

Everything being left to the secretary is a common cause. The secretary who is often the busiest person in the practice is frequently expected to be a medical secretary,

receptionist, PA, sales ledger clerk, and insurance guru as well as a debt collector.

The individual with the combined skill-set required to complete all of these tasks as well as fit them all into a working week is either a very rare breed or simply does not exist.

It is an impossible task for one person to cope with once the practice grows exponentially from what is typically a slow start. It is our experience that, as the practice continues to grow, the secretary is so busy dealing with the medical side of the practice that the billing and collection is the area most frequently neglected.

We find some common side-effects of the above are as follows:

- The doctors continue to see patients who have not paid for previous treatment and therefore continue to build up their debt, so they end up seeing patients who have no intention of paying – meaning that doctors are, in effect, working for nothing.

- When the practice has a lot of foreign patients who come to the UK for treatment, they tend to stay only for a short period of time either in a hotel or rented accommodation. By the time the invoice is raised and sent to the patient for payment, they have left the country and gone back to their home country, making it extremely hard to get paid for that work.

- Financial problems are not always apparent to start with because, as the practice grows, a certain amount of money will continue to flow into the bank account, which masks the real problem of the outstanding debt. This continues to increase and get



Last month we reported how bad debts for doctors are on the up

older, which means it is less likely to be collected.

Another factor affecting the timeliness and amount of reimbursement to doctors is that, as pressure mounts on healthcare systems due to factors like rising costs and the ageing population, the insurance industry introduces stricter regulations on payments and claims which, if not understood, can severely delay payments and affect your cash flow.

Healthcare systems are constantly changing: government policies and regulations, billing rules, medical codes, new technologies and insurance products. It is the job of the practice to keep up with these changes, as they can affect a doctor's reimbursement or worse, cripple a practice if not complied with.

Now consider some of the taxation issues around poor billing and collection. Consultants are typically taxed on work done – not just invoiced – through the practice, which means that, if any

invoice is not collected, they are pouring money down the drain.

This is further compounded if aged debtors are not managed efficiently. Some consultants have no structured, objective process for tracking bad debts, including when to write them off. This means that tax that has been paid on the billing has never been claimed back.

Sole practitioners do not have the exclusive rights to losing money! In fact, the bigger and more successful the practice, the worse the billing and collection outcome can be, which results in even bigger problems.

In most cases we see, the situation only becomes apparent when it is brought to the consultants' attention through a major event; this could be anything from when the secretary falls ill or leaves to a demand from HM Revenue and Customs which cannot be met.

Neglecting the finance issues can result in consultants losing tens of thousands of pounds, which is money that can never be recovered. There is no need for the practice to suffer the financial losses when alternatives exist.

What is the answer?

Outsourcing your medical billing and collection to a specialist organisation where the sole focus is to obtain reimbursement on behalf of doctors has got to be the answer. Billing is a full-time job and if doctors want to maximise their time with patients, to be paid all that they are entitled to, to have steady cash flow and minimal bad debts, then they need to let professionals perform their reimbursement tasks.

INVOICE	REMARKS
NEW CONSULTATION - £100	CANCELLED
FOLLOW UP CONSULTATION - £85	DELAYED
FEE FOR PROFESSIONAL SERVICES - £100	DELAYED
FEE FOR ARTHROSCOPY - W850 - £3, 010.00	ON TIME

Constant delays: it is often the case that, by the time the invoice is raised by the doctor's practice, patients have left the country

Using a specialist organisation not only means the doctor receives the maximum amount they are entitled to for the patients' treatment, but it also prevents them from having to invest time in administration.

They will also not have to spend valuable time learning and keeping abreast of the art and science of getting paid by insurance companies, thus allowing them to maximise time for their patients, which generates further income.

Medical Billing & Collection (MBC) has experienced over 16 consecutive years of growth through achieving exceptional billing outcomes for its clients – bad debts of less than 0.5%; increased revenue by up to 25%; and consistent weekly cash flow.

All of this is achieved for a customer base that ranges from the consultant who is just starting out in private practice through to the some of the most prominent consultants in the country.

Case studies

One of our clients who joined us experienced bad debts of over 20% compared to our average across all clients of 0.5%. We increased the fees by up to 25% by ensuring the correct coding was used, combined with billing the correct fee for each insurer.

We also reduced their bad debts to our average of less than 0.5% and this resulted in the practice earning over 100k per annum extra without doing any additional work when compared to

the previous years. Another client joined us with a backlog of £150k, which stretched back over 18 months, combined with many months of clinics that had not been billed.

We not only recovered the £150k with no write-offs but increased the fees charged by up to 50% on the unbilled clinics because we were able to add missing codes for procedures that should have been charged every time they held a clinic.

Another client had outstanding debt that equated to over 50% of their yearly turnover going back years, which meant they were owed in excess of £400k and had clinics that not been billed going back many months.

This only came to light when the secretary left suddenly and we were called in to carry out an audit. We then used the clinic diary to work out the backlog of clinics that had not been billed and sent them out within days.

We then set about working through the backlog and, over 18 months, we cleared the backlog of debts with minimal write offs equating to less than 1%.

Additional benefits

While we understand that consultants and GPs with a private practice may be nervous about outsourcing their finances, they need to balance that feeling against the benefits that can be obtained.

The relationship between the consultant and the patient is kept

purely at the medical level, which ensures that the relationship is not tainted in any way regarding the commercial aspects.

The expertise in both medical codes and the nuances of each insurer as to how the codes should be used ensures that the billing revenue is maximised.

The expertise in checking that all the relevant information is present and correct when raising the invoice means there are no delays in the insurer or the self-payer accepting the invoice.

The billing firm has the resources to ensure there are no delays in raising the invoice, which, in turn, means the invoices can be chased in a timely manner ensuring that the best chance is given to minimising bad debts.

The specialist biller also has an efficient process in place for chasing unpaid invoices, following up

on shortfalls and dealing promptly with any problems with claims, which results in vastly improved cash flow combined with bad debts being greatly reduced.

They also have a variety of management and tax reports which can be tailored to the requirements of each practice.

Another advantage of using a dedicated billing service is that any disruption in a consultant's practice – such as secretarial absence for sickness or holiday – does not affect the all-important billing and payment collection, and therefore continuity in that vital area is assured. ■

Garry Chapman is general manager at Medical Billing & Collection. Independent Practitioner Today readers can register for a free billing audit at www.medbc.co.uk or by phoning 01494 541860

GIVE YOURSELF A FINANCIAL HEALTH CHECK

While it is hard for most doctors to admit, the chances are that they have been losing money for years – are you one of them?

To find out, you can carry out your own billing audit by establishing:

- How much you are owed
- How old your debt is
- How much of the debt is collectable or needs to be written off
- Which patients owe you the most money and decide if they are a risk
- If your treatments are being coded correctly
- If your codes are being accurately billed per insurer
- If you are billing at the market rate
- How far behind with the billing you are – what date was the last clinic that you billed

Once all of the above is known, then you need to decide what action you need to take in order to gain control of your finances and to stop losing money