



At one time or another, every physician has a patient that refuses or forgets to pay a bill. Medical practices have their own unique set of challenges when it comes to bill collections, which makes sending the debt to a third-party collection firm a delicate situation. This article looks at the ins-and-outs of medical debt collection firms and offers advice for working with them.

On a regular basis, most physicians have patients that refuse or forget to pay bills. Every business deals with this problem, but medical practices have their own unique set of problems with unpaid bills. First, you can't retrieve the service you provided. Second, unless the patient is a deadbeat, you probably want to keep the individual as one of your patients.

First-Party versus Third-Party Collections

First-party collections refer to the physicians or someone on their staff who attempts to retrieve payment from the patient. Third-party collections refer to hiring another individual or company to collect the money.

In the United States, The Association of Credit and Collection Professionals (ACA) is the trade organization for third-party collection agencies. The Consumer Financial Protection Bureau (CFPB) is the primary regulator of third-party collections. The CFPB regulates debt collectors on the federal level, but states also have their own laws. Some states comply with the federal rules and others go further.

Federal laws known as the *Fair Debt Collections Act* and the *Consumers Protect Act* are the main laws the CFPB uses to regulate collections. These laws include things such as preventing a collection agency from contacting consumers on their cell phones using an automated device, even though the agency can utilize an auto dialer.

Currently, medical debt doesn't fall under the CFPB. The CFPB oversees credit reporting, and some legislators argue that if medical debt were included on a credit report it would likely have an impact on the individual's ability to get a loan or credit.

Ins and Outs of Third-Party Collections

Generally speaking, third-party collectors receive commissions, taking a percentage of whatever they collect. In the physician collections arena, it's generally a private negotiated rate that typically ranges from 10 to 25 percent or more depending on the amount of debt, type of debt and the ease of collections.



A key word is "negotiated." The physician should be willing to negotiate a rate, rather than accept the rate the collection agency offers. The negotiated rate will often be based on the time period involved in the outstanding balance. For example, an outstanding balance of 60 days would have a lower commission than one that is 120 days or longer. The more difficult it is to get the money, the higher the percentage the physician is going to pay simply because it's more work for the collection agency to acquire the funds.

Partly because of the personal nature of medicine, physicians often have a say in how a collection agency approaches retrieving funds. These typically start with letters and alternate with phone calls.

A common practice for a collection agency is to activate the collections after a set period, generally after the physician's initial payment statement is sent. One method is to alternate. For example, one collection agency has a series of three letters and two phone calls that alternate, letter, phone call, letter, phone call, letter. This approach accelerates the urgency on the part of the doctor's office getting paid.

One collection agency approach is to operate under the physician's office name so that the patient is not aware that the debt has been turned over to a collection agency. In particular, if patients merely forgot or had a temporary problem resulting in lack of payment, they are less likely to be offended than if their doctor sent their accounts to a third-party collection agency.

Alternately, collection agencies may have services that operate under their own names, which increases the urgency. Again, they alternate letters and phone calls. Once patients pay, physicians have the option of sending a card or e-mail that states, in part: *Thank you for your payment. As part of the message, the doctor may add additional thoughts such as: Please call if you need our services. Thank you for choosing us as your health care provider.*

This underlines the importance of the collection agency understanding the value of physician-patient relationships. Physicians have a brand to promote and protect, and it's important that a collection agency doesn't negatively impact that brand. The physician-patient relationship is a significant part of the brand and should be protected.

Representation and Respect

When hiring a third-party collection firm, remember that the firm represents you and your medical practice. Every collection agency is different. The physician needs to be comfortable with the way the collection agency operates and presents itself. Are they respectful to the patients? Are they direct and straightforward? Are they timely? What is their customer service like?

Physicians need to maintain good relations with their patients. You absolutely do not want a collection agency that antagonizes them.

When choosing a collection agency, ask your peers for recommendations and inquire:

- Are you happy with the service?
- Is the service effective?
- Can you negotiate with them?
- Does the agency represent your practice in a way that is appropriate?

Medical debt has its own vocabulary and with the changes from ICD-9 to ICD-10, it is more complicated than ever. So look for a collection agency that specializing in medical practices ... not just medicine. A collection agency that handles medical practice debts works differently than one that handles hospital debts. Hospitals are often very aggressive in collecting debt, partly because on the whole they are dealing with very large numbers. Physicians in private practice can be more flexible.

Offer Workarounds

One thing physicians often do and should do, is to try and avoid the need for a collection agency. Of course, a lot of small payments that are ignored can accumulate in a big way, but looking at outstanding claims and understanding which ones are collectible is an important consideration. It can sometimes be worthwhile to write off an outstanding debt because it wasn't reasonable, there was a mistake, or there's so little money involved that it's not worth the hassle.

But if you let too many payments slip away, you may suffer financially. Consider negotiating payment with the patient. Contact the patient and suggest a payment plan. Ask them what they can afford to pay. It's a way to keep the patient involved with the practice unless it's obvious they are deadbeats who have no intention of paying their bills.

Evaluate your front-office policies as well. Consider getting a patient's credit card so that once the insurance company pays their part, you can directly charge the patient's credit card. Then, provide a receipt to the patient that their card has been charged per their insurance plan.

Make sure the office collects all the patient's important financial information, including demographics and insurance data. Understand how much the insurance deductible or co-pays are and inform the patient how much they owe before they leave your office. Be diligent in collecting as much money owed upfront so you don't have to chase it on the back end.

If possible, understand why patients aren't paying. Are they unemployed? Confused about their insurance coverage? Or are they unhappy with the care they received?

This last issue can be complicated, but it emphasizes the importance of understanding why the patient isn't paying. If for some reason, the patient is legitimately unhappy with the level of care and you then send that patient's bill to a collection agency, you could be increasing the likelihood of a lawsuit.

It's best to be judicious about which bills you go after. And know that you've really done the best you can for patients -- while still getting paid.