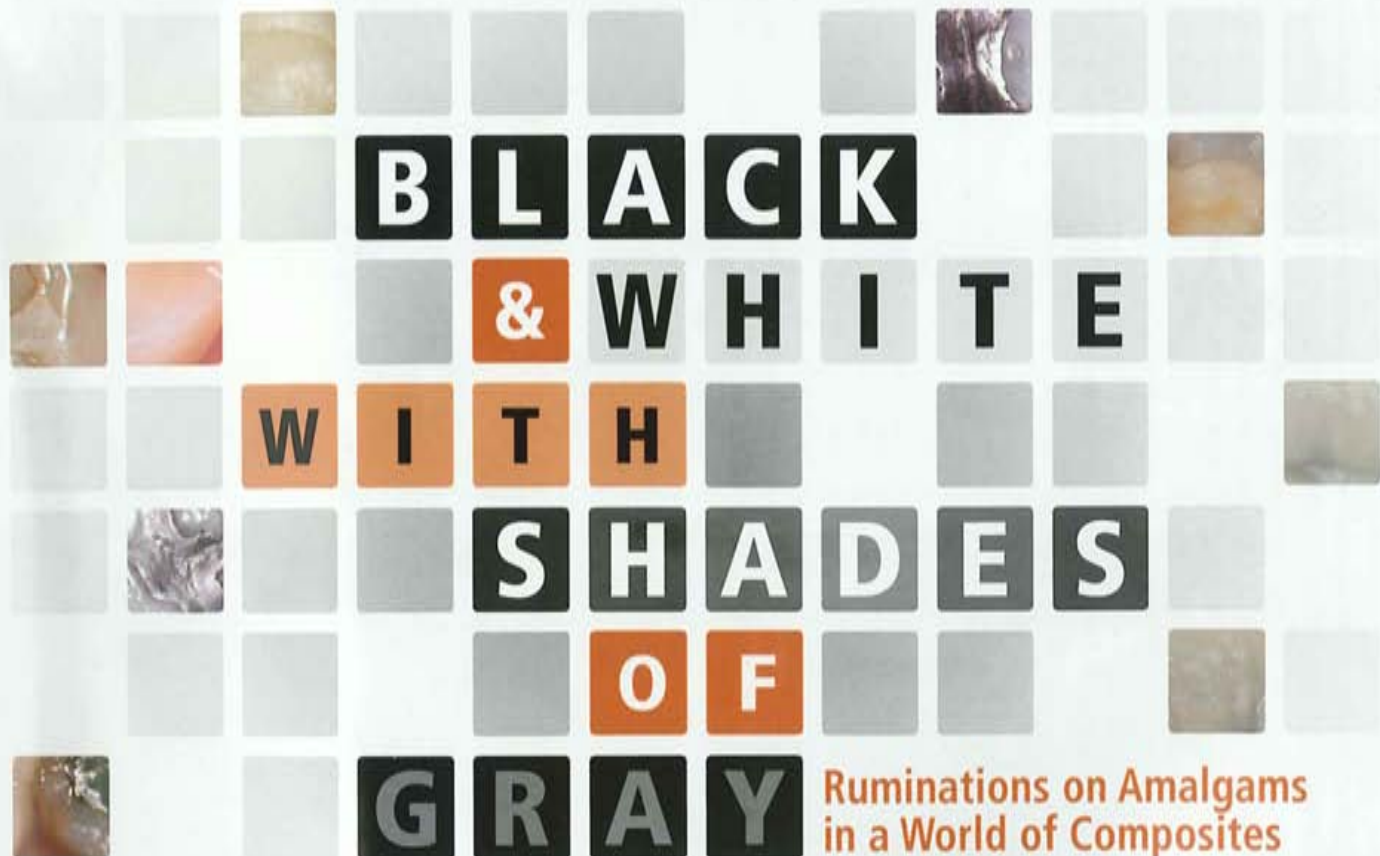


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Go with the (Cash) Flow

How to Accelerate and Maximize Collections

The concept of cash flow tends to be neglected in dentistry, as dentists are more focused on production and a host of other issues within their practices. However, it is cash flow that pays the bills and enables you to invest in items, including continuing education and new equipment.

Simply put, cash flow is the movement of cash in and out of your business over time. An important distinction here is that cash flow measures the amount of real dollars you have in hand right now, not the total revenue you will have by the end of the year. After all, you can only pay this month's bills with the cash you have this month. Thus, cash flow focuses not on the amount of production, but on how quickly the revenue from production moves into and out of your practice. One of the defining goals for cash flow, then, is to increase the speed of your inflows, or get cash sooner rather than later. Improving your cash flow allows you to pay monthly bills more efficiently, gives you more flexibility with your cash, and allows you to collect profits sooner.

Cash flow can be improved by reducing outlays and expenses, or by increasing the speed with which you collect accounts receivables (A/R). This article will focus on accelerating and maximizing collections.

Most dental offices accept assignment of insurance benefits. This intrinsically complicates the collections process, as the office has to wait for payments from insurance companies. Our observation is that offices participating in PPOs tend to have a bigger problem with A/R, as they tend to have a higher volume of patients and the billing process for these patients is somewhat more complicated, with write-offs and adjustments. Here are five steps you can take to reduce the age of A/R and collect 98.5 percent of "billable" production:

1 Manage patient expectations regarding insurance and your practice's financial policies.

Many patients come into a dental practice with little knowledge of their insurance coverage. No patient likes to receive a "surprise" bill, so it is

imperative that you manage expectations from the outset. Your system for billing and managing insurance will be a key factor in patient retention. Many patients have the notion that their insurance will cover everything, but the word "insurance" is actually a misnomer. The patient really has a dental benefit plan, which *could* pay for all or a portion of their treatment. The coverage is never guaranteed and there are dozens of ways in which payment could be denied for the most routine procedures.

The patient also needs to be aware that the dental benefit plan that he or she has is a contract between his or her employer and the insurance carrier. The dental office has nothing to do with it. The full terms of the contract are documented by their employer's human resources department. In the absence of this benefits contract, the dental office can only provide an estimate of what the insurance payment might be. However, no matter which process or software you use, this coverage estimate will never be 100 percent accurate.



“Cash flow can be improved by reducing outlays and expenses, or by increasing the speed with which you collect accounts receivables.”

In order to properly manage patient expectations regarding these issues and reduce insurance surprises, we suggest you review your office financial policies with patients during their first visit. Your staff should explain these policies and clearly define the patient's responsibility. Ask the patient to read and sign a financial policy agreement. The agreement must:

- **Inform patients that the dental office only provides an estimate of the patient responsibility.** It is not guaranteed to be accurate. Indicate clearly that any balance will be billed to the patient after the insurance company pays its portion, and any billing credit will be issued to the patient within 45 days.
- **Inform patients that they must pay their estimated portion at the time service is rendered** (i.e., on the day of their visit).
- **State the practice policy in the event of multiple-PPO coverage.** In addition, the agreement should include the policy for other fees, such as those for bounced checks, turning over the account to collections, and penalties and interest charges for late payments. The agreement should also clearly state who is responsible for payment in divorce situations.
- **Require a signature from all patients acknowledging that they have read the financial policy and are responsible for any amounts not paid by insurance, for any reason whatsoever.** If the patient is a minor, the parent or guardian becomes the guarantor.

For returning patients who may not remember some of these details, it may be useful to display your financial policy in a conspicuous place to remind them of their responsibilities. Clearly laying out these policies will ensure that patients accept and understand how and when they have to pay.

2 Estimate the patient's portion conservatively.

Underestimating the patient's portion slows down your cash inflows and results in time wasted later chasing after patients for payment. To improve your cash flow, you should aim to collect the entirety of the patient's portion immediately after treatment. This requires that you estimate the patient's portion accurately and conservatively. You can improve the accuracy of your estimates by doing the following:

1. *Acquire all the details of a patient's insurance plan before treatment.* Inquire about alternate benefit policies, missing tooth clauses, documentation requirements for periodontal scaling and root planing, X-ray eligibility and frequency, payment for molar root canals, annual

maximum, and deductible. Also, note the replacement policies for crowns and dentures. Ask about implant and orthodontic coverage. Further, make sure all of this information is entered properly into your practice management software, because your estimates will only be as good as the basis for the calculations.

2. *Be careful with estimates for posterior composite fillings, posterior crowns, and dentures.* Insurance companies often use alternative benefits for these and other procedures. Some software packages do not estimate the patient portion correctly for many of these procedures, so test your software to ensure it is returning the correct figures.
3. *Watch out for patients who exceed the maximum on their benefit plans.* Ask the patient if he or she has been to another dentist or specialist during the year, as that would impact the maximum available on his or her insurance account. If the patient has been to another dentist, check with the insurance carrier to determine how much is left on the patient's account and adjust your estimate accordingly.
4. *For major treatment like bridges, take the "missing tooth clause" into consideration and add appropriately to your estimate.* Have the patient date and sign a financial agreement that details the worst-case financial scenario.
5. *Finally, as a general rule of thumb, you should add 10 percent to your estimates.* It is better to have a credit on the patient's account and then reimburse, rather than having to bill the patient for a small amount.

Constantly look for ways to improve and refine your estimates. Your goal should be to reduce the total number of monthly statements sent to patients. By having more accurate, conservative estimates, you will collect more money on the day of treatment and improve cash flow significantly.

3 Offer payment options.

Offering a variety of payment options will help you increase treatment acceptance with patients who may not have been able to afford treatment otherwise. Besides accepting major credit cards, there are two other payment options that you can provide.

1. *Offer in-house financing.* Internal payment options could include three payments spread out over a three-month period, with a credit card authorization and a schedule for charging the credit card. With this method, the patient will sign off on a credit card authorization form, and your staff will simply charge the agreed-upon amount to the credit card on the designated dates.
2. *Offer third-party financing plans, such as Care Credit or Chase.* These plans will release payment to your practice bank account the next day. The plans then bill the patient and take on the risk of non-payment. For these plans, there is a fee charged to the practice, which ranges from 1 to 9 percent, depending upon the company, the terms of the contract, and the amount and

length of the patient's loan. Look at this fee as the cost for having the patient move forward with treatment. It is also the cost for getting the full payment immediately. If your practice presents a lot of large cases, it is imperative that you offer third-party financing options to patients.

Some doctors are reluctant to introduce such options, as they are concerned about the fees charged by the third-party financial companies. In evaluating this option, keep in mind that our entire economy runs on financing. Everything from automobiles to homes is financed, and not having such payment options would be a significant hindrance to both the growth prospects of your practice as well as your cash flow.

4 Submit claims promptly and accurately.

Instruct and train your staff to submit all claims on the day of service, with accurate codes along with the necessary X-rays and narratives. Delays and errors in submissions slow down payment and result in unnecessary rework later on.

To improve collections and reduce A/R age, file claims electronically instead of by mail. This speeds up the process and allows you to receive electronic confirmation when the claim is sent, preventing insurance companies from delaying payment. You will receive payments and be notified of denials more quickly.

5 Monitor the age and amount of your A/R.

Accounts receivables become increasingly difficult to collect as they increase in age, and this can have a substantial impact on your cash flow. There are several things you can do to monitor and improve your A/R:

1. Put systems in place for staff to follow up on aging accounts. Prioritize large balances and accounts that are more than 60 days past due for immediate action. Decide at what point you will send patients to collections or small claims court.
2. Many offices are collecting only 94 to 96 percent of "billable" services and procedures, and the owner

doctor is often completely unaware. You deserve to collect what you produce. Your practice should be collecting at least 98.5 percent.

3. Check the A/R total and A/R age every 15 days. With electronic claims, your A/R total should be less than 75 percent of one month's production. If the A/R total exceeds one month's production, you need to act swiftly to get it under control. Hold a meeting with your staff to develop an immediate action plan, and monitor the figures weekly until the A/R total comes down.
4. Regarding A/R age, you want the portion of A/R that exceeds 90 days to be less than 10 percent of monthly production.
5. Use these benchmarks to consistently monitor and improve your accounts receivables.

Management of A/R

Accounts receivables is one of the biggest factors in your practice's cash flow, but it is also very easy to lose control of it. Stay vigilant and keep on top of your A/R to maintain your cash flow.

Any turnover at the front desk tends to immediately elevate A/R and A/R age within the practice. If you've had a recent change in staff at the front desk, pay attention to A/R before it gets out of control.

Cash flow can be managed and improved by assigning the task of A/R control to a single person within your practice and using the steps above. You'll be able to collect more money, more quickly and with less hassle—leaving you more time to treat patients and enjoy dentistry. ♦



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