So you expect debit card fees to fall?

By Bill Holt, OrthoBanc President

The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, contained the “Durbin Amendment,” officially titled “Reasonable Fees and Rules for Payment Card Transactions.”

This amendment directs the Federal Reserve Board (FRB) to set the interchange fees for debit card transactions at a rate that is “reasonable” and “proportional” to the cost incurred by the issuer. Any change in fees will not become effective until two years after implementation.

The media has been abuzz lately over the 12-cent fee proposed by the FRB. This proposed fee represents a 90 percent cut in the fees charged for debit card transactions. It should be noted that the FRB can only set the interchange fee and has no control over other fees, such as network fees, fees charged by the merchant’s bank or other fees that combine to make up the total fee charged for debit card transactions.

Still, the interchange fee reduction is significant because it is the largest percentage of fees charged on debit card transactions.

So should you be excited about this reduction in debit card fees? Is this change going to be the next windfall for your practice? Probably not. Here are some reasons why.

Why you shouldn’t get excited about a fee reduction

Put yourself in the position of the banks. Could you continue business as usual if the government imposed a 90 percent reduction in your treatment fees? If the government regulated your fees for one specific type of treatment but left all others alone, it would be an easy decision for you to stop offering the unprofitable service. Banks will seek ways to protect their revenue stream just as you would do in the same circumstance.

Debit cards are popular with consumers. In 2008, the use of debit cards surpassed the use of credit cards. Banks will not eliminate debit cards, but they are already working on ways to drive the use of more profitable card programs.

For example, consumers are motivated by rewards programs. Debit card usage will not significantly fall if, and when, banks drop rewards programs for debit cards.

The industry is developing a new breed of account called a “relationship account.” The relationship account will contain a line of credit with a plastic card, complete with rewards. All charges on the card will be paid by the line of credit.

As long as the consumer has the funds available in his or her checking account to pay a transaction, the transaction will be paid immediately and appear to the consumer as if it were a debit card transaction.

When funds are not available, the transaction will remain on the line of credit. Because the charge initially goes against the line of credit, merchants will pay the much higher “credit” interchange rate, which is not subject to the Durbin Amendment.

The banking industry is not going to roll over and play dead on this issue. They will morph as necessary to protect their revenue stream.

Reduce your credit card fees on recurring monthly payments

Credit card fees are high and they are costly. Swiped card transactions are typically lower priced than non-swipe transactions, but setting accounts up for automatic drafting (non-swipe) is a great way to reduce your risk of non-payment.

DentalBanc offers credit card drafting at one of the lowest rates you will find for non-swipe transactions. This alternative to third-party financing allows you to schedule payments for the entire term, increasing your chances of getting paid on time each month.

Once you have determined that an office payment plan with recurring monthly drafts is a good choice for your practice, consider scheduling recurring ACH drafts rather than credit card drafts to dramatically lower your fees.

During the time that DentalBanc has served its clients’ payment management needs, credit card usage has grown from about 54 percent of recurring payments to 40 percent, representing nearly $275,000 in additional credit card fees paid by its clients annually.

Reducing the percentage of patients paying by credit or debit cards can save your practice far more than waiting on the FRB to reduce debit card fees.

Reducing credit card usage can be accomplished several ways:

1. The most effective way to reduce card usage is simply to modify your fee presentation. If you are interested in hearing some options for this, you can contact DentalBanc at (888) 758-0584 to schedule a fee presentation training session.

2. To remain in compliance with your merchant agreement, you cannot impose a surcharge for the use of credit cards. However, you can offer an incentive for those who pay using their checking or savings accounts.

For example, raise your treatment fee by 3 percent but offer a 5 percent discount for auto-debit using a checking or savings account. Those who insist on rewards points pay the extra 5 percent, which covers your increased cost, while cost-conscious consumers feel they receive a discount for choosing the ACH option.

If a patient presents a debit card to pay his or her recurring payments, ask the patient for checking account information instead of using the credit card. Many debit cards have the words “debit” or “check card” on the front and are easily recognized.

Since 2001, OrthoBanc has provided payment management solutions to orthodontists and to dentists through OrthoBanc and DentalBanc. To learn more about recurring payments and credit card rates, call (888) 758-0584.

EyeMag Smart medical loupes with sports frame and integrated laser protection

Minimally invasive therapies are gaining increasing importance in the dental practice. The EyeMag® Smart medical loupes from Carl Zeiss are now available with a sports frame featuring special laser safety lenses and eyepiece protection.

Thanks to their outstanding optical properties, EyeMag Smart medical loupes support laser therapy with 2.5x magnification for a good overview of the treatment area and make even the finest detail visible.

Bright filters ensure good color vision, therefore allowing laser procedures on the patient to be performed with maximum precision and safety.

EyeMag Smart with laser protection offers not only an attractive design, but also optimal eye protection: the eyeglass lenses protect the user against wavelengths of diode lasers in the range 805–1,050 nm and of Nd:YAG lasers in the range 1,030–1,064 nm.

The combination of the laser safety frame with eyepiece protection meets the requirements of laser safety stipulated by European standard EN 207.

In addition, the curved shape of the lenses protects the eyes against lateral incidence of laser radiation.

If no laser protection is required, the sports frame with laser protection can be exchanged at any time for a transparent frame from the Smart line. EyeMag Smart with laser protection has been approved as a medical device as per 93/42 EEC.

EyeMag Smart loupes with sports frame and laser protection are available in five different versions with working distances of 500–550 mm and therefore allow the selection of the right loupes for the respective requirement. Soft nose pads and a headband provide outstanding comfort. EyeMag Smart can be adapted quickly and intuitively to each individual treatment situation. For additional information, please visit www.meditec.zeiss.de.