Six steps to financial solvency

By Sally McKenzie, CEO

Remember the good old days? You know, the ones in which your schedule was booked for months, the patients were flowing like champagne from a fountain and you were rolling in the green — or at least you thought you were. Then came the recession; it put a cork in the bubbly, made Swiss cheese of the schedule and for cash flow, accounts receivables went from run of the mill to “uh-oh!”

The truth is you probably have little or no idea what your receivables were before the economy hit the skids because you were constantly racing through your days too quickly to give nary a glance at the figure. And after all, enough patients were paying up front and in full. Ah yes, the good old days.

By the time 2008 rolled around, practices had come a long way in educating patients about payment expectations. Gone were the days of patient-dictated payment plans, “I would like to pay $50 a month on my $1,200 bill, that way I’ll have it paid off in just two years. No problem, right?” Practices put their collective feet down and said goodbye to the banking business. Policies were not only adopted, they were actually implemented. Business staff became more confident at explaining financial policies to patients and patients were more willing to accept them. Then economic circumstances changed and dental teams panicked.

Three years later, it’s time to hit the pause button on practice panic and pay attention to what I’m about to tell you. We all know that the economy has ushered in a series of changes and challenges over the last several years. That being said, the expectation remains: practice collections are 98 percent for treatment plans. Should you be sensitive to your local economy? Absolutely, but not at the expense of the practice’s financial solvency. It’s time to issue a “collections correction” and get your accounts receivable back on track. But before you dig out, you have to dig in — into key practice reports that is. These are your guides to cash in outstanding claims, the more costly it is to the practice. Print this report monthly. Many of today’s software systems allow you to track daily.

**Accountant earnings report**

This details exactly how many dollars are being written off in each category: accounting adjustments, insurance plan adjustments, professional courtesies, pre-payment courtesies, etc. This report should be monitored daily and monthly.

**Production by provider report**

This one allows you to track individual provider production for each dentist and hygienist. It is important to track individual production numbers to determine productivity. Typically, hygiene production should produce approximately 50 percent of the total production in an office. However, if exams are not included, the number tends to be lower.

**Production by code report**

This report gives you an opportunity to track how many times a specific procedure is done. This can be used to determine productivity, treatment acceptance rates and much more.

Also, if the practice is utilizing special techniques, tracking the production by code will help to determine effectiveness, i.e., tooth whitening, periodontal acids, crowns, bridges and implants.

**Treatment plan report**

This identifies how many dollars are being presented to patients. Using this report effectively can identify your success rate in treatment acceptance. The formula for this is: dollars recommended divided by dollars accepted equals case acceptance rate. Your case acceptance percentage should be at least 85 percent.

Once you’ve carefully reviewed these key practice financial reports, you’ll have a much better understanding of where your practice financially stand, and you are ready to follow the Six Steps to Solvency.

**Step No. 1: Revisit the financial policy**

A plan that is too rigid will not be effective in any economy. However, that doesn’t mean that you return to the days of patient-dictated financial plans.

Pay attention to what patients are telling you, and if necessary, make adjustments. Consider incorporating the following:

- Establish a relationship with a treatment financing company, such as CareCredit.
- Allow patients to build a balance on their account before beginning major treatment.
- Allow patients to pay for larger cases in two or three installments over a specific period of time.
- Offer a 5 percent discount if the case is over $500, paid in full and will not be submitted to insurance.
- Make arrangements to bill the patient’s credit card on a recurring basis until the treatment has been paid in full. Orthodontic practices do this routinely.

**Step No. 2: Maximize over-the-counter collecting**

Before their visit, patients should be made aware of what is to be done and what fees they will be charged so they’ll be prepared to pay.

Your financial coordinator/business administrator should be professional, matter-of-fact, positive and friendly, and should follow a well-rehearsed script in explaining the services, the charges and the payment options.

Additionally, a printout of services provided — along with anticipated insurance payment as well as amount of patient payment — should be given to patients at every visit. If a patient does not pay, give him or her a return envelope and say, “This will make it easy for you to mail us your check when you get home.”

**Step No. 3: Send bills daily rather than monthly**

Every statement should include a due date that is two weeks after the statement date. Make sure that there is a space for the responsible party to write in a credit card number and expiration date as a means of payment. A self-addressed payment envelope should also be provided.

**Step No. 4: Track insurance**

More specifically, track available benefits as well as uninsured procedures to calculate the anticipated insurance payment. Collect the patient portion at time of dismissal. After your software performs a validation process on each claim, claims should be sent electronically on the day of service.

Each week, generate a delinquent insurance claim report grouped by carrier so that one call can be made per carrier to check on all claims that are 30 days delinquent.

Cash flow can be enhanced by tracking and processing secondary insurance; keeping signatures on file so that after EOB (explanation of benefits) is received, the patient portion may be calculated and a credit card automatically processed; auditing submitted claims and automatically aging them until they are either paid off or written off.

**Step No. 5: Follow up on delinquent accounts**

Delinquent account calls should begin one day past the due date on the first statement. The manner and tone used will greatly influence the effectiveness of the call. Therefore, set the tone as “working together to resolve this situation.” The caller’s key question should be, “When can we expect payment?”

Enter highlights of the conversation into the computer to keep a record of collection attempts. On the same day, follow up the phone conversation with written confirmation. Finally, address the most critical col-

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**Outstanding insurance claims report**

This identifies how many dollars in outstanding claims there are in each category: current, 30, 60 and more than 90 days. This report is crucial because the longer dollars remain outstanding in claims, the more costly it is to the practice. Print this report monthly. Many of today’s software systems allow you to track daily.

**Accounts receivable aging report**

All credit balances and all debit balances should be included in this report. It is vital to understand how many dollars are outstanding at 30, 60 and more than 90 days. Because practice costs for tracking and collecting old balances can far exceed the actual value of the account itself, this report should be printed monthly.
No. 1: Revisit the financial policy.
No. 2: Maximize over-the-counter collecting.
No. 3: Send bills daily rather than monthly.
No. 4: Track insurance.
No. 5: Follow up on delinquent accounts.
No. 6: Train your team.

Sally McKenzie is a nationally known lecturer and author. She is CEO of McKenzie Management, which provides highly successful and proven management services to dentistry and has since 1980. McKenzie Management offers a full line of educational and management products, which are available at www.mckenziemgmt.com. In addition, the company offers a vast array of business operations programs and team training.

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