

STOP THE BLEED ON BAD DEBT *(10 Minute Read)*



WHO WILL CARE FOR THE DOCTOR?

I often listen to dedicated and hardworking healthcare professionals. They are good people. If they could, the majority of them at least, will heal the entire world for free! But here's what pains me; ask any one of them if they have enough cashflow to cover all their liabilities, you will notice a tangible pause.

The miss-perception is that healthcare professionals (for ease of reference

I will use the term "doctor") possess an infinite bank account filled with money. Truth be told, they have to apply the same financial principles like any other business, they are not miraculously absolved of endless payments and high taxes, let alone poorly paying clients and fights with medial aids over overdue payments.

The problem it seems is that healthy patients seem to forget, rather quickly, just how sick they really were when they saw the good doctor, so forgetful in fact, that paying their bill quickly becomes the furthest thing from their mind.

This is why, when we meet doctors to discuss financial decisions, tax structures, the opening of new practices or the extension on existing ones – all our discussions and debates are aimed at achieving two very specific outcomes, namely, improved cashflow and profit. A profit intention remains one of the main reasons why we closely study the intricate workings of each of the practices under our management. Like businesses, health care professionals in practice, also deserve to make a profit, bearing in mind the exhausting academic journey to qualify and be permitted to practice, unguarded exposure to business and personal health risks, not to mention a gruelling work schedule – why shouldn't they?

HOW DID THIS HAPPEN?

In more practical terms, if profit is the destination then a positive cashflow is the vehicle that gets you there. Consequently, if your ability to manage your cash is problematic, it will negatively affect your ability to *make* a profit. So the question we should really be asking is what is the main reason for a negative or poor cashflow in your practice?

One of the main culprits of underperforming profit and poor cashflow is without a doubt, poor debtor management. This presents in two ways; either you receive late payments, or you receive no payments at all, both lead to diminished, delayed or sometimes no income. It is apparent that the way you manage the *method* of receiving your fees for the expert services rendered, be that on a cash or account basis, directly influences your income.

Patients can often experience a bout of ill-health which can last for an entire season. During this time they often need to consult with multiple healthcare professionals and medical aid saving accounts are quickly depleted. Add to that a global pandemic, such as the current Covid-19 outbreak, which leads to an economic downturn and in some cases a loss of income, and suddenly patients are forced stop paying their medical aid premiums, essentially placing your revenue pool at risk.

Medical Aids will also start feeling the financial pressure as more out of pocket patients will push for approvals and payments on certain procedures and medication (which patients would normally be agreeable to settle themselves) as their incomes become more fragile and under threat. As a hardworking and committed Health Care professional, what can you do to alleviate your cashflow and better manage your debtors?

LET'S STOP THAT BLEED NOW

Below we propose 5 key strategies, with a proven track record, to significantly improve your cashflow and debtor management. They are simple to use and can be implemented immediately in your practice. Let's take a look at how you can get back on track to become profitable with a positive cashflow:

- ***Invoice Timeously***

Invoice as soon as you can, don't wait. For many patients it's a case of *out-of-sight-out-of-mind*. For the medical aid it's a case of payment-and-process cycles and they will only settle accounts when the payment

process is completed. Keep this time frame and the number of approval and processing cycles in mind and get your invoices out. A submission, even if only one month late, can translate into a three month delayed payment. We see a strong correlation between practices that send out invoices at month-end or later, and the proportionate rate of recovery (delinquency rate) on bad debt, in contrast with practices that invoice daily. Statistically speaking, after 90 days of non-payment, your chances for recovery of delinquent debt decreases substantially¹.

- ***Correct Understanding of Medical Aid Billing Procedures are Vital***

Ensuring your invoices are sent out on time is one part of the process; the other is to make sure you have captured the various procedure codes correctly. Also keep in mind that medical aids will pay and process invoices and accounts within their defined payment cycles, make sure all your admin personnel are aware of these dates. It is of vital importance that your admin and account personnel follow-up with your patients if any payments have been rejected, or if you received a reduced or partial payment from the medical aid. You will wait longer for payments under dispute; make sure the patient understands their legal obligation to settle outstanding accounts in such instances. Let the struggle for payment be between the patient and their medical aid, and not you!

¹ <https://callminer.com/blog/state-debt-collection>

“Did you know, with the correct appointment management software and effective planning, you can verify the available funds per patient, based on their available medical aid contributions, prior to seeing them?”

- ***Manage Debt Strategically***

Debt management comprise two main parts; on the one end you need to execute effective invoicing and account management, and on the other you need to have a well-defined internal debt recovery policy which must be known to all your personnel and patients. Be clear and precise as to when an account is handed over for debt collection or legal administration. Make sure to highlight interest charges on late payments and ensure that patients are informed and aware of the policy and that they ultimately remain liable for the payment of their medical account.

Don't give up on bad (delinquent) debt. Research indicates that the average delinquent recovery rate has shown a decline of more than 38%, during the past decade for accounts 30-59 days in arrears. This confirms the belief that consumers feel an obligation towards settling their debt. A new voice or a more humane approach at the other end of the telephone, can make a huge difference in how patients respond towards their obligation to settle their outstanding accounts.

- ***Stay Close to the Latest Legislation***

Be actively involved in keeping abreast on the latest healthcare and finance legislation. There are regular changes and improvements relating to matters such as Minimum Prescribed Benefits (PMB's), debt recovery legislation, and more recently, financial support, business relief and stimulation programs related to the Covid-19 economic support measures. You may qualify for some financial protection or benefit and not be aware of it.

- ***Take a Pro-Active Approach***

It is always better to create a solution and process of which you have been part and where you had an opportunity give your input, rather than being at the receiving end of an outcome you never asked for. Is there anything you can do to limit the possibility for incurring bad debt or late payments? What if you offered a lower rate for a cash payment for example. Do you reward on-time payments? Do you offer a reward or grading system for patients who always settle your bills and have never missed a due payment? What about a loyalty program for many years of support, do you give those patients a 5% or 10% discount on their account for example.

Effective debt management is so much more than simply getting accounts paid and chasing bad debt so to speak, it's about creating a positive approach towards your patients as your main source of revenue, but where the value of each relationship is reflected in the mutual

understanding of the rendering of a professional healthcare service in exchange for a payment.

DON'T FORGET TO TAKE YOUR MEDS

Taking an active role in improving your debtor management and protecting your cashflow, makes complete sense once you understand the devastating knock-on effect on slow, delayed or non-payments on your practice's short and medium term viability for survival. Poor debtor management is bad for business and becomes the root cause for loss of income even though you have to continue paying taxes; you also experience a loss of interest on your own funds, and a further loss of capital growth interest, as you have to settle your creditors from your own cash reserves.

While trying to make a profit is one of the main goals, or the destination as we said at the beginning, and when managing your debtors is your vehicle to get you there so to speak, the continued *effort* to maintain a solid handle on the processes at play, is indeed the fuel!

SOMETIMES A LITTLE HELP GOES A LONG WAY

In a strange twist of irony, the great majority of doctors we work with, as much as they want to be financially successful, they also desperately want to offer their services as acts of kindness for the greater good, and at lower rates (in many instances even free of charge). But you can't do this if you can't pay your own bills. The old adage of *charity starts at home* remains as true as ever.

There is no shame in wanting to protect your practice and hard-earned income, especially at this present moment when everyone is guarding their own cash and income. Try as best you can, this is not a solitary battle and you cannot expend the energy to operate your practice, while at the same time trying to take care of the entire billing process, let alone bad debt recovery.

We first and foremost take a relational and analytical approach towards practice management, debtor's management and bad debt recovery. Send us an email or give us a call, and let us open a discussion on how we could potentially explore a range of avenues with you on how we can assist you to better protect yourself against the slow, but progressive, erosion of your income and cash reserves.

Let's take the necessary steps and stop the bleed on bad debt, together!

SOME USEFUL RESOURCES

- SARS Covid-19 Notices:
<https://www.sars.gov.za/Legal/Secondary-Legislation/Pages/COVID-19-Notices.aspx>
- Discovery Health Extended Benefits:
<https://www.discovery.co.za/corporate/covid19-extended-benefits-across-health-insurance>
- HPCSA Covid-19 Guidelines to Health Care Professionals
https://www.hpcsa.co.za/Uploads/Events/Announcements/HPCSA_COVID-19_guidelines_FINAL.pdf

- Momentum Medical Scheme Updates:

<https://www.momentum.co.za/momentum/campaigns/general/coronaviru>

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