

Financial Contracting

YOU CAN ONLY "BEND OVER BACKWARDS" SO FAR...THEN YOU START FALLING.

The key to financial policy is to establish ground rules early. Part of the first visit scenario is to not mention finances, but every visit after the initial consultation is accompanied by a work authorization which states the service, the cost, the time involved, the person responsible for payment and the method of payment.

Before making an appointment, the financial person discusses the work to be done. The patient needs to know exactly what is to be done and why. Make sure the insurance company's responsibility and patient responsibility are also clearly defined. The payment expected and when it is expected should be explained.

If payment is a problem, talk about ways to finance it. Do it piecemeal. Do provisional restorations. Don't sway from what you think is the best treatment plan. Make variations on how you can achieve the proper treatment. However, don't get the patients to agree to something they can't possibly pay for - they need to be fully qualified. You can only "bend over backwards" so far...then you start to fall.

After they have accepted the treatment, turn matters over to the patient's treatment coordinator to secure a **signed** financial agreement. The person who takes the collections should make the arrangements. The lack of a signed financial arrangement is the number one cause of patient dissatisfaction. The lack of a financial agreement also causes the doctor to stop and wait until the necessary arrangements are made. When this happens, it looks as though the doctor's primary motivation is money.

Summary of Keys to Financial Contracting

- 1) **The dentist never does the financial arrangements.** The doctor represents the practice. If the patient is mad at the practice, they never return. If they are mad at the financial person, you can mend things.
- 2) **Cost is never discussed with the patient until they understand the treatment,** why it is necessary and why it was chosen over other alternatives.

3) One individual in the office handles all of the financial arrangements. When you are going to do the work right now, excuse yourself and have the office manager or the financial officer come in. They discuss cost, how much the insurance will pay and how the patient will pay.

When the work is diagnosed as part of a treatment plan, make financial arrangements prior to making the appointment. Make arrangements for every appointment...even a single one surface filling. Every appointment, other than recall, has a financial agreement.

4) The agreement must be signed or initialed. The patient chooses a payment option. Detail the procedure, the cost of the procedure, the exact method of payment and secure a signature with the date. If the agreement is not signed or initialed, it means nothing. The agreement is good for 120 days.

The most difficult link in the financial agreement is asking for the signature. Confrontation is important here. Weaker players are uncomfortable securing the signature.

Let the patient initial the agreement if it is easier to have them "acknowledge" with initials.

Why is it necessary to have the patient initial or sign the agreement? Memories are short under stress. People listen for what they want to hear. Some people want to find reasons not to pay. The patient should know the cost in writing.

Make sure work authorizations state, "These fees are only for the services listed. Should it become necessary to do additional or different treatment, the fees will be discussed prior to the performance of any service. These fees will be honored for six months."

If all this sounds unnecessary or harsh to you, remember this is one of the primary causes of patient loss in a practice. Lack of direction in payment and understanding the cost causes myriads of problems.

I can remember when we did not use the work authorization. We had a new patient come in and want a large amount of work done. My office manager went over finances with her in detail.

She could not qualify for a loan contract amount large enough to do the entire case. We prioritized the work and divided it in half. We applied for the loan and received payment. The first half of the work was completed. After six months, the patient called and said she was ready to get the rest of the work done. We had her back, outlined the rest of the work, and set up for another loan. She said she had already gotten the loan and was now ready to have the

second half done. Somehow she thought both halves of the work were on the same contract. How easy it would have been if we had a signed work authorization form outlining the exact treatment. She was adamant. We ended up losing the family. She refused to finish paying her contract with the finance company. Subsequently the finance company refused to do business with us any longer. Our only mistake was having no signed agreement. What other business do you know doing business without contracts?

5) Discounts for payment upfront make the system work! What you want is payment up front. The patients are inclined to do what benefits them, and discounts are a great motivator.

Offer a prepayment discount for payment in full and eliminate these financial problems:

a) The longer the money is owed, the less likely the payment is to be received. This is a statistical fact. People who owe you try to find something wrong, reasons why they should not pay.

b) The value of the money is less and costs more to get. You have expense in maintaining records, reminding of payments due and inflationary declines in value.

c) The "net present value" or "money in hand value" declines by the value of the going interest rate. You are entitled to the full value at the time of service. If you get it in dribs and drabs, you get paid less.

d) Eliminate "work dissatisfaction" when the bill is not paid.

The seven percent discount

Do you hate the idea of a seven percent discount when you collect more than 93%? Adjust all your fees upward seven percent to allow for a seven percent discount. You receive your usual fee when payment is made up front. The net effect will be that those who do not pay up front will be paying a little more than 7 percent for your financing services. The best part is that most will take advantage of the discount.

For work covered by insurance, give the insurance companies the same opportunity for the discount if they pay up front.

The different financial arrangements are:

FA#1 Patient pays in full at the time of service and receives a 7% discount for cash and 5% for credit card on all services \$200 and

over. You can increase your fees by this amount to offset the cost. Offer the same discount to insurance companies for prepayment.

- FA#2** Patient pays his share at the time of service with the balance to be paid by verified insurance.
- FA#3** Patient pays for services as they are incurred or prepays with a series of post dated checks. They may pay by credit card to be charged at specified intervals.
- FA#4** For Orthodontics, the patient pays one-third at the beginning with the balance paid monthly over the next 18 months.
- FA#5** There is a personal finance company called Beneficial Finance. We call it Ben Charge. (Others may be available in your area.) They allow a balance to be paid over 12 months. Offer this at no interest to the patient, but there is a ten percent charge by the company. It is the same as the patient paying cash up front. Start treatment after credit approval is received.

Senior Citizen discounts

Banks started Senior Citizen discounts in an attempt to attract people with little money. However, seniors are often in better financial shape than other groups in your practice. Be sure to offer them a full 7% discount with prepayment as in FA#1.

Responsibility for payment

Adult patients are responsible for payment. In case of minors, the person contracting for the treatment is responsible for payment. Parents may not contract for services to be paid by an estranged spouse, guardian, or other unless the responsible party makes a deposit large enough to cover the services.

Overproduction

The doctor often feels great pressure to produce. There is a tendency to perform work without a financial agreement to fill an empty appointment time. We call this type of work "overproduction".

Overproduction occurs when someone with undiagnosed work appears, and you have time to do the procedure. You do not secure a financial agreement. The doctor decides to take a chance; after all, the time would be lost otherwise.

If you "overproduce", you will always end up with patients who do not pay. You lose enough to make all of the slots of time "saved" unprofitable. Remember

that the key is to have an ironclad financial agreement - no economic commitment means no payment. More destructive is the fact that no financial commitment lowers the value of the services in the eyes of your patients.

The payment mentality developed by “no financial arrangement” and the lack of an overall plan are negatives to a continuation of the relationship. Also lost is any other work they need plus any people they might have referred.

Remember, practices are built with an accumulation of positive images. These images are more easily conveyed in a controlled environment. If you depart from this philosophy, you create negativity and conflicts. Never overproduce!

Key points from this chapter:

- * Never discuss payment for services until the patient completely understands the treatment.
- * Always obtain a signed financial agreement before doing any work on the patient.
- * Discounts for pre-payment encourage your patients to do so, therefore decreasing the number of unpaid bills.
- * Do not schedule time for undiagnosed work. Use roll call time to diagnose and make scheduled appointments with financial agreements.