



Paul E. Okamoto, D.C.

Back Talk

Collection/Payment Methods Part A - Cash (The seventh installment of this series)

Each of the previous articles that I have written has dealt with various aspects of business as it relates to the chiropractic practice. In the next three articles, I will deal with the different patient categories and guidelines for collection methods. In this article, I will address cash.

There are practice management firms that promote solely a cash practice. Truly a bird in the hand is worth two in the bush. Money on the books is not money in your pocket. Obviously, a cash practice is the simplest practice with the least headaches. In a cash practice, management of the books becomes quite easy. Overhead can also be lowered with reduced staff, supplies and postage. The down side to a solely cash practice is that you limit/reduce your patient base and the amount of care that patients receive. Although a cash practice reflects reduced overhead by lowering the cost of treatment, most patients still have various forms of insurance. They would like to reduce their monthly outgo and would only like to pay their percentage portion.

There is a reason why McDonald's went from solely a cash business to also accepting credit cards. They realized that they were limiting their business profits by not accepting credit cards. Additionally, as a general rule, cash patients tend to drop out much quicker than those who have insurance. Thus, if a doctor decides to have a cash practice, he should realize that he has also chosen to limit his clientele, as well as income from each patient.

Included in the cash category are also the debit card and credit card. Another option that I would suggest is Dencharge, a credit card company that also can extend credit to patients. Similar to a furniture payment plan, a person can obtain a certain line of credit that they can use at any clinic that accepts Dencharge. There are several benefits. Commonly, chiropractic care is more frequent in the beginning and extends over a short period of time (weeks to months). It is not unusual for a patient to have a fixed income, restricting needed treatment, particularly in the beginning of care where the bulk of costs occur. In a hypothetical example, Dencharge can extend a \$500 line of credit to the patient to be paid over a 6-month period of time (or \$1000 over a 12-month period.) In this case, the doctor can be paid as services are rendered. Additionally, the patient can pay a fixed monthly amount over a fixed period of time. If the amount of money extended is paid within the allotted time framed, there is no interest or service charge. However, if the total amount is not paid within the required time period, the interest rate is quite steep (typically about 24%). Of course, Dencharge charges the doctor a fee to use their service. However, the fee paid is much better than the doctor trying to collect from the patient for services rendered months or years prior. As long as the patient understands the payment requirements, this payment method is a win-win situation for both the doctor and the patient.

Money
on the
books
is not
money
in your
pocket.

With regard to the cash part of the practice, I try not to extend credit for several reasons. First of all, the longer a person owes you money, the more that outstanding debt becomes a point of irritation and division. Both you and the patient will feel awkward about each other. Often when the patient needs care in the future, he will not return to you, but will go to another doctor. Research studies also show that when a person has outstanding debts, doctor

continued on next page,

Back Talk, continued,

bills are commonly the last to be paid. As a result, money can sit on the books for years. The longer the bills sit without being paid, the less chance that they will be paid. Additionally, malpractice companies state that when the doctor's office pushes for collection, the greater the likelihood that the patient will feel that he has been wronged and a suit filed. Lastly, when a doctor looks at the accounts receivable and feels dismay over all the outstanding receivables, it is difficult to rejoice and be content. It is best to realize that you are not in the banking business of lending and collecting.

From time to time, you will encounter a situation where you feel impressed to provide care to someone in need. It is much better to charge a greatly reduced rate than to charge that person your normal rate with the hope or expectation that someday they will be able to pay you back. When you charge someone for services who you know are not currently able to pay and you extend them credit, it is my opinion that you are bringing them into bondage to debt. Additionally, even though your motives may be pure, you are setting the stage for a future rift to occur between you and the person you have tried to help.

For the doctor who is trying to decide whether to have solely a cash practice or a mixed practice, my suggestion is this. Do not put all of your eggs in one basket. Not only does that cash practice limit those patients who have medical insurance, but also discourages those patients who have third-party claims, such as worker's compensation and personal injury. Typically, third-party claims will pay 100% of the claim, and it is quite difficult to ask a patient in this category to pay cash and then submit their bills to their insurance company.

I would like to state one final word about the practice that handles both cash and other categories of patients. I am confident that almost all, if not all, states have regulations that prohibit dual billing schedules. In other words, charging cash patients one price and other categories of patients another price for the same service. When I first moved to Oregon to practice in 1990, the state of Oregon brought racketeering charges against about 15 chiropractic offices for dual billing practice - charging cash patients one fee while charging worker's compensation patients another fee for the same service. As a result, those practices involved were temporarily closed, the doctors and some staff arrested, and the files and books seized. Of course, I am confident that the majority of doctors were billing ethically, but a few rotten apples in any profession spoil the whole barrel. Later, some of the doctors that were arrested were found innocent, but the damage had been done. The repercussions were quite severe, not only to the doctors involved, but to the whole chiropractic profession in Oregon for many years. Even now, 20 years later, our profession still suffers from regulations that were made at that time to prevent any future abusive recurrences.

Although the treatment provided may be the same with every category of patient, it is true that there is much less headache with the cash patient. Third-party claims (*worker's comp and personal injury*) typically require more time spent and ongoing assessment than a cash patient. Additionally in third-party claims, chart notes are commonly required to be submitted with claims submitted. Lastly, insurance claims require more staffing and supply costs to bill and track outstanding receivables.

Because there are no billing costs with cash patients, there is a general assumption that cash patients can be offered a cash discount if payment in full is made at the time of service. This is called a time of service (TOS) discount. Typically, a ballpark estimate can be from 5-20% discount. I offer this to any patient who would like to pay in full, whether they have insurance or not.

concluded next column,

Back Talk, continued,

If a patient chooses to pay in full for each visit and bill his/her own insurance company, he can receive a TOS discount, and the insurance company can also take advantage of that discount. This is assuming that our office does not have to provide any ongoing documentation or billing. When a patient decides to do this, we provide him with a fee slip, also called a super bill, at the end of the visit that notes each service rendered that day with the correct CPT code, the charge involved for that service, the diagnosis, the doctor and clinic name, and the Federal Tax Identification number. The patient can then submit this super bill to their insurance company. If you are considering offering a TOS discount, I strongly advise that you check with your state to find out their opinion and any regulation regarding this discount before implementation.

In the following two articles, I will cover private insurance and third-party claims. Have a blessed day!

Dr. Paul E. Okamoto is a 1974 graduate of Palmer Chiropractic College and has been a member of the CCA since 1977. His practice, The Master's Touch Chiropractic Clinic, is located in Portland, OR. All the previous installments of Dr. Okamoto's series can be found on the CCA website at www.christianchiropractors.org

I try not to extend credit for several reasons. First of all, the longer a person owes you money, the more that outstanding debt becomes a point of irritation and division.