

Utilizing Your Accounts Receivable Staff Efficiently

By Martin R. Glickstein, CPA

Does your accounts receivables department spend a great deal of time attempting to collect payments on accounts that have aged significantly? Oftentimes, once an account reaches a certain age, the likelihood of payment becomes increasingly remote. Continuing to attempt to collect on accounts that have reached this point can have a negative effect on your bottom line.

A number of studies show that as accounts age, the likelihood of payment becomes increasingly unlikely. While many practices wait until an account is 180 days past due, accounts that are 60 to 90 days old begin depreciating at an increasing rate. After 90 days, your staff likely has contacted this patient several times via telephone and has mailed several statements. If you have received no response regarding the account during this time, it is likely that your patient is not paying. Furthermore, continuing to spend more time collecting this balance may actually cost more than the account balance. A study recently found that the average cost of six months of internal effort runs about \$31.60 per account.

In order to maximize your collection efforts, one of the first things that you should check is your collection policy. Ensuring that this policy is up to date and accurately reflects your office's expectations for payment is the first step. The next step is to look at your payment terms. Review them carefully to ensure that they are realistic. For example, if you are charging fees or interest that are not regularly paid it may make sense to eliminate them and save on the labor trying to collect them.

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One of the best preventative measures to ensure payment is to make sure that your patients are aware of your payment policies before they are treated. Have them sign your collection policy and give them a copy for their records before they leave. A collection policy is worthless if your patients are unaware that it exists.

In addition to ensuring that your patients are aware of your collection policy, make certain that they are also aware of their outstanding balances. In other words, invoice as soon as possible and send regular statements following the invoices. Patients who do not receive a prompt bill for rendered services may forget that they owe you anything. Ensure that your billing system is in place and the tools that your staff has at its disposal are effective.



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Since you're probably mailing invoices to your patients, you want to do everything possible to ensure that invoices reaches intended designees. For a small fee, you can have the Postal Service forward your mail and then send you a notice that the address of the recipient has changed. This will help you keep your contacts list up to date, as well.

Once a patient's account is overdue, and they have been mailed invoices and statements, you may want to pick up the pace at which you contact them. Contacting an individual once a month, for example may not be as effective as contacting them once every 10 days.

Sometimes patients refuse to pay their outstanding balance due to a billing mistake on the part of the practice. When this occurs, admit the mistake as soon as it is discovered and send a revised bill immediately. This will reduce nonpayment due to an ongoing dispute with your office.

When all else fails, call in the big guns. You may want to consider selling your uncollected accounts to a collection agency. This will help ensure that the patient knows that you are serious about collecting payment, which may help your chances of receiving what is owed to you. Choose your collection agency carefully. Oftentimes collection agencies that charge a flat fee are more cost effective than those that charge a percentage of the total collections.

Following the suggestions in this article may help shorten your average outstanding balance. If you would like assistance developing and implementing a collection system, contact your financial professional today.