

Past Due Control

Concepts of Past Due Control

Past Due control is an integral part of posting payments, but it is also a separate set of procedures for handling accounts to keep them from becoming uncollectable. Past Due Control incorporates the following philosophies:

- The patient/family actually wants to be current in their payments, but have forgotten to pay or are experiencing financial difficulties (laid-off, etc.).
- The practice must notify every past due guarantor so that they do not get further past due.
- The practice should also strive to help the patient stay as-current-as-possible during their financial hardships (laid-off, etc.), until they are financially stable again.
- There are hardship cases when the family wants to pay, but is barely able to keep a roof over their heads. If you feel the compassion to treat them, make up some arrangement, even if it is as little as \$15 per month, just to keep them paying and keep their dignity until they are on their feet again.
- The practice should never consider the guarantor to be a dead-beat, until all attempts have failed and the guarantor is totally unreasonable.
- The practice should do credit checks on all exam patients to make sure they do not have a high probability of defaulting on their account. Other aspects of dealing with poor credit risks are:
 - Have them pay the high initial payment (approximately 50% and pay the balance over six months less than the treatment time (e.g., 18 vs. 24 months).
 - Call them immediately if they are 10 days past due and make sure they pay, or discontinue treatment if they become two or more months past due.
 - A past due control system should be an increasing pressure system that has a definite period of severance between the practice and the poor payer. This period may be as little as three months or as much as six months past due. The accounts should never hang in the air: it must be resolved!
- The rest of this program deals with collecting on past due accounts.

Computerized Past Due Statistics

- If you do your past due control program on your computer, get a listing of the 30 days (one month), 60 days (two months), 90 days (three months) and 120+ days (four-plus-months) past due.
- Use your printout as a past due control sheet and follow-up on the accounts as noted on the following pages for one-, two-, three-, etc., months past due accounts.
- If you do monthly statements and monthly control, it is best to have their due dates on the 10th, 15th or 20th, with their past due dates respectively on the 20th, 25th or 30th of the month.
- If you allow the patient to choose any day of the month to be due on, than 10 days after that date they are past due. Your computer should be able to print a daily report on the accounts that are 10 days past due. Use that listing daily to control your past due accounts.

Controlling *One-Month* and *Two-month* Past Due Accounts

- The approach you should take for all past due control is that the patient and guarantor are having financial difficulties. It's your job to help them as best you can, so that they don't fall hopelessly behind in their payments, and to help them feel better about paying, without feeling guilty.
- Statements can be sent by fax, snail-mail, email, texting or whatever works.
- Send out the **One-month Past Due Statements** with a friendly reminder message on the statement.

If the account periodically gets behind and needs a telephone reminder every time they are past due in order to pay, call them and remind them to send in their payment. If not, just send them the friendly reminder with the statement.

<input type="checkbox"/> One-Month Past Due <i>Billing Reminder</i>
<input type="checkbox"/> Please consider this as a friendly reminder that we have not received your (\$_____) payment for the month of (_____).

- Send out the **Two-month Past Due Statements** with a stronger reminder on the statement.

Call the guarantor after sending out the statement. If you make contact with the guarantor, follow the past due control procedures below.

Two-Month Past Due <i>Billing Reminder</i>
Please be aware that your account is becoming seriously past due. Please call Barbara at 597-6570 to resolve this discrepancy. Thank you.

If you *cannot reach the guarantor by phone* after three or four days, send out the **Two-Month Past Due letter**, requesting that they call you.

Two-Month Past Due <i>LETTER</i>
Dear X: Re: (Pt's Full Name) Our records show that your account is considerably past due in the amount of (\$_____). If your records do NOT reflect this, please call us immediately. If they do, please remit a check for the above amount. If you are experiencing unforeseen financial difficulties, making it difficult to pay, we can make a new Financial Arrangement better suited to your financial situation. Call me at 597-6570, thank you. Your cooperation is very much appreciated. Sincerely, Barbara Bookkeeper for Dr. Braceman

A new financial agreement may be required and may take on many forms. Which form you use will depend on the family's past financial record, their willingness to make the financial agreement, the months of payment still due, etc. Relate this to the past history of payments to get a feel for which type of arrangement to make. Your own personal experience and judgment will be your best guides.

If you *reach the guarantor by phone*, you may make a financial arrangement over the phone, if at all possible, or make an appointment for a financial consultation to work out a new financial arrangement with them in person. Commonly used financial arrangements for refinancing a treatment can take on many forms. The most commonly used methods are shown below in the order of preference for the practice:

- Keep the original payment plan, and obtain the entire past due amount immediately.
 - Keep the original payment plan and spread the past due amount over the next few months by increasing the monthly payment by 1/3 to 1/2.
For Example: If a family pays \$100-a-month and is two months, or \$200, past due, have them pay \$150 a month for four months ($4 \times \$150 = \$600 = \$100 \times 4 \text{ mo.} + \200), after which they drop to a \$100-per-month rate, until the account shows a zero balance.
 - Adjust the original payment plan by spreading the entire two-month past due amount over the rest of the payments due.
For Example: If a family paying \$100-a-month, is \$200 past due, and has 10 payments to go, or a balance of \$1200 ($\$200 + 10 \times \$100/\text{mo.}$), adjust the Financial Arrangement to \$120-a-month ($\$1200/10$) for the remaining 10 months.
 - Keep the original \$100/month payment plan and extend the scheduled zero balance date.
For Example: If a family is paying \$100-a-month, is \$200 past due, and is scheduled to have a zero balance by January 2013, then extend the zero balance date two-months to March 2013 and keep the same \$100-a-month payment.
 - Have them take out a long-term loan and pay you off in full.
 - Have them pay-off the entire past due amount with their Master Card or Visa card.
 - Have them set-up an automatic charge card billing to pay-off the balance.
For Example: If a family paying \$100-a-month is \$300 past due and has 10 payments to go, their balance is \$1,300 ($\$300 + 10 \times \$100/\text{mo.}$). Set up an automatic Master Card or Visa CONTRACT that debits their account \$130/mo. and credits your account \$130/mo. for 10 months.
 - Have them finance the entire balance through a 3rd Party Dental group or whatever.
- After making some type of financial arrangement, note it on the past due listing and enter it on their computer account notes section or reset the account parameters of their file.

- Send the Guarantor a **New Financial Agreement Follow-up** letter detailing the exact arrangement that they accepted by phone or in a financial conference.

New Financial Agreement Follow-up LETTER	
Dear X:	Re: (Pt's Full Name)
This letter will confirm our recent conversation regarding a new Financial Agreement for the orthodontic treatment of the patient named above.	
According to our agreement, the sum of \$___ will be due on (Date) and payments of (\$___) will be due by the 15th day of each month, for (___) months, until the delinquent amount of this account has been paid.	
This new plan has been established to help you meet your financial obligations for (Pt's. 1st Name) Orthodontic Treatment, and we hope that this plan will work out better for you.	
Thank you, your cooperation is very much appreciated. If you have any questions call me at 597-6570	
Sincerely, Barbara Bookkeeper for Dr. Braceman	

Controlling Three-Plus Months Past Due Accounts

Once an account becomes three or more months past due, it is seriously past due. By this time, all attempts have been made to contact the guarantor to help them become past due.

Send out the **Three-month Past Due Statements** with a very strong reminder on the statement.

Call the guarantor after sending the statement. If you contact the guarantor, use the past due control procedures above for renegotiating the account.

If you cannot reach the guarantor by phone after three or four days, send out the **Three-Month Past Due** certified, return-receipt letter.

Three-Month Past Due Billing Reminder

Dear X: Re: (Pt's Full Name)
 Your account is seriously past due.
 Please call Barbara at 597-6570 to resolve this discrepancy.
 If I don't hear from you in 15 days, I may have to turn your account over to collection.
 Please Call!

Three-Month Past Due Letter

Dear X: Re: (Pt's Full Name)
 Our records show that you are very much past due for the treatment of the patient named above.
 This, we are sorry to say, is a final notice about your (\$____) account balance, since all our efforts to help you bring this account current have failed.
 If payment is not received within 15 days of the above date, it will be necessary to refer your account to a collection agency. This will jeopardize your credit for obtaining future loans or charge accounts. We will also ask you to look for another orthodontist to complete your treatment. We do not like to do this, but you may give us no choice. Call me at 597-6570 so that we can avoid it.
 Sincerely,
 Barbara
 Bookkeeper for Dr. Braceman

If you cannot contact the guarantor within the 15 days, then the account is sent to collection letter.

Indicate on the patient's account that they were sent to collection.

Don't clear their balance until all is received from them or until the credit company informs you that, it is uncollectable.

If uncollectable, credit-adjust the patient's account using the proper computer code.

Account Turned over to Collection Agency Letter

Dear X: Re: (Pt's Full Name)
 We regret to inform you that your delinquent account for (Pt's. 1st Name) Orthodontic Treatment has been turned over to the (Name of Collection Agency). All financial communication will now have to be made with them; they will be getting in touch with you soon.
 Sincerely,
 Barbara
 Bookkeeper for Dr. Braceman

Termination of Treatment

- When it gets to the point that you know they don't intend to pay, you should take your losses and get them out of the practice. They need to be notified that they have 60 days (90 days in some states) to either find another orthodontist or have their braces removed by this practice. You may require a fee for the removal or not. You may have to place retainers by state law or not. Send them a certified letter notifying them of your decision.

Termination of Treatment Letter

Dear X:

Re: (Pt's Full Name)

This is to advise you that because of your nonpayment for the orthodontic treatment of the patient named above; I shall have to terminate this treatment in sixty days from the date of this letter. In my opinion, this patient can benefit from continuing orthodontic care and I urge you to seek the services of another orthodontist.

If you decide not have to another orthodontist take over treatment within the next 60 days, please contact our office to have the braces removed, since there may be health problems arising from wearing appliances without periodic maintenance and adjustment. These potential problems include decalcification of teeth, increased risk of cavities and the possibility of injury or sores gums from broken wires and brackets. Should you decide to have the appliances removed, please contact our office to schedule an appointment for this purpose.

We will remove the braces and place removable retainers. We will monitor the retainers if you so desire at a cost of \$____ per visit, due at the start of each visit.

I am sorry that we have to take this action, but you leave us no choice in this matter.

Sincerely,

Barbara

Bookkeeper for Dr. Braceman

Insurance Payments

- All practices have their own philosophies about insurance payments, but there are three basic philosophies about insurance payments:
 1. Your practice doesn't accept any payments from any insurance company.
 2. Your practice accepts payments from all insurance companies.
 3. Your practice only accepts payments from specific insurance companies.
- The advantage of philosophy **1** is that very little time is spent processing insurance and the patient knows exactly what they owe you and when to pay. The disadvantage is that initial processing is still needed and patients may be annoyed that you don't accept payments.
- The advantage of philosophy **2** is that you have a consistent philosophy about insurance acceptance. Also, deadbeats don't get paid by the insurance company and not pay you. The disadvantage is the rather large amount of time it takes to control getting paid, typically requiring an extra third- to half-time person. Also, the insurance companies don't exactly beat down the door to pay you; you have to consistently go after some of them.
- The advantage of philosophy **3** is that you *only* accept payments from insurance companies that are easy to deal with. You also only accept insurance from patients who won't start otherwise. In general, you get the best of philosophies **1** and **2** with little of the disadvantages.
- Print out a list of past due insurance account each month and go after them as aggressively as with past due patient payments through phone calls and emails.
- Make sure your Financial Agreement contains an insurance clause such as:

When this account is covered by **3rd party insurance**, I am aware that the insurance amount is only an estimate and that I am responsible for any balances on this patient's account that the insurance doesn't cover. I authorize release to my insurance companies any information, including diagnostic records and diagnoses, for any treatment required, complying with applicable law and to facilitate the billing and reimbursement for the treatment provided.

I Do Don't authorize insurance payments to be paid directly to this practice.
- If the insurance company is non-responsive, contact the guarantor and have them contact the insurance company and get back to you within the next 10 days.
- If the guarantor is non-responsive, send them a notification telling them that they are now responsible for the insurance balance.
- If the insurance company tells you the patient is no longer covered, get an email or snailmail from the insurance company saying so. Then call or email the guarantor and notify them.
- The next step is to credit the insurance account and debit the guarantor's account and set up new financial agreements similar to the ones suggested on page 3 above.

Critiquing your AR/Past Due Control System

You should critique the Past Due Control system semi-yearly if your Super Report shows that you are more than 20% Past due. The following questions are asked of the team members by the Team Coordinator to understand what needs to be improved. The "Other" refers to non-discussed problems that they are having that need resolution by the group.

From the point of view of the Bookkeeper:

- ☺ Is the system reducing the dollar amount past due? Yes _____
- ☺ Is the system keeping others from going past due? Yes _____
- ☺ Is the collection person the right one for the job? Yes _____
- ☺ Is the past due person doing the past due reports? Yes _____
- ☺ Are the past due reports accurate? Yes _____
- ☺ Is there enough time to do daily past due control? Yes _____
- ☺ Are the 1-mo past due accounts being followed up? Yes _____
- ☺ Are the 2-mo past due accounts being followed up? Yes _____
- ☺ Are the 3-mo past due accounts being followed up? Yes _____
- ☺ Is the way past due accounts being followed up? Yes _____
- ☺ Are the past due letters being sent as appropriate? Yes _____
- ☺ Are the phone calls being made as indicated? Yes _____
- ☺ Are insurance payments under control? Yes _____
- ☺ Other: _____
- ☺ Other: _____
- ☺ Other: _____
- ☺ Other: _____

From the point of view of the TC:

- ☺ Is she getting accurate credit ratings on new patients? Yes _____
- ☺ Is she setting realistic financial arrangements? Yes _____
- ☺ Are the initial payments a serious problem? Yes _____
- ☺ Are the monthly payments a serious problem? Yes _____
- ☺ Is insurance eligibility a serious problem? Yes _____
- ☺ Other: _____
- ☺ Other: _____
- ☺ Other: _____

From the point of view of the Doctor:

- ☺ Is the doctor interfering with the TC's FA? No _____
- ☺ Does the doctor know why past dues may be high? No _____
- ☺ Other: _____
- ☺ Other: _____

Comments: _____

