Does your practice extend open credits to your patients? This is an important question as veteran dental practice owners know that their practice’s fiscal health, profitability and success require balancing a prudent patient financing policy.

Balance allows the flexibility to accommodate your patients, and it needs to be firm enough to avoid cash flow/collection problems that may have material consequences for both the clinicians and staff. Even a temporary cash flow problem is stressful for a practice owner, creating the potential for uncertainty in making the payroll.

What is a dental practice’s uncollectible percentage? While this number will vary substantially (due to many factors ranging from service mix, use of practice management software, aggressive or lax payment policy compliance), when averaged, it shows the nationwide number of approximately 2.5 percent. Many practice owners think they can live with 2.5 percent. However, further inspection reveals a more in-depth appreciation of collection effectiveness on a practice.

Let’s suppose a practice grosses $1 million annually. If the practice has bad debt or “uncollectible receivables” of $25,000, that is 2.5 percent, then that write-off number would be correct (See Table 1).

Accounts receivable trends for any business, from a FORTUNE 500® company to a dental practice, are almost identical. Receivables are like gravity. You can’t resist gravity and you can’t resist receivables’ falling value over time. Table 2 shows the effects of time on receivables. Each $1 of accounts receivable at 90 days is statistically only worth $0.72.

Thus, the case can be made for dental practices to devote more focus to their “payment is due upon service” policy so the practice is not to their “payment is due upon service” policy so the practice is not at risk. This is statistically only worth $0.72. $1 of accounts receivable at 90 days is statistically only worth $0.72.

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