Solution: increased case acceptance and greater profits

By Mark Merritt

For years dental offices have sent patients seeking higher dollar procedures to third-party companies for financing. While this solution provides an option for patients that could otherwise not afford treatment, it presents several challenges.

Challenges presented when using third-party financing

➢ Third-party finance companies charge as much as 10 percent to the practice. These high fees result in lower profit margins and have left many dentists unwilling to accept anything other than cash up-front for treatment.

➢ If it sounds too good to be true, it probably is! Third-party finance companies offer attractive “same as cash” or “no interest” options to patients. While these sound like great deals, one late payment will result in retroactive interest charges as high as 24.99 percent. This scenario can leave patients with ill feelings toward the practice. A national business magazine recently featured a dental practice in its cover-story article on patient financing and its negative impact on patients.

➢ A growing number of patients may not qualify for third-party financing. Historically, when our nation enters a downturn in its economy, lenders tighten credit criteria resulting in more credit declinations. Dental practices will likely feel the crunch in the form of lower case acceptance as patients struggle to come up with cash before treatment. Answering this challenge requires a solution that will help the patient pay over time while minimizing the potential risk to the practice and increasing profit margins.

It’s time for a paradigm shift

Dental practices have avoided office payment plans for two reasons:

➢ Fear of non-payment.
➢ A lack of staff resources for billing and payment collection.

Resolving these two objections allows a practice to have an office payment plan that answers patients’ needs and provides a new revenue stream to the practice.

Let’s first answer the problem of credit risk. Many consumers cannot afford to pay treatment costs up front, but can comfortably afford payments over time. The trick is to separate which patients can afford and maintain monthly payments from those who are potential collection problems. A practice can solve this quandary by using a credit report with a scoring model to separate patients by risk level.

When exploring avenues for purchasing credit reports, be sure to ask for help deciphering scores or, better yet, a system that will automatically separate the candidates into risk categories. You will also need to assess the cost to the practice by asking if there are annual fees or monthly minimum charges. Once a practice has a good credit evaluation mechanism in place, an office payment plan will not seem so daunting.

Now let’s explore options for an office payment plan. By offering patients the ability to pay over time, a practice opens up new opportunities for case acceptance. Based on credit levels, an office may choose to stretch payment plans over six, 12 or even 24 months to offer a solution that makes costly treatment affordable to a greater number of people. But how much extra work will this create for the staff and how does a doctor know that the staff will stay on top of the collection process?

Many companies are now using automatic drafting to insure payments are received on time every month. These auto-debits can be set up through various software packages or can be outsourced to a payment drafting or payment management company. These options require varying degrees of hands-on staff time. The goal should be to find a solution that requires minimal employee time so they are not burdened with the payment process.

Increase case acceptance and profitability!

With a little research and a shift in thinking, a practice can become much more profitable by putting more patients on the books without losing up to 10 percent of the treatment fee to third-party finance companies. Since the nation’s credit crisis has made it more difficult for consumers to receive financing, this could be the solution to maintaining or growing the level of business for the practice during a time that many businesses are suffering. By assessing risk and keeping management costs low, a practice can offer an office payment plan that is a win-win solution for the patient and the dentist.

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