



Solving Legal and Business Problems of Health Care Providers for Over 30 Years

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The Check is in the Mail

Patients make mistakes: sometime inadvertently, sometimes on purpose. We'll leave you to decide which on a case-by-case basis. Either way, here are a variety of circumstances you or your staff have likely encountered and my suggestions for how to actually get paid.

The unsigned check

Have you ever received a check a patient forgot to sign? It's a pain in the neck to send the check back with an appropriate note, and perhaps need to bill and re-bill until proper payment is actually tendered.

Instead of playing the "Oh, please send payment again" game, shortcut the process. On the signature line of the check write or type: "See Reverse Side." On the endorsement line insert the words "Lack of Signature Guaranteed" followed by your usual endorsement something like: "For Deposit Only, Account #FYZbulldog123, Skin without Blemish, PC."

This guarantees your bank that you will take the loss if the patient's bank does not honor the check. Almost all banks will process the check embellished this way. Your account will be credited—at least until the patient's bank dishonors the check or the check is returned for lack of funds.

The negligent patient

"Oh! My! Didn't I send that check?" "No, of course you didn't send the check! Would I be wasting my time with you on the phone if you had sent the check?" Okay, maybe a little too feisty. Try: "Dr. Clearskin really appreciates that you placed your confidence in him and I suspect you also appreciated the care you received (*wait for any naysaying that may indicate a problem*)." "Doctor is so good with patients like you (*note the internal marketing*). I'm sure the doctor would be willing to treat you again if we receive your check by Thursday (*or three days from today*)." Note the not-so-veiled threat.

Then add progressive discipline as necessary: "I believed you had every intention of paying us. But you can stop worrying about this bill by charging it to your credit card or stopping by with a check (*do not offer payment plans; you are in the medical business, not the financing business. On the other hand if you do cosmetic surgery, you should arrange for convenient financing arrangements for patients. And if you do want to be in the financing business that's fine—so long as you act like a bank.*). You know that if we have to pursue this bill through legal action, it will be more costly for both of us!"

Each sentence here raises the stakes. Use them judiciously. And don't threaten action you won't take!

The bankrupt patient

Personal bankruptcies in recent years have hit record levels, some say as a result of too lenient federal bankruptcy laws. Whatever the case, dealing with a bankrupt patient is not easy. You need to be cautious so as not to bring down the wrath of a federal bankruptcy court judge on your practice and you will want to be sympathetic to a patient genuinely in need.

The first step is to ask for copies of the formal bankruptcy petition. You may need to contact the patient's lawyer to get these. Verify that you are listed as a creditor. If you are not, lay low: only listed creditors' debts are discharged in bankruptcy.

Once the petition is verified, you must stop all collection efforts for charges incurred before the petition. New, post-petition, charges can be pursued and should be pursued aggressively. But don't discontinue care for a patient in an on-going course of treatment because of non-payment; that's abandonment. Instead agree with the patient on the manner of payment. Debit card payment or cash should be preferred.

Next talk to the patient. If the patient reaffirms the debt: "I understand I owe you the fee," the charge may survive the bankruptcy claim. Document the statement as best you can. Get the patient to sign a statement acknowledging the debt or, at least, dictate a note as to what was said and get witnesses to sign off on the dictation.

Next step: if the foregoing hasn't worked (most cases), file a "proof of claim" with the bankruptcy court. This preserves your debt against the bankrupt's estate. Don't get your hopes up, you are likely looking at receiving pennies on each dollar owed.

Finally, consider the patient's predicament and their long-term economic value to the practice. If this is an unsavory patient you would rather be without, press for every dime and formally discharge the patient from the practice. On the other hand, if this is a potentially valuable patient or a patient with possibly valuable connections, be magnanimous. Forgiving the debt entirely may generate more goodwill, then claiming the few dollars you may actually recover through the bankruptcy process. But be sure you let the patient know of your generosity!

Let us know of your experiences

Collection problems are not unique; every practice experiences them. In a future article we plan to address insufficient funds checks, "full satisfaction" endorsements and "Oh, my ex is responsible for the medical bills" issues. Tell us what collection issues you want to hear about and we will attempt to address those problems in upcoming issues of "etc." Nonetheless recognize that this newsletter goes to recipients in most, if not all of the 50 states. Many of these matters are governed by state law, so you may need to check with your local advisors before deciding a definite policy for your practice. Still we hope this and future articles will give you ideas on which to build your practice's policies.

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