

# The Challenges of Converting Aged Accounts Receivable to Cash

Every day that an accounts receivable balance ages it loses value, both from a time value of money perspective and, most importantly, because accounts become harder to collect the farther they are from the event that created the receivable.

When you analyze aged accounts receivable, patient receivables fall into three main categories:

- Patients who have always intended to pay and can afford to pay now
- Patients who want to pay but do not have available cash or credit to pay now
- Patients who never intend to pay

There are many reasons why patients who can and want to pay now have not paid. Perhaps they received a statement that said, “Do not pay - pending insurance”. Perhaps they received EOBs and/or statements but thought that their insurance would cover everything. Often, EOBs and statements arrive several weeks to several months after their encounter and they either don’t remember the physician or provider, believe that they or insurance has already paid, or they have become so confused by EOBs and statements from the hospital, surgeon, imaging, anesthesiologist, lab, radiologist, etc. that they have thrown all of their medical bills and EOBs into a pile and buried their head in the sand. Let’s face it – our healthcare system and insurance reimbursement is not the easiest system to navigate, even for those of us doing this for 30 years!

For patients who have not paid but can and want to pay, there is obviously a reason they have not paid and we need to help them understand their bills and assist them in payment. As part of MedPlan’s Aged Accounts Receivable service, we will talk to your patients, go over EOBs and statements with them, helping them understand insurance allowables, deductibles and patient responsibility. These patients already value the expert care provided. By helping them understand their bill, they will be much more inclined to pay their balance immediately.

Patients who want to pay but do not have available cash or credit have always been a challenge for healthcare providers. Providers want their patients to receive needed care but cannot afford to provide care free of charge. Some providers set up internal payment plans for patients; however, these rarely work out well for the provider. Providers typically do not have a payment plan collections system or properly trained staff to effectively manage internal payment plans. Between the cost of capital and the tangible costs of personnel, office space, supplies, monthly statements, etc., providers will struggle to collect half of what they would receive, up-front and as a non-recourse payment from a MedPlan loan. The balances on these unpaid payment plans will sit on the provider’s books with no activity while month after month a statement is being sent to the patient, who has now figured out that no one questions them if they don’t make

their payment. Eventually, these accounts will be either written off or sent to collections – either way, at best, providers yield pennies on the dollar. MedPlan loans allow patients to finance the amount they owe the provider through affordable monthly payments. MedPlan pays the provider the loan proceeds, less a fee commensurate with the default risk associated with the patient borrower. MedPlan assumes all risk of default and will never attempt to recoup any default losses from providers.

As important as it is to identify and assist patients who can and want to pay and to provide a payment mechanism for patients who lack cash or available credit, it is just as important to identify patients who do not intend to pay and identify why they don't intend to pay. Many providers are reluctant to send their non-performing accounts receivable to collections. They either feel bad for the patient or, in the era of social media, are concerned about what these patients might post about them or their practice. Also, some providers are concerned about a patient becoming upset and deciding to file a malpractice claim against the doctor or facility. These are all valid concerns that need to be assessed.

As part of MedPlan's Aged A/R service, we will contact these patients and identify their reason for non-payment. We will recommend that you either write them off because they are a threat to your practice or reputation, write them off because we believe that the patient is truly unable to pay and will not qualify for a loan or send the accounts to a collection agency for harder collection pursuit. Whatever you choose to do, it is important that these non-performing accounts are resolved and taken off the books so they will not waste any more time or continue to clutter the aged accounts receivable listing.

MedPlan can help you take control of your aged A/R by receiving immediate payment from patients who can pay, converting A/R balances into MedPlan loans, generating an immediate cash payment to providers, and providing a methodical approach to writing off or pursuing collections for non-performing accounts. The entire process takes about 60 days, and we can get started right away.