

Cash Flow Management Part 1 – May 2008

A vital part of building a profitable private practice is the correct management of your finances. The effectiveness of your financial controls will ultimately dictate the profitability of your business - clearly if fees don't come in then your business performance will suffer - but having the appropriate financial rigour, whilst not difficult, does require some focus.

So how do you ensure you get paid in full for the work you do?

There are three main steps - but you must make sure that you place equal emphasis on all three!

1. Invoicing - here are some basic rules for effective invoicing:

- Invoice promptly (within 5 days) and accurately.
- Keep full and accurate invoicing records; preferably electronically.
- Always show the patient's full name, address, post code and date of birth for patient identification purposes.
- If a patient is insured, clearly show the insurance membership number and treatment pre-authorization number.
- Ensure the date and location of each consultation/treatment is clearly stated.
- If multiple consultations have taken place, always invoice each one of them individually.
- Make sure you use the correct and most recent CCSD codes and the associated insurer fee (beware that these codes can change and insurers don't always highlight changes in fee maxima).
- Ensure that insurers do provide you with a pre-authorization number to avoid the patient getting a surprise shortfall – particularly if you wish to charge outside of the insurer's guidelines.
- Make sure that patients are aware of their full responsibility for payment should there be a shortfall or lapse in cover – a signed quote form is helpful in ensuring no nasty surprises.
- Some insurance companies make payments based on treatment codes alone so shortfalls can result from incorrect coding.
- Insurance companies often make commitments to their customers to settle invoices promptly – so the quicker you invoice the sooner you will get paid.

PHF's experience suggests that generally the private healthcare industry does not have a bad debt issue; rather it has a poor reputation for prompt and accurate invoicing, incomplete payment records and ineffective collections processes. If you have anything exceeding 1% bad debt annually you need to look at how you carry out your entire billing process; often complexities and inconsistencies in invoicing can cause significant collections problems down the line. And you can't just rely on collections agencies to pick up the pieces – apart from anything collecting debts is far more costly than implanting accurate and prompt billing in the first place.