

Cash Flow Management Part 3– 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!

3. Collections - have a clear process for dealing with unpaid invoices, and consider the following when determining your collections procedure:
 - It is important to promptly and methodically chase-up payments – going through unpaid invoices once a year just will not work - prompt action will have a hugely beneficial effect.
 - Dealing with insured patients and self-pay patients requires a slightly different approach.
 - In the first instance send reminder letters followed by a phone call – it is essential that a patient's complete contact details are kept up-to-date for contact purposes.
 - When reminders don't work, warning a patient that you may take formal legal action can in itself prompt payment (but be careful and sensitive as to how you use this).
 - You can charge interest on outstanding fees; however you need to make clear reference to your intention to do this on invoices and reminder letters.
 - If a patient is still unwilling to settle an invoice, you may choose to initiate a claim through the Small Claims Court – this can prove an effective way of prompting payment but does attract a fee and does not guarantee payment.
 - Alternatively you may pass debts over to a collections agency – but this usually costs a fixed fee plus a percentage of funds recovered.
 - Should you fail to obtain payment and decide to write-off the amount, HMRC may demand documented evidence of what was done to try to recover the fees due.

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.