A few years ago, Minnesota Attorney General Lorie Swanson won a $2.5 million settlement against one of the nation’s largest debt-collection agencies, after investigators discovered the company had embedded staff in emergency rooms. Their task was to press for payment and they employed various techniques to force patients to pay prior to treatment.

The Healthcare provider that hired the company took a major PR hit after the debacle, though not as much as the agency, which under the agreement reached with the attorney general could not operate in Minnesota for two years. The results effectively ended its relationship with other health care providers in the state.

The episode reveals that selecting an exceptional collections partner should be of primary importance to health care providers.

Choosing a bad partner – one that is rude, reckless or overly aggressive – serves only to showcase a sense of indifference toward the lives of patients. If patients cannot trust a healthcare provider to collect payments in a friendly and ethical way, how can they believe the care they receive will be any different?
Healthcare is expensive. Collections are important. Not all patients are able to pay right away, or fully. Many of them are just getting used to high-deductible policies and do not have the deductible amount – often thousands of dollars – readily available in bank accounts. They either do not understand they can use credit or simply fear deploying it.

Treating patients the way you want to be treated, as trite as that ancient wisdom may sound, is still the best approach. The key to this is to select a collections’ agency just as you would choose an employee. They will represent you to the outside world, just as a doctor or nurse does on a daily basis. Taking that into account, what is the best approach when choosing a collections partner? Let’s look at some basic strategies that will ensure a good outcome.

**Conduct Initial Due Diligence**

Making the selection should not be made hastily or without a full investigation. First, consider your size and then find agencies that have worked with clients just like you. If you operate a series of clinics in one region or one city, a smaller collection agency might serve your needs just fine. If you operate over state lines, then a national, regional or other larger agency that has experience with collection and health laws in those states would be a better partner.

Learn whether these agencies have experience in the health care industry or if they have backgrounds in accounting departments at hospitals and clinics. Study whether their managers and employees have backgrounds in health care. Ask about their turnover rates.

Finally, find out whether the agency is bonded and licensed to operate in your state. Request that the agency send you a copy of its license and certificate of insurance for Errors & Omissions. Without that, you could be liable should legal issues arise over collections. If they are not bonded or fail to have a license, remove them from your list of potential partners.
Look For Standards and Affiliations

Just like other industries, collection agencies have several organizations offering certification, training and other information to members. They offer standards, best practices information and educational products for their members, too. Let’s look at a several of the major groups working or associated with collections’ agencies and how you can use them to achieve a closer look at potential collection partners.

Better Business Bureau:
The BBB collects complaints – among many other duties – from consumers about specific businesses in their communities. Make a call or check out the website of the BBB in your city to see if there have been any reports against the collection agencies on your list. Complaints are not uncommon in the industry so don’t be alarmed if there are complaints associated with agencies. However, an A or B rating with the BBB is a clear indication that the agency stands behind their actions and brings each complaint to ultimate resolution.

The Association of Credit and Collection Professionals (ACA) International:
A large, sophisticated trade group, the ACA offers members plenty of educational programming, state and national events, seminars, compliance training and information. In addition, it lobbies state and federal regulators and legislatures. Most reputable agencies are members.
Study Collection Agency Compliance

Agencies should be prepared to answer several questions about their operations. Ask about how they follow the Fair Credit Reporting Act and Debt Collection Practices Act. The Fair Credit Reporting Act regulates consumer credit information and how it can be disseminated. The Debt Collection Act, passed in 1996, covers a variety of areas involved in collection, including communications, false and misleading representations, unfair practices, debt validation, the use of deceptive forms, legal action by debt collectors and several other areas.

An agency should be willing to share its financial situation and accounting practices. Look at whether they maintain a “trust” account that holds money from collections before remitting them. To become certified by the CLLA, for example, agencies must use a trust account approach to collections.

Be sure to request a hold-harmless agreement. Should a collection agency overstep its bounds or conduct illegal activity, this agreement will protect you from any liability.

Study The Fee Structure

Agencies charge flat fees or upfront fees. Depending on your debt load one or the other should be appealing. Agencies sometimes charge 15 to 35 percent of the debt amount being collected, a figure that declines if they have more cases to work on. Commonly, collection firms offer a tiered structure tied to account amounts, collection portfolio, account age, attorney involvement (if necessary) and debtor location. Many agencies do not charge if a debtor pays within 10 days of contact.

Some other things to look for in pay structures include whether firms charge more or request cash for upfront payments for older accounts. Some experts believe you should not have trouble getting a flat fee, and to remit the “gross” amount of the collection prior to paying the agency. Cheap does not mean excellent, of course, as in any endeavor. Don’t make the fee the major factor in your selection.
Technology and Add-ons

You want to be able to communicate with a collection agency through a portal where your revenue-side staff can look at the status of accounts, closure rates and collection totals on a daily, weekly or monthly basis. It should also identify which patients continue to have outstanding balances. You should be able to see everything from payment to collection on each outstanding account.

Looking deeper, ask if you will be assigned an individual to oversee your account – someone you can call with questions, concerns or for regular updates.

In Search of Patient-Friendly Traits

You do not have to partner with an agency known for have a nasty disposition toward clients. The best approach to finding out how agencies work with patients is to ask for a list of one to three current health-care clients. Ask them about performance and the reliability of agency staff and management.

One indication of a progressive patient-friendly agency is whether they treat their own employees well. Do they have access to training programs and webinars, perhaps through the agency’s membership with the ACA?

Moreover, look into how the agency communicates with clients. Does it have newsletters and email updates for clients? Another feature of a well-run agency is a point-of-contact person for your account. Collections tend to be an impersonal business, and having someone you can call for check-ins and updates just makes sense.
Conclusion

Health care providers will have to face plenty of challenges in the coming years. Exchanges are transforming the insurance industry. Care is evolving in various new directions. Technological innovations continue. Underpinning all this infrastructure of change is the need for capital to pay employees, to buy technology, to renovate and to build.

That's why a good patient-friendly collection partner matters. That's why it is worth the time – in terms of research and study – to find the right agency that can work with you and your staff.