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Deadly Don'ts Of Accounts Receivable Billing

Watch out for these 4 mistakes practices often make

If you're making some common mistakes, it could drag your practice down into unprofitability. Watch out for the following no-nos:

Confusing "patient responsibility" balances with Medicare and other payers. "Most physicians will allow patients to pay a small amount from now until eternity," says **Phyllis Yingling** with Apple A Day in Hilton Head, S.C. So these copays and deductibles may make your A/R look much worse than they should.

"The patient-responsible accounts require consistent follow-up and handling of payment plans," adds **Gary Matthews** with Physicians HealthCare Advisors in Atlanta. If you've let a lot of patients slide on paying back these balances, you should consider hiring an in-house collector for a few months to focus on accounts that are more than 120 days old, Matthews says.

Writing off too many receivables. If you create incentives to keep all A/R less than 90 days old, people may simply write off all accounts that get past that threshold, says accountant **Jerry Bartram** in Redlands, Calif. This can be counter-productive.

Misunderstanding the terms you're using. When consultant **Lee Cavanaugh** with Cavanaugh Michaels in Mechanicsburg, Pa., talks about days in A/R, he doesn't mean the average age of the receivables. Instead, he's using a particular formula: He takes the total dollar volume you've billed so far this year and divides it by the number of days in the year to date. That gives him your average billing per day. Then you take the amount of money in your A/R and divide it by that per-day figure to get the number of days' billings that you still haven't received.

Using this yardstick, Cavanaugh says a primary-care practice should generally have 30-45 days in receivables, and a specialty practice should have 45-60 days' billings in receivables.