

Case Study # 6 : Accounts Receivable Management & Embezzlement Prevention



Below is a case where two retiring doctors left \$850,000 on the table because they lacked the skill to understand that their accounts receivable was out of control. Do not let this happen to you.

Practice Profile

- New owner dentist buys existing 35-year-old pediatric practice, but not the accounts receivables.
- Selling doctors would pay new owner five percent of any balance that was collected.
- Previous owners—two doctors; both retiring.
- Open Monday-Friday. Each doctor worked four days/week.
- Staffing: two front desk, five assistants.
- Average monthly production \$120,000.
- Average monthly collection \$80,000.
- Collection ratio 65 percent.
- Payor mix: 30 percent Medicaid, 70 percent PPO/private pay.
- Using paper charts and digital radiography.

New Owner Frustrations

- Practice management systems were outdated.
- Long-term front desk staff lacked skills and the ability to use the dental software reports and monitoring.

Findings

Leadership

- The previous owner doctors did not have the skill level to be able to run and evaluate an accounts receivable report to see if the office manager was collecting appropriately.
- The office manager did not take any responsibility for managing the accounts receivable report (even when this was in her job description). She was promoted to the position of office manager because she had been working at the front desk the longest.
- The previous owner doctors were conflict-avoidant and did not hold long-time front desk staff accountable for their job duties or address their lack of skills.
- There was never a business plan in place.
- No practice vital signs monitored.
- New owner doctor wants the team to learn current practice management systems to ensure practice success.

Front Desk Efficiency

- Front desk systems were inefficient and operating 15 years behind the times with the dental software being used in a limited capacity.
- Front desk staff did not realize that when they entered the parent's insurance information in the software

system for the child's coverage, when the software asked for the relationship, they needed to select "child". Since this information was missing, the claims would get rejected by the insurance company.

Collections

- The office manager was responsible for managing collections and failed due to her lack of computer and people management skills.
- Accounts receivable report total was \$850,000 in outstanding balances; \$200,000 due in over 60 days and an astounding \$650,000 due in over 90 days. The accounts receivable report was never run or worked.
- The past due insurance claims report was never run nor worked. Person responsible did not even know how to run it. There were open insurance claims dated back to 1996.
- Estimated patient portions and deductibles were not collected from parents at time of service.
- Electronic filing of insurance claims being sent with pertinent information missing, therefore claims would be rejected and no one would follow up.
- Statements not always sent after insurance payment received.
- Only some accounts over 90 days were sent a bill.
- The new owner suspected the office manager had been embezzling from the previous owners.

Scheduling/Production

- Not scheduling to meet daily producer (doctor, hygiene and hospital) goals.
- Staff scheduled according to holes in the schedule without regard to production or knowing how many places they were asking the doctor to be at the same time.
- Recall patients were not pre-appointed.
- Past due recall and unfinished treatment plan reports were never run nor worked.
- No late appointment policy in place; if a patient showed up, they were seen no matter how late.

Leadership Recommendations

- The office manager was deselected from the practice.
- The new owner hired a practice administrator who has the skill set to manage staff and operate with the current level of practice management systems and technology required.



- New owner shared her vision for the practice with the existing team. She explained her philosophy, why she bought the practice and the culture she expects her team to create and share with one another and the patients and parents.
- The team created two mission statements: patient and team. This created a standard of accountability that everyone understood. It was now clear where the practice was going and the staff was invited to be part of this journey and accountable for living up to their new code of honor in taking the practice to its next level.
- Staff understood they are also entrepreneurs in helping create practice success; the better the practice does, the better it can take care of them.
- Created a practice business plan that defined:
 - The break-even point.
 - Practice goals:
 - Average number of doctor, hygiene and hospital work days/month.
 - Average daily production for each doctor and hygiene.
 - Collection ratio.
 - Average number of new patients/month.
 - Raised fees to a competitive level.
 - An overhead budget and monthly budget amounts for staff that orders front office and dental supplies.
- Monitoring of practice vital signs and goals.
- Held morning meetings, as well as monthly team meetings and quarterly department meetings.

Front Desk Recommendations

- Front desk staff received training to increase their utilization of the dental software and management reports.
- Front desk team members were cross-trained in: scheduling, collecting payments, presenting treatment plans, hospital cases, working the recall and unfinished treatment plan reports.
- Each team member was given tasks to take ownership of based on the consultant's observation of each individual's skill level during the cross training. This ensured all systems will be completed with one person ultimately held accountable for the outcome and as a contact person for the Practice Administrator and Doctor.

Collections Recommendations

- Accounts receivable worked weekly by the practice administrator.
- Statements generated daily and sent on a 21-day cycle instead of 30 days. This includes any balance that is left after the insurance payment is received.
- Past due insurance claims report worked thoroughly every week by the Practice Administrator for all elec-

tronically submitted claims that are 10+ days old. Date and claim status notes documented in the software.

- All insurances are verified and checked for eligibility and frequency limitations.
- All estimated portions, deductibles and non-covered procedures are collected at time of service. Insurance payment schedules entered into the software to come up with an accurate copayment.
- Request a fee increase from PPO's.

Scheduling/Production Recommendations

- Schedule to meet daily doctor and hygiene producer goals.
- Block scheduling template created to meet producer goals and give a good flow to the day.
- All recall patients are pre-appointed using the automated recall scheduling function in the software.
- Past due recall and unfinished treatment plan reports are worked regularly by assigning this task to specific front desk staff, creating uninterrupted time for them to complete this task and the practice administrator holding them accountable.
- Late appointment policy put in place so schedule flows smoothly.
- No show or short notice appointment policy created.
- Missed appointments followed up on and not lost.

Results

- Deselecting the office manager improved the practice atmosphere and increased profitability with the improved collection system.
- Practice is running like a smart business with most daily goals being exceeded. If any practice vital sign is not being met, it is easy to see where attention needs to be focused.
- The new owner doctor has peace of mind knowing strong systems are in place and practice growth can be accomplished.
- New owner's daily schedule is manageable and feeling less stressed because she sees fewer patients due to the block scheduling.
- Practice administrator has relieved the doctor of staff management duties and is holding staff accountable for job duties and meeting practice goals. Also she has greatly added to the leadership in the practice in helping staff understand the bigger picture of what they are trying to accomplish through increased communication and more effective meetings.

What You Should Learn From This

- Doctors invest many years to build a successful practice that contributes to their community. Do not keep



people in positions they are not suited or trained for and/or promote from within because someone has been there a long time if they do not have the skills that are needed.

- Be clear in your expectations. Do not be held back by an insubordinate staff member who refuses to do their job or doesn't know how and does not seek to learn. If someone disrespects you or refuses to do things your way, let them go.
- When promoting, make sure the person has the proper behavior traits, skills and motivation to do the required duties.
- Make sure team members have clear job descriptions and are properly trained for the position they are accountable for.
- Convey strong leadership and hold staff accountable. If needed, hire the right person to assist in this capacity.
- Operate with strong front desk systems and skilled front desk staff who fully utilize the practice management software.
- Know how to run an accounts receivable report in your practice software to see if your staff is properly collecting. Many doctors are not aware their right-hand person could be hurting them.

- A practice business plan is crucial for defining goals specific to your needs.
- Monitor goals and practice vital signs daily.
- Have a thorough hiring system to avoid hiring an embezzler.
 - Always do a federal background check. Embezzlement is at an all-time high. Seventy percent of dental practices experience some form of embezzlement. More doctors are seeing the importance of prosecuting. Otherwise, the embezzlers move from office to office.
 - Call every employer on the resume even if the position they worked in is different from the one you are hiring for. Look these companies up online and ask to speak to the owner or dentist.
 - Do not call the phone numbers the applicant provides on their application. Applicants have been known to give bogus numbers and the person giving you the reference is not truly a previous employer.
 - Confirm dates of employment. We have found embezzlers leave off employment history and change dates to hide the offices they do not want you to know about.

**“A man must be big enough to admit his mistakes,
smart enough to profit from them and strong enough to correct them.”**

~ John Maxwell

Does Your Office Manager Need a Tune Up?

Office Manager Training Academy - Oct 13-17, 2014 - Denver, CO

- Use your dental software and its reports to its full potential
- Utilize integrated technology to maximize patient contact and referral opportunities
- Market your practice through social media and on-line reviews
- Learn to be an effective leader and hold staff accountable
- Increase staff morale, learn to train employees, and create a cohesive team

JULIE WEIR
& ASSOCIATES
TAKE THE LEAD

Full Service Practice Management Consulting Specializing in Pediatric Dentistry since 1996

Consulting * Marketing * Success Products * Speaker * 303-660-4390 * www.julieweir.com



american academy of pediatric dentistry
211 east chicago avenue, suite 1700,
chicago, illinois 60611-2637



Published four times per year as a direct membership benefit by the American Academy of Pediatric Dentistry (AAPD), 211 East Chicago Avenue, Suite 1700, Chicago, IL 60611-2637, (312) 337-2169. Copyright©2014 by the AAPD. All rights reserved. ISSN 1064-1203. aapdinfo@aapd.org, www.aapd.org. Writer: Julie Weir has built an outstanding reputation as a consultant, international speaker and author in the business of dentistry. Opinions and recommendations are those of the author and should not be considered AAPD policy. Chief executive officer: Dr. John S. Rutkauskas; Publications Director: Cindy Hansen; and Publications Coordinator: Adriana Loaza.



and marketing news