Patient Financial Management

A Risk Management Plan

Malpractice allegations against dentists may result from a combination of a poor treatment result and a breakdown in the doctor-patient relationship. However, often such allegations arise due to a patient’s financial problems rather than a bad result. For example, a patient may assert a defense of negligent treatment in response to a collection action.

Although control of accounts receivable is usually considered to be a practice management or financial planning issue, it also has risk management implications. Any assistance that the dentist can provide to help prevent a patient from feeling trapped or threatened by financial obligations would tend to minimize the potential for these collection-related malpractice allegations.

Avoiding Runaway Accounts

The goal of discussing financial obligations with the patient is to ensure predictable office income without exceeding the patient’s ability to afford treatment. This goal requires communication and financial planning skills.

A treatment planning process that openly communicates financial issues is one good way to outline the patient’s obligations. Because patients frequently misunderstand the purpose and scope of dental insurance, they should be advised to verify what their insurance coverage will pay through a predetermination of benefits.

Sound financial planning will ideally preclude the patient from feeling blind-sided by an expense that exceeds his or her budget. Some dentists avoid the build up of a large account by requiring a percentage of the fee up front and providing for monthly payments of the balance. Accepting credit cards may also help to avoid a large outstanding balance. If you charge interest on a monthly balance, however, be aware that truth-in-lending laws may apply to your payment agreements.

Managing Past Due Accounts

Once an account is delinquent, how should treatment progress? The doctor-patient relationship does not automatically end when a patient fails to comply with his or her financial obligations nor does it immediately end at the doctor’s option. Improperly terminating this relationship is called abandonment. Delinquent accounts should be individually addressed from both a patient care perspective and a financial perspective.

From a patient care perspective, patients with a poor payment history can be retained in the practice or appropriately dismissed within risk management guidelines. This perspective considers both the patient’s oral health status and the subjective value of maintaining the doctor-patient relationship.
From a financial perspective, acceptable payment arrangements should be made if the patient is to be retained. Two options to manage delinquent accounts are:

- Continue with the treatment plan; setting up a mutually acceptable plan for current fees and a separate plan for past fees.
- Provide no additional new treatment, with the exception of emergency care or the completion of a procedure already in progress, until the prior balance is cleared.

Suing for Collections

Dentists can use the legal system to collect past due amounts. Unfortunately, the time and effort needed to collect a bad account may exceed its value; this may be especially true when a patient asserts malpractice as a defense (even if frivolous) to a dentist’s collection action.

From a practical and risk management perspective, review the patient’s record before beginning a collection action. In those instances where the treatment result was below your expectations or where the treatment records are lacking information that would be vital to defend against a malpractice allegation, it may be prudent to decide against pursuing collection. Each account should be assessed individually.

Postscript

Dentists are advised to consult with an attorney when establishing interest-bearing payment plans, before bringing a collection action, and when considering dismissal of an active patient so that compliance with appropriate laws, if applicable, is ensured.

It may take time and effort to manage patient accounts and still maintain good doctor-patient relationships. But it is time well spent and will contribute to the continued success of your reputation and practice. And, good patient financial management is also good risk management.

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