

# 101

## CREDIT AND COLLECTION TIPS & TECHNIQUES

Action strategies that you can put to work today in your business or practice.

Collect More Money, Faster, for Less!



***NCSPlus Incorporated***

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## Credit and Collection Tips and Techniques

Collections today are said to be 95% psychology and 5% muscle. This booklet is a time tested collection of tips, techniques and thoughts that can aid you and your organization in collecting more money, faster, for less. Much of what is contained in this booklet may be common knowledge and the types of things you and your organization are already doing on a daily basis. But, there are bound to be several ideas and action-oriented tips that, if you implement them, will help you do an even better job on your receivables.

*Compliments of*

**NCSPlus Incorporated**  
**117 East 24th Street, Fifth Floor**  
**New York, New York 10010**  
**212-213-3000**  
**Toll-Free (800) 363-7215**

Email: [info@ncsplus.com](mailto:info@ncsplus.com)  
Web: <http://www.ncsplus.com>

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## **Warning Signs of Potential Credit and Collection Problems:**

1. Numerous inquiries about one of your accounts.
2. Customer switches banks frequently.
3. Client asking for clarification or proof of service more frequently.
4. Changes in client payment patterns.
5. Partial payments rather than payment in full.
6. Problems in the client's geographical area.
7. Problems in the client's industry.

## **Warning Signs Your Sales Force May See First:**

8. Order levels shrinking.
9. Empty shelves in warehouse or retail floor.
10. Plant operating at less than capacity.
11. Your customer's major customer is trouble.
12. Loss of key staff members.
13. Large layoffs or reductions in hours.
14. Restricted tours in areas of facility.

## **Warning Signs of Potential Bad Check Problems:**

15. Checks with printed numbers under 300.
16. No preprinted name or address on the checks.
17. Starter checks with no printed information.
18. Address on check and ID don't match.
19. No picture ID or expired picture ID.

## Why Collection Problems Occur:

20. Fear of loss of future business (don't pursue delinquencies actively for fear of losing future business).
21. Absence of credit and collection policy or unclear policy.
22. Lack of training of the collection staff.
23. Reluctance to use outside collection sources early in delinquency cycle.

## Seven Reasons to Have a Formal Written Credit & Collection Policy:

24. Clarifies who does what.
25. Facilitates training.
26. Supports actions.
27. Prevents unauthorized changes.
28. Promotes consistency.
29. Reduces wasted time.
30. Answers 95% of the routine questions.

## Develop Your Credit and Collection "Skills:"

31. Two basic concepts: (1) Time is the greatest deteriorating factor on the collectibility of an account, and (2) You will never have enough resources to collect all your delinquencies.
32. Implement an early referral or cure program to maximize your internal and external recoveries.
33. Early referral programs, in addition to collecting, help you identify and single out no-pays from slow-pays and treat each accordingly.
34. Accounts 60 days of age or less are over 80% collectible.

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35. Accounts over 90 days of age are typically less than 50% collectible (internally).
36. Working accounts under 60 days delinquent will typically maximize your internal yield and recovery. Use a third party for those over 60-90 days delinquent while focusing internal efforts on the easier slow-pay accounts.
37. Develop and use a "60-day Pursuit Program."
  - Concentrate all internal efforts into the time frame where they are most profitable.
  - Start on your delinquents early — contact them often in the 60-day period.
  - Get progressively stronger as the 60 days go by.
38. Elements to use in the 60-day Pursuit Program - copies of statements/ invoices, letters, sales visits, phone calls, suspend credit.
39. After 60-90 days your options are: continue to pursue internally with reduced results, write-off the account, use small claims court, attorney, or outside full-service collection agency.

### Collection letters:

40. The most easily automated way to collect money.
41. Can't solve problems or determine if a payment problem exists.
42. One-way communication.
43. Subject to misunderstanding.
44. Collection letters maintain the dialogue with the debtor.
45. They are inexpensive.
46. Sets the stage for your next action.
47. Lets the debtor know you haven't forgotten about them.

### Other Considerations in Using Collection Letters:

48. Your bill is not the debtor's only mail.

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49. Your letter is competing against professional mailers.
50. Change the look of each mailing.
51. You must discourage the debtor from discarding your envelope.
52. You must encourage the debtor to open your envelope.
53. Increase the odds of positive results from your letter.
54. Hand address a blank envelope – they'll open it up!
55. Add "Address Correction Requested" and "Forwarding Postage Guaranteed" to the envelope.
56. Mark envelope to encourage opening: "Urgent," "Personal," "Confidential," "Do Not Fold," "Personal & Confidential."
57. Motivate the debtor to want to pay with appeals in your letters:
  - "Save finance charges."
  - "Keep your good credit record."
  - "Remain a valued client."
  - "Avoid a bad debt record."
  - "Avoid outside collection agency placement."
58. Make collection letters progressively stronger.

### Telephone Collection Calls.

59. Telephone contact is more costly, but much more effective.
60. Calls should supplement letters and follow up on what was said in the letters.
61. Being two-way communication, calls can identify and solve problems.
62. Sell and keep control on the collection call.

### Making the Collection Call:

63. The collection call format:
  - identify the debtor.

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- identify yourself.
- demand payment in full.
- psychological pause.
- determine problem or objection.
- find solution.
- close the call and get commitment.

64. Collection calls have three phases:

1. Opening Phase.
2. Negotiation Phase.
3. Closing Phase.

## Opening Phase Tactics:

65. Verify the debtor's identity. ("I'm calling for (name). Is this he/she?")
66. Verify debtor's address.
67. Identify yourself.
68. State the debt owed ("You owe us \$567.35").
69. State the type of action you desire. ("I need payment in full today.")
70. Pause and let the debtor respond.

## Negotiation Phase Tactic—4 Steps (in this order):

71. Step one: "I must have payment in full today."
72. Step two: "When can you send payment in full?"
73. Step three: "How much can you send today?"
74. Step four: "When can I expect a payment?"

## Closing Phase Tactics:

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75. Collector recaps what is going to happen and when.
76. Payments are always expressed as **dollar amounts**.
77. Points in time are always expressed as **dates**.
78. Debtors must confirm that they understand the next action on their part.

### Selecting an Outside Agency:

79. Always use a **full-service agency** as opposed to letter-writing services, etc.
80. Look for agencies that report accounts to all three major credit reporting bureaus.
81. Select an agency that works on a **national** basis rather than a "local" or "regional" basis so that debtors will be pursued even if they move out of your local area.
82. Utilize an agency that has optional litigation services available if a lawsuit becomes necessary.

### Twenty More Tips — Especially for Medical Practices:

83. Conduct new patient pre-registration (and credit analysis) by phone or mail in advance of the first office visit. This reduces bottlenecks in the office and gives time for a credit investigation.
84. Secure credit bureau reports on new patients with poor credit history - identify and solve payment problems before services are rendered.
85. Potential "danger signals" on new patient registration forms:
  - Address - transient or a P.O. Box only.



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- Telephone - none or unlisted.
  - Business address/telephone - none or same as home.
  - Occupation - none.
  - Referral - none, "a friend," "medical society," or 'yellow pages.'
  - Marital Status - divorced or separated, young, single persons.
  - Age - very young or very old.
  - No insurance coverage.
86. Doctor hopping (if known).
87. "What bills do you have that are more important than your health?"
88. Collection ratio - 92% to 95% recovery is average to good for most types of group practices.

### Special Medical Collection Call Debtor Appeals:

89. "I'd guess you made several thousand dollars during the last few months, yet we have received only one small payment."
90. "We helped you in a time of need, and in good faith, we expected to be paid in a reasonable time."
91. "I know that you want to protect your credit so you can feel comfortable should you or your family need to return."
92. "Add to a current loan (to pay us off) or let some other bills go as you have ours for the past few months."

### Considerations for Legal Action:

91. Do you have a written policy to approve recommending legal action? Do the doctor and practice manager both approve?
92. Is 'small claims court' a viable option? Look at balance sizes.
93. Judgements - cloud title to real estate, damage credit, but may not result in actual monies.
94. Is legal action profitable? Weigh costs plus risk of malpractice countersuits.

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## Other Considerations:

95. Knowledge is strength - the more information you have on a patient, the better prepared you are if the account goes delinquent.
96. A thorough understanding of today's credit and collection policies, procedures and personnel may offer you the key to tomorrow's success.
97. The practice, and its collection ratio, is only as good as your policies, procedures, personnel and physicians.
98. Don't be afraid to be different. You are competing for the patient's payment dollar.
99. The squeaky wheel gets the grease.
100. Time is the refuge of the delinquent debtor. Follow up quickly and in a pre-planned manner on every delinquent account.
101. Happiness is a positive cash flow.

That's 101 Credit and Collection Tips and Techniques that, when implemented effectively, can dramatically improve your cash flow and translate into improved profitability for your business.

If you would like an Accounts Receivable Analysis, at no cost or obligation, of your current credit and collection procedures, or if you would like assistance with any of the tips and techniques in this booklet, please contact:

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## Know the Law

Debt Collection, Collection Agencies and Credit Reporting Bureaus are highly regulated. Complete copies of the Fair Debt Collection Practices Act (FDCPA), the Fair Credit Reporting Act (FCRA) and a specimen HIPPA approved agreement for healthcare providers are available at:

**Web: <http://www.ncsplus.com/regulations>**

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