

Medical Economics[®]

Ready, set, swipe

Patients are using debit and credit cards more than ever, so make sure you run a plastic-savvy practice.

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power points

- >> Negotiate card-processing fees to avoid getting nicked and dimed.
- >> Bigger practices may need more than one card terminal.
- >> Consider collecting card payments online.
- >> Preauthorized card payments make it easier to collect from patients with HSAs.

Your future's in the cards—credit and debit cards.

The vast majority of physician practices already accept plastic, but the volume of swipes could jump significantly, given the push for consumer-driven healthcare. The number of individuals with health savings accounts, or HSAs—typically linked with a high-deductible insurance plan—is projected to rise from 3.2 million in 2005 to almost 30 million by 2010, according to the Department of the Treasury. And by then, it's predicted that 95 percent of HSAs will come with some kind of payment card, according to a research and consulting subsidiary of MasterCard International called TowerGroup.

In addition, plastic increasingly supports health reimbursement accounts (HRAs) as well as flexible spending accounts set up through employers. So with more cards hitting the

checkout counter these days, it behooves you to know how to best process them. We'll go through the ABCs of accepting credit and debit cards, and the XYZs of how to handle them in the complicated HSA era.

Are you paying too much for credit card processing?

Businesses that accept cards rely on various financial firms—often banks—to connect to credit card companies and process payments through what's called a merchant account. A few days after the swipe, these same middlemen forward the money to you. Whoever sets up a merchant account for MasterCard and Visa can handle Discover and American Express, too.

Credit card processing comes at a price, and you obviously don't want to overpay. The cost is typically expressed as a discount rate that runs between 1.5 and 3 percent of swiped transac-

tions, and as much as a percentage point higher when the card number is keyed in for a phone, mail, or online transaction. The higher your total dollar volume and the higher your average transaction, the better chance you have, generally speaking, of getting a lower rate. Discover and American Express rates lie at the high end of the spectrum.

In addition to a basic discount rate, merchant-account providers usually quote a flat transaction cost of 10 cents or more. That add-on can make a big difference in your total cost. Let's say your basic discount rate is 2 percent

«Keep your wallet open. Merchant-account providers can throw in a jillion extra charges.»

and the transaction fee is 30 cents. For a \$20 copay, you'd owe a total of 70 cents, which translates into an effective rate of 3.5 percent.

Pricing for debit cards is more complex. The usual discount rates and transaction fees apply to debit cards from MasterCard and Visa if you choose to run them through the terminal like a credit card and the patient signs a receipt. However, if you process a debit card by having the patient enter his pin number, the discount rate doesn't apply. Instead, you're charged just a flat transaction fee that's generally lower than credit card pricing.

Keep your wallet open. Merchant-account providers can throw in a jillion extra charges, such as a monthly statement fee of \$5 to \$20, a monthly maintenance fee of another \$10 or so, maybe an annual fee of \$75. All this, however, is open to negotiation.

To avoid getting nicked and dimed, shop around, and consider some deals available through organized medicine. The AMA, for example, refers members to First National Merchant Solutions, a subsidiary of First National Bank of Omaha, for credit card processing. First National offers AMA members basic discount rates as low as 1.63 percent for MasterCard and Visa plus a nickel per transaction.

Practices that belong to the Medical Group Management Association can take advantage of rates negotiated with BA Merchant Services, a subsidiary of Bank of America. Its base rate for MasterCard and Visa begins at 1.8 percent, plus

10 cents per transaction.

Other merchant-account providers want your business, too. Members of Costco Wholesale can swipe MasterCard and Visa for 1.64 percent plus 20 cents per transaction. Even if you don't choose Costco, you can use it to negotiate rates with a competitor, says practice management consultant Keith Borglum in Santa Rosa, CA. "Ask your regular bank whether it will beat Costco's price," says Borglum. "Usually, it will."

Is your credit card terminal up to snuff?

The company that sets up your merchant account can recommend—and in many cases sell you—a credit card terminal. As you mull over your options, keep in mind some equipment needs unique to the medical world.

First, buy the right equipment for accepting debit as well as credit payments. Patients signing up for HSAs are receiving debit cards as a means of spending what's in their account. However, some card terminals aren't capable of processing debit cards using pin numbers, which may be a cheaper transaction than asking for a signature, says Randy Phelps, an account manager with First National Merchant Solutions. The easy solution is plugging in a pin pad that sells for about \$100. Some card terminals come with built-in pin pads, but these may be impractical for offices that like to keep the device on the staff's side of the checkout counter. In this situation, a staffer is forced to move the terminal to the patient's side so he can enter his pin number.

Some patients still prefer to pay with a check. Accordingly, consider buying either a card terminal or a plug-in device that can scan a check, convert it into an "electronic check," and debit the patient's bank account. Merchant-account providers may offer this service, which includes check authorization (for more on this subject, see "Take the bounce out of rubber checks," in the Dec. 5, 2003 issue, available at www.memag.com).

A good card terminal with a printer can be had for \$200 to \$300, with the price doubling if the device also can scan checks. A plug-in check reader could cost \$99 to \$400. Consultant Keith Borglum suggests scoping out eBay for less expensive used gear.

A busy primary care practice may need more than one card terminal. The 10-doctor MacGregor Medical Center in San Antonio deploys four machines at its five-window checkout counter. "We would experience serious logjams using a

single terminal,” says group chief financial officer Esther Foose.

Card terminals can be hooked up to a cable or DSL line for a high-speed Internet connection and a quickie transaction of two or three seconds, according to Mark Stirneman, a salesman with BA Merchant Services. Transactions take about six or seven seconds over a dial-up connection on an ordinary phone line, but that’s fast enough for a small practice, notes Stirneman. However, consider making that a dedicated line. If your terminal shares a line with a fax machine—a common arrangement—you can’t use both machines at the same time, which slows down your staff.

Do you have the right game plan for plastic?

Americans are shouldering more of their health-care costs through higher deductibles, copays, and coinsurance. Consequently, practices are working harder to collect all the cash that patients owe while they’re still in the office. So accepting cards at the checkout counter makes perfect sense. The patient pays on the spot and you get your money within a few days, which improves your accounts receivable.

The key to making this technology work is conditioning patients to whip out their plastic. Merchant-account providers will give you those ubiquitous placards with credit card logos for your checkout counter. Like many practices, seven-physician Sandy Springs Internal Medicine in Atlanta has gone a step further and put up signs stating “Payment is expected at the time of service.”

More important than signage is having staffers with an assertive yet cheerful approach toward in-office collection, says Sandy Springs administrator Bret Smith. “We used to have someone at the front desk who wasn’t comfortable asking for money,” says Smith. “We replaced her with somebody who was. She says to a patient, ‘How are you doing? Your balance is \$300. Would you like to pay by check, cash, or credit card?’ She doesn’t give them the option of paying later.”

Be just as bold about accepting plastic beyond the walls of your office. While a recent study by the MGMA and Visa found that 97 percent of practices take credit or debit cards, only 87 percent allowed patients to pay this way through the mail. True, a staffer has to punch in that long string of numbers on the terminal,

and a nonswipe transaction bumps up the discount rate, but giving patients this option still beats processing a check, experts say. Likewise, encourage patients to use plastic over the phone.

If you have a practice website, you can turn it into a 24/7 checkout counter by accepting cards online. Your web designer should know how to reconfigure your site so card numbers can be transmitted in a secure, encrypted manner.

You also can set up online card acceptance with Medfusion (www.medfusion.net), a company that specializes in physician websites. A go-to vendor for both the MGMA and the American Academy of Family Physicians, Medfusion charges a one-time fee of \$995, a monthly fee of \$60, and a 25-cent transaction fee for this service in addition to the price a doctor already pays to a merchant-account provider for card processing.

You can also exploit the power of plastic to help financially strapped patients make installment payments. They can sign a “signature on file” form that authorizes you to automatically bill their card at regular intervals for a fixed amount. Just make sure you keep these forms under lock and key.

Are you ready for these plastic changes?

Debit cards for HSAs symbolize the move toward consumer-driven healthcare. Increasingly sophisticated, they can double as credit cards so that if the HSA is empty, the patient can pay up by tapping his line of credit.

However, some kinks in the insurance industry have prevented patients from using these wonder cards when they check out at the doctor’s office. Many high-deductible health insurance policies linked to HSAs instruct patients not to pay anything until the doctor submits the claim and the payer determines—perhaps weeks later—who owes what (see “Collecting just got harder” in the May 20, 2005 issue).

While that’s bad news, the good news is that credit card companies have jury-rigged ways to process HSA plastic. One solution, called Patient Easy Pay from Visa and MasterCard, allows you to bill those brands of debit cards—with the patient’s written permission—at a *later* date for his share of a charge once the insurer

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has adjudicated the claim. The patient can authorize a payment in advance for one visit, or for all visits during a 12-month period. Since Patient Easy Pay doesn't work for pin-number transactions, ask the patient to sign a receipt and process it like a credit card transaction. For that matter, you can use Patient Easy Pay with an ordinary MasterCard or Visa credit card for *all* your insured patients. Ask your merchant-account provider for more details.

American Express solves the time-lag problem with its HealthPay Plus debit card, which comes with an American Express HSA. You swipe the card at the time of service for the full amount of the charge, but payment is put on hold until the claim is adjudicated. You submit the claim to the patient's insurer as usual and—get this—American Express eventually sends you not only what the patient owes, but what the insurer owes.

Don't badger patients to hand over their credit card number for future use, however, lest you raise their hackles. A study released by MasterCard showed that only 19 percent of patients were interested in authorizing doctors to bill their credit cards down the road for an office visit. To win them over, play up the convenience of not having to mail in a check.

The ultimate solution to accepting HSA cards at the time of service is "real-time claims adjudication." This gnarly term means your billing software submits the claim while the patient's in the

office, and you hear from the insurer electronically within seconds whether it will pay for the service, how much it will pay, and how much the patient owes. Then you're free to swipe.

Insurers are slowly rolling out real-time claims adjudication in pilot projects. The MacGregor Medical Center, for example, has been submitting Humana claims for HSA patients this way—and swiping their Visa debit cards on the spot—since last year.

The role of plastic in consumer-driven health-care will take another turn next year when UnitedHealth Group introduces a debit card that doubles as a member ID card, complete with a personal health record. Doctors' offices will be able to verify eligibility and benefits in real time by swiping it through a USB card reader—not to be confused with a credit card terminal—that's plugged into a computer, says UnitedHealth spokesman Daryl Richard.

The new UnitedHealth card also will allow doctors to call up a patient's health record on their computer screen with a swipe through a USB card reader. Running the card through a credit card terminal, finally, will debit a patient's HSA or FSA account, which can be combined on the same card.

The variations on plastic are many and marvelous, but the theme remains constant—payment cards will play an ever more important role in your office. You can take that to the bank. ■

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