

## The Collections System



**Course Author(s):** Roger P. Levin, DDS

**CE Credits:** 1 hours

**Intended Audience:** Dentists, Dental Hygienists, Dental Assistants, Dental Students, Dental Hygiene Students, Dental Assisting Students, Office Managers

**Date Course Online:** 01/22/2024

**Last Revision Date:** NA

**Course Expiration Date:** NA

**Cost:** Free

**Method:** Self-instructional

**AGD Subject Code(s):** 550

**Online Course:** [www.dentalcare.com/en-us/ce-courses/ce706](http://www.dentalcare.com/en-us/ce-courses/ce706)

### Disclaimers:

- P&G is providing these resource materials to dental professionals. We do not own this content nor are we responsible for any material herein.
- Participants must always be aware of the hazards of using limited knowledge in integrating new techniques or procedures into their practice. Only sound evidence-based dentistry should be used in patient therapy.

### Conflict of Interest Disclosure Statement

- Dr. Levin reports no conflicts of interest associated with this course. He has no relevant financial relationships to disclose.

### Short Description

This free dental continuing education course will explain how to maximize collections and the impact it will have on running a highly efficient practice with excellent customer service, while creating high levels of patient case acceptance.

## Course Contents

- Introduction
- A Brief History of Collections in Dental Practices
- The Collection System
- The Importance of Collecting at Time of Service
- Summary
- References / Additional Resources

## Overview

Collections are one of the most essential systems and processes in a dental practice. Understanding the methodology behind collections ensures the practice will have the proper cash flow and income necessary to function at the highest level. Many practices do not have a realistic view of the practice's status with collections, primarily due to bad debt being carried over time. This course will explain how to maximize collections and the impact it will have on running a highly efficient practice with excellent customer service, while creating high levels of patient case acceptance.

## Learning Objectives

### Upon completion of this course, the dental professional should be able to:

- Learn the evolution of the collection of fees in dental practices and the relationship between the efficient process to collect money owed to the practice and practice production.
- Learn the exact steps of a collection process, using varying financial options to create convenience and opportunity for patients and financial success for the practice.
- Learn why many practices struggle to collect fees and the importance of collecting at time of service.

## Introduction

There are five production statistics that every practice should understand. These five statistics indicate the practice's overall health:

- Total production
- Production per day
- Production per hour
- Production per provider
- Production per new patient

If all five of these statistics are in the practice's target range as established by the owner(s), then collections become the next most important factor. A practice with sufficient production can begin to focus on ensuring that they collect all money owed to the practice and methodologies for achieving this will be outlined in this course.

Many dentists focus on production as the most important metric in the practice. And it is. However, production alone doesn't tell the whole story.

Dentists can't "spend" production to cover practice expenses. The amount the practice actually collects is the more practical measurement of practice success. The collection process in most dental practices has improved immensely over the last 30 years. In the past, dental practices felt comfortable in regularly billing patients for treatment because patients generally felt a greater responsibility to pay their bills or were more financially able to do so. Today, the collections process is very different.

For a dentist to succeed today, it takes more than excellent skills and a strong commitment to patient care. The new, less forgiving dental economy demands that practices take a more businesslike approach to their financial affairs, most urgently in regard to receiving payment for services provided to patients. A dentist may have an enviable reputation for clinical performance, and the practice may be busy, but neither will bring success if fees are not collected in a timely fashion.

## A Brief History of Collections in Dental Practices

Unlike today, it hasn't always been difficult for practices to collect fees for their services. There was a time prior to 1980 when collecting fees in dental practices was not a major challenge. Practices generally had excellent collections because patients paid their bills on time. Billing was also less complicated. There were very few insurance plans up until the 1980s and copayments were not a major factor. Most practices billed patients for payment following services and were able to collect at a very high level.

In the 1980s, collections started to become more challenging. The collection problem in the 1980s resulted mainly from practices

billing a large number of patients and insurance companies and then not receiving prompt payment. Inevitably, many patients simply delayed paying their bills and logistical problems occurred with insurance companies such as improperly filled out insurance forms. The increase in insurance participation and decrease in collections from billing lead to a new concept that is seen as normal today: collecting at the time of service. Many practices resisted this concept as they felt that it was rude or aggressive to ask patients to pay for dental treatment at the time of service. However, there was also a time before that when accepting credit card payments was seen as almost unethical in dentistry. During this period, many practices were struggling with collection issues.

Today patients are very different as consumers. While most patients do pay their bills and balances, the era of billing for services and sending out statements has ended for two reasons. First, sending out statements takes time, effort, and expense. Collecting at the time-of-service eliminates all of this. Second, there has been a definitive increase in the number of patients who default on their payments if collections do not take place at the time of service. Since the 1980s, there has been a gradual movement toward acceptance that collecting balances due at the time of service was the right method to follow and it has now become the norm.

## The Collection System

Well-run dental practices rely heavily on the systems in place for each critical area of operation (i.e., scheduling, case acceptance, customer service, etc.) The better those operating systems are designed, the more effective and productive the dental practice will be. There is now extensive evidence in dental practice management literature that systems have a direct impact on practice production, which is the best indicator of practice success. In other words, high production equals financial success.

Collections are one of those systems and must be managed effectively. When collections fall

behind, patients will default on paying balances and become lost to the practice.

To maintain their viability, generate sufficient revenue and keep stress under control, modern dental practices must establish robust financial management systems to collect what they are owed. Consider the following principles of collecting money that will help any practice to perform at the highest level:

**1. Understand the correlation between collections and a patient's perceived value of the treatment they receive.** Most dental practices do not spend much time communicating value to patients. Patients who value the practice and the recommended procedures are much more likely to willingly pay their balances on time. The longer a patient goes without paying the balance, the more likely they are to develop remorse as a rationalization for not having or wanting to pay the balance. Building value is about using scripting to educate patients on why dental procedures are beneficial. For example, many practices refer to hygiene appointments as "cleanings." This term dilutes the value of a hygiene appointment, which is really a periodontal maintenance, preventative, and diagnostic exam that is essential for keeping one's teeth for a lifetime. The word cleaning simply does not do justice to a hygiene appointment. This can affect the frequency with which patients will schedule hygiene appointments, but it also affects how they feel about their copayment for hygiene.

**2. Establish strict payment policies and use scripting to communicate them clearly to patients in advance.** One of the most important factors in creating a smooth and efficient collection system that does not create customer service issues is communication. All practice systems relating to the collection of fees should be detailed in writing. This should then be translated into scripts that the financial coordinator—as well as other staff members who may discuss money matters with patients—can use to acquaint patients with their obligations. Scripts not only make it easier to discuss what for some is an uncomfortable subject but also assure greater consistency in what patients are told. Some practices

are uncomfortable talking about money or asking for money; however, a dental office is a business with expenses that must be paid, and patients know that. Patients must understand upfront that they are expected to follow certain office policies, and those policies should be clearly explained in a positive and nice manner. Scripting improves the communication abilities of all staff members. Consider the following script:

"Mrs. Jones, we do request payment at the time of the service. Your balance due at the next appointment will be \$150."

Mrs. Jones is now very clear on the amount that is due at the next appointment, and the script is pleasant and in no way offensive. Every practice should establish collection policies that address payment due dates, copayments, and patient financing and financial options. The practice will also need to set up a follow-up system for patients who have not paid their balance to avoid uncollectible accounts. Understanding how to set policies, communicating those policies to patients, and following up as necessary are all essential elements of running a highly efficient and effective dental practice.

### **3. Offer a wide range of payment options to patients.**

**Good customer service** means allowing patients to pay for your services in various ways. Such flexibility also helps protect you against collection problems. When patients choose the convenience of paying with credit cards, you avoid billing and collection labor while eliminating the risk of non-payment. For larger fees, offering a discount (when permissible) for payment up-front enables patients to save money while ensuring that you get paid. Similarly, financing a higher fee through a third-party finance company provides you with cash flow and peace of mind. Because patients have different needs there are four recommended financial options for greater convenience and customer service:

- Small discounts for payments paid in full by cash or check.** Check your insurance contracts carefully before offering insurance patients any discounts. Discounts must be disclosed to the insurance company and in

some cases are specifically prohibited.

- Credit cards.** Accepting a range of different credit cards gives patients greater options when paying their bills.

- Short-term payment plans.** Offer a short-term payment plan for multiple appointment cases, with final payment due at the final appointment.

- Interest-free patient financing.** Interest-free financing will help to increase case acceptance and avoid collection issues. Don't be deterred by the fact that a small percentage will be retained by the third-party financing company as their fee, because overall practice production and profitability will almost always increase when patient financing is used broadly and properly.

### **4. Schedule times when the financial coordinator will address overdue accounts.**

Rather than letting collections activities take a back seat, give them priority treatment. Identify specific times when the financial coordinator will focus on collecting overdue fees. The time allotted will depend on the volume of accounts needing attention. Various performance targets—in addition to the 99% collected goal—can be established as motivators, e.g., number of patients contacted per week, or how many overdue accounts settled per month.

### **5. Use the Rule of Threes for contacting patients who owe the practice money.**

As soon as an account becomes overdue, it should trigger a series of contacts designed to elicit payment. First, the financial coordinator should place a phone call to the patient once a week for three weeks. If this doesn't work, she should then send one email per week for three weeks. Finally, if payment has still not been made, she should send a formal letter once a week for three more weeks. This process will work in all but the most difficult cases.

### **6. Submit insurance claims daily.**

To minimize delays in receiving payments due from insurers, claim forms should be prepared, double-checked and submitted every day. The practice should also implement a system that alerts staff when payments from insurance are overdue. If reimbursements are late, contact insurers immediately to see if there's a problem.

**7. Remember that time is of the essence.** The longer a bill remains unpaid, the less likely you are to collect. Aim for collecting 90% of fees either at the time of service or within 30 days. Then focus on the remaining 10% so as to acquire most of it by the 60th day, the reason being that most accounts receivable that reach 90 days will never be paid.

### The Importance of Collecting at Time of Service

All patients are responsible for the payment of practice fees. Some have dental insurance to help cover the cost. Some participate in a practice-provided membership plan. Some expect to pay directly for their dental care. Regardless of the source of payment for practice fees, the practice should collect that patient's portion at the time of service. Collections are so important because businesses need to collect money in order to operate. But it goes well beyond that. Let's examine the following points:

**1. Collecting at the time of service allows practices to manage cash flow.** Simply put: Cash is king. It allows practices to pay bills and incomes, manage any unexpected expenses or emergencies, and invest in the practice. If you ask any business school professor what the number one most important factor is for any business, the answer will always be cash. Collections create cash.

**2. Collecting at the time of service reduces overhead because it creates high levels of efficiency and saves enormous amounts of administrative time.** The cost (in time and money) of preparing and sending statements, even if they can be generated easily with modern software, is the most compelling reason to collect at time of service. Statements can be mailed or sent electronically, but either way it takes effort to send statements, and then there needs to be a follow-up system for patients who do not pay within a certain amount of time. The truth is that most practices are not highly efficient when it comes to following up on overdue payments. Furthermore, after 60 days the chances of collection are less than 10%.

**3. Collecting at the time of service is excellent customer service.** You may not think of collections as customer service, but here is a new perspective. When people owe money, they are less happy, and if they don't pay their balance, they will never return to the practice. One way that practices lose patients is when they have patients who owe money. When those patients default on their obligation they never come back. Based on this, it makes more business sense to collect money from patients at the time of service, so they do not have to be in a decision-making position of whether they are going to pay the practice. If balances are collected at the time of service, patients will be comfortable coming back and paying balances at the time of service in the future. It is estimated that practices lose well over \$1 million of revenue over the course of a career simply due to patients who did not pay balances and never return.<sup>1</sup> Furthermore, when patients owe money, they no longer like the practice, have negative things to say to other people in the community, and may write negative reviews.

**4. Collecting at the time of service is easier on the team.** By not having to deal with monthly statements and follow-up collections, the stress level for the dental team goes down and they can focus on other responsibilities that benefit the practice. The team will be happier, more efficient, and simply get more done.

### Summary

Practices must always view collecting money critical to the ongoing success of the business, AND as excellent customer service. When patients owe money to the practice, they are no longer happy. They become more disgruntled when collection attempts are made, and they may never return. To avoid this, practices must collect money on time and effectively communicate collection policies with excellent scripting.

By implementing these strategies, most dental practices will witness a gratifying increase in income and cash flow without necessarily adding more patients or producing more dentistry. Extra effort may be required initially to clear a backlog of overdue accounts, but the practice will then bring in more revenue in exchange for a relatively small amount of effort.

Most offices have the semblance of a good collection system. The opportunity exists for it to become great. Upgrading your collections system and procedures will improve overall practice performance, reduce stress for the entire dental team and provide patients with excellent customer service.

## Course Test Preview

To receive Continuing Education credit for this course, you must complete the online test. Please go to: [www.dentalcare.com/en-us/ce-courses/ce706/start-test](http://www.dentalcare.com/en-us/ce-courses/ce706/start-test)

**1. Collecting money for dental services has always been a challenge for practices.**

- A. True
- B. False

**2. What is the most practical measurement of practice financial performance?**

- A. Production
- B. Collections
- C. Number of patients
- D. Overhead percentage

**3. There are five key production statistics the practices should track. Which best describes these statistics?**

- A. All five focus on production
- B. All five focus on collection
- C. All five focus on overhead
- D. All five focus on team behavior

**4. A major shift in maximizing collections for dental practices has been:**

- A. Billing patients for all services via regular mail
- B. Billing patients for all services via email
- C. Billing patients every 90 days
- D. Collecting all money owed for services at the time of the visit

**5. Collecting money at the time of service allows for:**

- A. Increased cash flow
- B. Lower overhead
- C. Better clinical outcomes
- D. Happier patients

**6. After 60 days, the chances of collection are:**

- A. Less than 90%
- B. Less than 70%
- C. Less than 50%
- D. Less than 10%

**7. Collecting at the time of service is:**

- A. Not really necessary
- B. Only for patients who demand to pay their bills at the time of the service
- C. Good customer service
- D. Only for fee-for-service practices

**8. Patients are more likely to pay for treatment at the time of the service if:**

- A. They understand the real value of treatment
- B. If they get a discount
- C. If they are scheduled on Tuesdays
- D. They feel comfortable doing it

**9. Scripting plays a role in collections because:**

- A. People like the sound of a script
- B. It improves the communication abilities of all staff members
- C. Scripting is not really beneficial
- D. Scripts are important, but not for collections

**10. Offering financial options to patients is important, because:**

- A. Patients have different needs and different financial options allow them to pay for treatment
- B. Financial options are not really important because most patients can easily afford treatment
- C. Offering financial options is bad customer service
- D. Only offer financial options if patients ask for them

**References**

1. Dr. Roger P. Levin, 2024, 'Understanding practice production and why it really matters', [drbicupid.com](http://drbicupid.com), Feb 8, 2024.
2. Dr. Roger P. Levin, The 9 Areas of Expertise: Collections. Accessed June 01, 2025.

**Additional Resources**

- Levin Group

**About the Authors**

**Roger P. Levin, DDS**



Dr. Roger P. Levin is the CEO of Levin Group, a leading dental management consulting firm. Founded in 1985, Levin Group has worked with over 30,000 dental practices. Dr. Levin is one of the most sought-after educators in dentistry and is a leading authority on dental practice success and sustainable growth.

Through extensive research and cutting-edge innovation, Dr. Levin is a recognized expert on propelling practices into the top 10%. He has authored 65 books and over 4,000 articles on dental practice management and marketing.

Dr. Levin sits on the editorial board of 5 prominent dental publications and has been named as one of the "Leaders in Dentistry" by Dentistry Today magazine for the last 15 years. He was recently named one of the "32 Most Influential People in Dentistry" by Incisal Edge magazine and voted Best Dental Consultant by the readers of Drbicupid.com. He has been featured in the Wall Street Journal, New York Times, and Time magazine and is the creator of the Levin Group Tip of the Day which has over 30,000 subscribers.

Updated: Aug 2020

Email: [customerservice@levingroup.com](mailto:customerservice@levingroup.com)