A Guide to Selecting a Debt Collector
Healthcare Edition

How to find potential collection agencies, and the top 10 criteria for evaluating debt collectors
Selecting a debt collection agency can be a daunting task. There are about 5,000 in the United States alone, ranging from individuals working out of their homes to large corporations with more than 20,000 employees. You hear lots of negative things about the collection of debt in the news (not all deserved, by the way), and certainly don’t want to be on the wrong end of one of those reports, nationally or even locally.

Yet your cash flow is at stake. You have legitimate receivables to collect, and a professional debt collection agency is trained to do it properly. How can you find a collection agency, and more importantly, how do you identify the best service provider as opposed to just the best marketer?

How to Generate a List of Collection Agencies to Evaluate

• Use the insidePatientFinance Directory of service providers to identify collection agencies that are licensed in your state, and perform the types of services you require.

• Check out the national collection industry associations. In the U.S. these include:

  For all types of accounts:

  o ACA International www.acainternational.com (Here is the link to their member directory: http://www.acainternational.org/memberdirectory.aspx, which you can search by type of debt/industry)

  o National Association of Retail Collection Attorneys www.narca.org. (Here is their link to “find a firm” http://www.narca.org/?2010/1/find.html)

  For healthcare accounts specifically:

  • Look into your own industry groups (e.g., HFMA, AHA, ADA). Collection firms are often affiliate or vendor-members of these associations, and therefore pass at least one hurdle by demonstrating some level of commitment to your specific industry. They may also have references that you recognize.

  • You could also simply search Google for something like “collection agency and colorado and medical;” or “collection agency and New Jersey and dental.” The more specific you are in your search, the narrower your results will be, which can be helpful in identifying an agency that is a specialist in your field.
How to Select a Good, Reputable Collection Agency from the List

Now you have a list of potential agencies, but how do you choose the one that’s right for you?

Your collection agency should represent your organization in a responsible and professional manner, and provide a satisfactory rate of recovery while maintaining your public image. As with any service, you’d like to get the highest return for the lowest cost possible. However, in the case of debt collection, this decision involves more than just giving your business to the lowest bidder - it requires careful consideration. “You get what you pay for” is often overlooked when hiring collectors and this can lead to lack of results (best case) or significant damage to reputation (worst case).

There are many criteria to consider. Here is a compiled “Top 10” list of the most important criteria.

Your selected agency should be:

1. Fully licensed (each state has its own laws about this), bonded and insured. They should be able to provide you with evidence.

2. Experienced in your specific industry, such as hospitals, physicians' offices, dental practices. Ask for multiple references in your industry.

3. Experienced in the type/age of debt you need collected (15 days past due is a different animal than 180 days past due), as well as the average balance size.

4. Willing to provide reviewed or audited financials. Some agencies have been known to use clients as a source of capital; this is not what you want.

5. Willing to provide detailed information on the collections process and conformance to local, state, and federal laws. Exactly how will your customers be contacted, how often, and in what manner? What is their strategy for working all of the accounts (even the smaller balances vs. simply cherry picking the most attractive files)? Are calls monitored on a regular basis to ensure compliance with laws as well as the overall quality of client interaction? Can the agency demonstrate knowledge of HIPAA, HITECH, and other relevant laws and regulations?

6. Willing to set up an independent trust account for payments from your customers to prevent co-mingling of your funds with others’.

7. Easy to communicate with, including providing you with a clear fee schedule, an accessible single point of contact, a reliable, simple method of transmitting files electronically, and a plain English agreement that explains all terms clearly, including how and when you will be paid.
8. Prepared to provide regular reports on their activity. Ideally, they’d provide you with electronic access to your account at all times so that you can review progress. At a minimum, your contact person should provide reports on at least a monthly basis. Ask for a sample of what these reports will look like.

9. Willing to engage in a detailed discussion of their training program. How do they train collectors? Is there training beyond the initial new hire period? Is there coaching on the floor on an ongoing basis? Are calls recorded and regularly reviewed? This is critical, as the collectors are the people who will be talking with your customers and leaving a positive or negative impression – which your customers will be very willing to share with their neighbors.

10. A low-risk provider. Is the agency:

   • “Clean” on a Google search? If multiple complaints emerge on the first or second page of the results, check closer.
   • A member of one or more national industry trade associations. Membership is one indication of professional integrity. Better yet, look for current, active participation. Are company executives active in the association? Are they truly invested in the industry? Do they make a productive and positive contribution?
   • Active in a local Chamber of Commerce?
   • Listed with the relevant BBB because of problems?

Consider this: At the end of the day, you want to do business with a professional organization. Does the agency use a high-pressure sales approach that makes you uncomfortable? Does your salesperson become impatient or evasive when you ask the questions above? If so, chances are they use a similar approach to collections. While you certainly want your agency to be forceful, in the long run, you will not come out ahead if they are intimidating and overly aggressive.
Going a little deeper

Many agencies will be prepared for the questions above. If you’ve got the wherewithal to dig deeper, consider the following:

1. What does the agency ask of you, the creditor? Do they require that you provide a full account history for the debtors in question? The best results come from a true agency/creditor partnership, where information is not withheld, and communication is productive. If the agency says they’ll take on whatever accounts you provide, with even the barest minimum of support information, at the lowest price, you may wish to look elsewhere.

2. What is the agency’s hiring process? Do they conduct background checks on their collection personnel?

3. What topics are included in the training? You’ll most likely hear about the Fair Debt Collection Practices Act (FDCPA), but is there any training on the “softer skills” like negotiating, sensitivity, reading personalities, etc. Debt collection is like sales. There is much more to it than simply knowing the product, so to speak.

4. What is the turnover rate among collectors? It’s a difficult industry, but well-run agencies have a lower turnover rate. This likely means more experienced, happier collectors – which will likely mean better long-term performance and better client relationships for you. The best results will not be generated by a “churn and burn” type of company.

5. Check out your salesperson. Are they on LinkedIn.com? Have they changed jobs often? Do they have any recommendations? Look for them on Facebook – do you like what you see? Try to get a sense of whether this individual is one of integrity. If the agency allows itself to be represented by a person who lacks integrity, this is a bad sign.

6. What is the agency’s process for handling debtor complaints, as well as requests for proof of debts owed?

7. What is the agency’s procedure for pulling a file back for whatever reason? And would there be any cost associated with such a request.

8. If I have a “great file” (debt is less than 90 days old, the file is extremely well documented and information is provided to assist at an early stage in skip tracing, etc.) would the firm assign it to a group of their best collectors?

9. What process does the agency use on a file that seems to be going stale? That is, after a certain number of days with a given collector with no acceptable results, will the agency rotate the file among its staff? (Sometimes a different personality or approach makes the difference between receiving a payment and being designated “collections efforts continuing.”)
What to Ask the References

Checking references is always challenging. It’s difficult to know what to ask that will produce truly useful information. In most cases, the key is to be able to get very specific about what you want to know. Here are nine really good questions to help ensure that the time you spend speaking with references will be productive for you.

1. What is the average size of the account balance that the agency worked for you? (You want to confirm that the reference’s portfolio approximates yours, which will make their results more relevant to you.)

2. What kind of collection results (recovery rate) did you get from the agency? *Note how the answers compare with what you were told by the salesperson. Recovery rates can be skewed to look better by counting/not counting certain accounts.*

3. Is this agency easy to deal with? For instance, do they deliver on all the promises made during the sales process? Is your contact person accessible, knowledgeable, and helpful?

4. Does the agency offer good advice regarding settlement offers, or do they seem solely focused on maximizing their own commissions?

5. Do you get reliable and accurate reports on the promised schedule?

6. Does the agency pay you on time?

7. Does the agency offer ideas on how to reduce your bad debt in the first place, or to improve the patient finance process up front?

8. Do you feel that the agency truly does understand the healthcare industry, or was “industry experience” just something written on the brochure?

9. Have you received complaints from customers about the agency’s collection practices?
Your Responsibilities as a Client

Collection agency performance is ultimately tied to you, the client. The best results come from a true client/agency partnership. While you can and should require all of the professional practices listed above, your level of professionalism is equally as important.

1. Check references! Back to the first point in this brief – you don’t want to find yourself on the wrong side of a news article, having hired a firm that is not reputable.

2. To the greatest extent possible, provide organized, accurate account information and proof of debt. Debtors have the right to request proof of the debt. If you don’t have it, the collection agency will be at a disadvantage.

3. The success rate of your collections will be affected by the age of the receivable when placed. The longer you wait beyond to place the account the lower the chances of recovery. The Department of Commerce indicates that 30% of accounts that reach 90 days will not be paid or collected. (Note also that the older the debt, the higher the commission rate will be.)

4. Do not place the same account with more than one collection service. Make sure that if you change collection agencies, the account is only being worked on by one service.

5. Consider what information you collect from your patients. Improving your upfront process will increase the chance of successful in-house collections. If third-party help becomes necessary, your chosen agency will have the ability to skip trace, contact, and collect with more efficiency.

6. Identify your expectations of the agency based on the nature and age of the debt. How will this be measured so both parties have realistic expectations as they enter the relationship? Establish specific timelines, at least in the beginning, to assess whether the relationship is working.

7. Be as accessible and easy to work with as you’d expect from your collection agency partner. This leads to the fastest resolution of issues and the best recovery performance.
About insidePatientFinance.com

insidePatientFinance.com is the only dedicated source of actionable information for healthcare business executives and patient financial services professionals—the people who are responsible for effectively managing A/R and increasing their organizations’ cash flow in order to provide quality care to patients in the communities they serve.

insidePatientFinance.com is a logical outgrowth of insideARM.com, which for years has supported the business needs of accounts receivable management (ARM) industry service providers to the healthcare industry by publishing research, news, and information about this growing market.

insidePatientFinance.com publishes the latest best practices, case studies, news, and information to help organizations from the largest hospital system to the smallest clinic maximize patient revenues and minimize bad debt by:

- Showcasing the latest tools and business processes that our readers can implement today
- Presenting best practices, vetted by practitioners in the field to insure they are reliable and workplace-tested
- Keeping you in front of revenue cycle management, business process, and medical debt collection trends, laws, and regulations—but doing so by providing vital context that uniquely applies to the real work you do every day
- Offering a platform where useful conversations about ideas that matter—billing practices, reimbursement challenges, POS collections, back office support, or software and analytics tools—can take place all in one place, without having to leave your desk or scour the Internet for bits and pieces of the knowledge you need
- Sharing lots of information in various formats—news, informed opinion, downloadable white papers and case studies, information graphics, and more—at no cost to you—our readers.

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