

# Home Health Products

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## Tips For Deadbeat Customers

### Keeping Your Receivables Under Control

Overdue receivables are the bane of every company, and the home health care industry is no exception. Whether you are owed for relatively small items such as syringes and specimen collectors, or bigger-ticket products like defibrillators and wheelchairs, deadbeat customers can put a serious dent in your profitability—not to mention giving you a serious case of heartburn.

Managing delinquent accounts is therefore as important as managing your inventory, customer service or cash flow. A regular debt collection program, conscientiously followed, can make the difference between a bad year and a good one. With that in mind, here is a step-by-step guide to getting slow-pay or no-pay clients to pay up.

**1. Catch the delinquents early.** Being aware that receivables are becoming delinquent is the first step in the collection process. Frequently, business owners are too busy with day-to-day operation issues—such as bringing in new customers—to pay much attention to the sins of the old. The longer receivables are allowed to go unattended, the more difficult they are to collect.

**2. Prioritize your accounts.** Identify delinquent receivables and then prioritize them based on age, amount and any special circumstances. Generally, the older and larger ones should get your attention first—older debts because they may become too stale to collect if you delay, and larger debts for obvious pocketbook reasons.

**3. Map your strategy.** A collection campaign is a strategic, well-defined series of events that usually starts out soft and becomes more aggressive as the delinquent customer fails to respond. Decide how far you are willing to go; for example, which accounts will merit legal action if less drastic measures won't do the trick. Then get to work.

**4. Mail a reminder (or two).** Collection usually begins with a series of subtle, yet firm, reminder letters. You can send these letters yourself, or you can get

an Internet service such as OldDebts.com, to take the job off your hands for as little as \$6.95 per debt.

Online services will allow you to submit debtor information online, then send customized letters including the debtor's name and debt information, a return envelope and a perforated payment stub. In the case of OldDebts.com, fees are the same no matter the size of the debt; debtors pay you directly; and you get 24/7 online access to account information and a journal for note-keeping on each account.

A follow-up letter should be sent immediately to confirm the agreement.

In the event the payment is not received on the agreed date, a second, firmer letter, should be sent and then followed a day or two later by another telephone call. Prompt follow-up is imperative to show that you mean business. You can make these phone calls yourself, or outsource them to an online collection service.

**6. Maintain meticulous records.** Accurately record every letter and phone call, either in your own database or



**5. Follow up by phone.** Within a day or two of the delivery of the first letter, make a follow-up phone call to the delinquent customer and attempt to obtain a commitment to a payment date or arrange-

with your online service. Log every promise and failed promise. Note the reasons given by the delinquent customer for his or her inability or unwillingness to pay. These records will be worth their weight in

gold if you need to pursue the debtor more aggressively with a collection agency or lawsuit.

**7. Report the debtor to credit bureaus.** If the debtor is an individual, or is individually responsible for a company purchase, you can impact his or her credit by reporting the delinquent account to the major credit bureaus. This may negatively impact a person's credit for up to seven years and limit his or her ability to obtain credit without first clearing the debt.

Credit bureau reporting is available through collection agencies or online collection services.

**8. Put on your boxing gloves.** If the aforementioned efforts have not resolved the issue, it's time to put some bite in your bark, either by hiring a licensed collection agency or by suing the debtor.

If you use a collection agency, expect to pay a small flat fee per account or a commission of as much as 50 percent on whatever is collected. If you decide to try the legal system, you can sue in small claims court for debts of a certain size (check your state for permissible levels), or you can hire an attorney to bring suit for larger sums.

**9. Stick to your guns.** Whatever your campaign, be sure you follow through. If you say you are going to file a lawsuit or retain a collection agency, do it. Otherwise, you will lose credibility and a debtor will realize that your collection efforts are an empty threat. You are more likely to be successful if you take a stand that is a reasonable response to the circumstances.

**10. Don't get burned again.** As the saying goes, those who do not learn from the past are condemned to repeat it. Do not extend credit to the same person or entity again without getting personal guarantees, credit references, or additional deposits and prepayments. Alert other decision makers in your company by creating a list of previous delinquent customers.

In addition, avoid future collection problems by checking out new customers as best you can. Do not extend credit without a credit report or payment history from other creditors.

Bottom line? It is possible to wipe old receivables off the books with a little bit of elbow grease, a lot of determination, and—if you want it—the help of outside services that specialize in helping you get paid what you're owed.

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