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Evaluating Your Merchant Services Accounts

Are you overpaying?

By Daniel Casciato

Today, many medical practices, just like other business, are greatly overpaying for their payment processing. Oftentimes, it's because they are generally unaware of the cost of taking credit and debit cards.

"At some point, they put in place a merchant services contract and they have not looked at it since," says Scott Tanker, regional sales director for Benchmark Payment Networks in Cold Spring Harbor, NY. "Unfortunately, this means they're wasting money every time they take credit or debit cards to make money. It may only be a few pennies per transaction, but that can add up to a lot over time."

Why you're overpaying

Most medical offices are busy concentrating on other tasks such as patient check-in, insurance issues, and cancellations and don't pay attention to their merchant services.

"We find that medical administrative staff, including office managers, are normally stretched very thin and constantly on the move," says Robert Livingstone, president and founder of IdealCost.com, based in West Palm Beach, Fla.

Additionally, the person who is usually in charge of the merchant account in a medical practice is an office manager rather than the accounting department or a CFO.

"Unlike other types of businesses, these staff members do not have training in finance and truly do not have the time or expertise to handle the merchant account," Livingstone says. "Also, these merchant account statements are full of cryptic numbers and codes that are impossible to read and understand."

Leasing vs. owning equipment

There are several steps you can take to reduce your merchant services fees.

First of all, medical offices often sign long-term leases for their credit card machines. That's the wrong approach, according to both Livingstone and Tanker.

"Rather than buying a machine for \$300 and owning it outright, many practices are suckered into renting a machine for \$50 per month for 36 months," Livingstone explains. "That is a total of \$1,800 over three years, and at the end of the term you have to send the machine back because you don't own it."

Debit instead of credit

Since debit cards cost a lot less to process than credit cards, Tanker recommends training your staff to recognize these kinds of cards.

"When they receive one, they should ask, 'Do you mind if I run this as debit?'" rather than "Debit or credit?" he says. "Additionally, they should limit inputting the numbers into the credit card terminals because that results in the highest fees."

Additionally, your staff should also be properly trained because payment processing fees can be confusing.

"It would make sense that each time a payment is processed, a certain percentage of that transaction would go to the processor," says Tanker. "However, it's not that simple."

Oftentimes the percentage depends on the type of card and other factors. For example, American Express is the most expensive, while debit cards are the cheapest.

Some merchant services may have a flat fee for each transaction. Looking into the fees and how they're structured can also save medical practices a lot of money.

Check your statements

All merchant services statements should be checked monthly. If the office staff does not feel entirely comfortable handling it in house then it should be outsourced to an expert.



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“One practical tip is to realize that these merchant contracts have a three-year term with an early termination fee of \$300 or more,” Livingstone says. “Therefore, it’s not wise to keep switching service providers every few months because even if you can generate a slight savings you will keep paying termination fees.”

Another reason to check services monthly is because many credit card processors have policies that won’t allow merchants to dispute a wrongful fee after 30 days. That means that even if a credit card processor wrongfully charges a merchant, after 30 days you can’t have the fee reversed.

Tanker adds that you can ask your payment processor to do an audit annually that includes an analysis of fees paid under the current fee structure versus other possible fee structures. “You can always negotiate a contract,” he says.

If you know what fees you’re being charged, process as many payments as possible as debit transactions and own rather than lease payment terminals, most medical practices can save somewhere between 10 and 25 percent of what they’re spending on payment processing, Tanker says.

“When my medical practice clients have successfully instituted these changes, they’ve saved upwards of \$3,500 annually,” Tanker concludes.

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