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This makes it difficult for them to pay their bills, which creates problems for healthcare providers who need payment upfront.

But there is a solution! Medical accounts receivable financing is a great option for healthcare firms because it allows them to receive cash quickly while still maintaining access to their patient base.

Healthcare Accounts Receivable Factoring

Medical Accounts Receivables Financing Basics in December 2021

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Medical receivable financing is an alternative to traditional bank loans or other types of debt. It helps healthcare companies that are having trouble paying their medical bills and need money fast.

The process usually involves two parties: a lender and a borrower . The lender provides capital to the business for a portion of its future profits.

Healthcare businesses can use this capital to cover short-term expenses until they get paid again.

When the loan comes due, the lender will be repaid with interest. This means the borrower pays back some of the borrowed funds plus interest.

There are different medical accounts receivable finance available for healthcare firms. Some lenders offer longer terms than others, but these options help keep your company afloat during this time.

Factoring Healthcare Receivables

Types of Medical Accounts Receivables in

Healthcare facilities typically fall into one of three categories for medical accounts receivable:

1. Outpatient – Outpatient services include things like doctor's visits, physical therapy, dental care, chiropractic treatment, etc.
2. Inpatient – Inpatient services are those provided in hospitals. These include surgeries, hospital stays, emergency room visits, intensive care unit stays, dialysis treatments, etc.
3. Hospital – Hospital services are used to treat patients who are seriously ill. They may require long-term care or rehabilitation.

Healthcare service providers also fall into one of four groups based on how much they charge per visit or procedure.

- Group 1 – Group 1 providers charge less than $100 per visit.
- Group 2 – Group 2 providers charge between $100-$300 per visit.
- Group 3 – Group 3 providers charge more than $300 per visit.
- Private Practice – Private practice providers charge anywhere from $500-$1,000 per visit.

Medical Receivables Factoring Companies

HealthCare Receivables Finance

Outstanding accounts receivables refers to all unpaid invoices that have not yet been collected.

These invoices represent payments owed to health care providers, such as doctors, dentists, hospitals, nursing homes, pharmacies, and others.

If a provider does not collect enough money from a patient, he or she might sue that patient.

That could cause the patient to lose his or her insurance coverage, which would mean additional costs for the patient.

Patient accounts receivable refers to all unpaid invoices that have already been collected by a provider.

This includes amounts that were billed to insurance companies, Medicare, Medicaid, private payers, and self-pay patients.

Accounts receivable collection refers to collecting outstanding accounts receivables.

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It includes activities like sending out letters, making phone calls, filing lawsuits, and taking other legal actions.

Collection agencies specialize in this type of work.

> “ ***Overall employment of physicians and surgeons is projected to grow 3 percent from 2020 to 2030, slower than the average for all***

occupations.* *[(bls.gov)]

Medical Receivables Factoring

Healthcare Provider Factoring

The borrowing availability is limited because most healthcare providers do not have access to sizeable sums of cash.

However, there are ways to borrow against their accounts receivable when it makes sense.

Factoring is an option where a third party buys the right to collect the invoices.

Factoring is a good way to provide immediate liquidity to a business.

A factoring agreement allows a healthcare facility to sell its invoices to a factoring company at discounted rates.

Having credit protection through factoring means you can focus on running your business without worrying about whether you will be paid.

Factoring companies purchase accounts receivable from businesses. They use the funds to buy up the invoices so they can be collected. When a factoring company purchases an invoice, it becomes theirs.

The factoring company then collects the money. When the amount due reaches 100%, the factoring company pays the healthcare facility.

Medical Receivable Financing

Healthcare Facility Financing

Day to day operations are funded by operating revenue and bank loans. Borrowing against future income is risky because it depends on the success of the business.

Receivables finance provides a safer alternative. Instead of borrowing against expected future income, healthcare facilities can get instant funding by selling their accounts receivable.

They receive upfront cash, and the financing is repaid over time with interest. There are many healthcare receivables financing available.

Some examples include:

- Healthcare Accounts Receivable Financing
- Medical Equipment Financing
- Health Care Providers Accounts Receivable Financing

Medical Accounts Receivable Factoring

Medical Accounts Receivable Financing Process

A typical medical account receivable works:

1. A healthcare provider agrees to provide services on credit.

2. The provider sends invoices to the customer.

3. When the invoice is not paid within 30 days, the provider files a claim against the customer.

4. If the claim is approved, the provider collects the payment.

5. Once the provider has received payment, he or she deposits the money into the business's checking account.

6. After the provider receives the payment, he or she writes off the debt as an expense.

7. The provider continues to bill customers until the balance owed is zero.

8. At that point, the provider closes the billing cycle.

Daily operations are funded by operating revenues and bank loans. Bailing out of daily operations requires having enough cash flow to cover expenses for several months.

For example, if a hospital needs $100,000 per month to pay employees, supplies, rent, utilities, etc., it must generate over $20,000 each day.

If the hospital does not have sufficient cash flow, it may need to close or layoff staff. This could cause problems for patients who depend on the hospital for care.

Healthcare Receivables Funding

Why Use Medical Accounts Receivables?

Medical providers offer services on credit. They want to make sure that the patient gets the best viable treatment.

In addition, there are no collateral requirements when providing services on credit.

This makes them attractive options for small businesses looking for quick access to capital.

However, there are risks involved in using medical accounts receivable financing.

These include:

- Risk of non-payment
- Non-paying patients can leave poor impressions on other patients.
- It also increases the risk of lawsuits.

Receivable factoring companies help mitigate these risks of having a cash flow gap due to slow payments. Factoring allows healthcare providers to sell their accounts receivable at a discount.

See also Small Business Loans In Missouri - The Best Decision You Will Ever Make

By doing so, they reduce the risk associated with non-payment. Factoring helps healthcare providers avoid adverse publicity.

It gives them more control over how they manage their finances. Finally, factoring reduces the risk of losing money from unpaid bills.

When Should You Consider Medical Accounts Receivables Finance?

Eligible receivables should be used when you expect your monthly collections will exceed your current cash flow.

The following are some situations where you might use medical accounts receivables finance:

1. You have a large amount of outstanding accounts receivable.
2. Your company provides medical services to hospitals, doctors, dentists, clinics, and other healthcare providers.
3. You have multiple locations.
4. You have a high volume of new patients every month.
5. You are growing rapidly.
6. You have a low collection rate.

Medical receivables financing is ideal for any type of healthcare practice. But, it is especially useful for smaller practices. Smaller practices often struggle to get funding because banks dislike lending to small businesses.

They prefer to lend to larger firms with established track records. This means that many small businesses are left without adequate funds to grow. With medical accounts receivable financing, you can get the funding you need to expand.

> “ **Future medical doctors devoted to health equity – Falk College Syracuse University**
>
> **Source: (falk.syr.edu)**

Healthcare Accounts Receivable Financing

How Does Medical Account Receivables Finance Differ from Other Types of Financing?

Cash flow solutions like merchant cash advances differ from medical account receivables finance. Merchant cash advances are short term loans that provide immediate access to working capital. They do not require collateral, but they carry higher interest rates than medical accounts receivable financing does.

There are also differences between factoring and traditional commercial invoice factoring. Factoring involves selling your invoices to a third party. This process usually takes place after you have already provided services.

If your customers pay within 30 days, then factoring is considered an advance against anticipated future revenue. On the other hand, if your customers take longer than 30 days to pay, then factoring is treated as unsecured debt.

That means that factoring companies charge interest immediately. Commercial invoice factoring requires you to deposit your customer's payment directly into your bank account.

Once this happens, the factoring company releases the funds to you.

How Long Does It Take to Get Approved for Medical Accounts Receivables Loan?

Healthcare professionals who want to apply for medical accounts receivables financing must first find out whether they qualify. Applying for a loan is like applying for any other business loan. First, complete a credit application.

Next, submit supporting documentation such as financial statements, tax returns, and letters of recommendation. After that, undergo a credit review. During the credit review, lenders look at your personal and professional history.

Finally, they decide whether to approve the loan. It typically takes about two weeks to receive approval for a medical accounts receivables loan. However, it may take up to three months before you actually receive the money.

Because there are so many factors involved in getting approved, it is important to prepare early. Start by gathering all the documents needed to support your request. Then, make sure that your credit report has no negative marks on it.

Conclusion

Medical accounts receivable financing for cash flow issues is one of the most effective ways to improve your bottom line. But, it is only available to those who meet certain criteria. Capital to healthcare providers is limited because of high overhead costs.

See also Big Rig Financing - How to Find the Right Financing Company for You in [month] [year]

Therefore, healthcare organizations often turn to factoring companies to help them raise additional capital. Factoring allows healthcare providers to increase their revenues while lowering operating expenses.

The next time you are looking for funding for your practice, consider medical accounts receivable financing. It could be the answer to your cash flow problems.

To learn more about these options, please call us at (888) 653-0124 today!

Have Any Additional Questions?

Name *

First

Last

Phone Number *

Email *

Service Required? *

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FAQs for Medical Accounts Receivable Financing

What Are The Four Common Forms Of Receivable Financing?

There are four common forms of receivable financing: asset based lending, factoring, term loans, and merchant cash advances. Each option has advantages and disadvantages.

Asset Based Lending – This method provides the least amount of equity, but offers the highest return. However, the downside of this form of financing is that the lender usually requires collateral.

Factoring – This method allows businesses to sell their invoices for immediate cash flow. Factoring is typically used when a business has a large volume of slow-paying customers.

Term Loans – These types of loans offer higher rates than factoring or asset based lending. They also require a longer repayment period.

Merchant Cash Advances – Merchants use this type of financing to obtain working capital quickly. Merchant cash advances are also known as “open account” financing.

How Do I Choose The Right Option For My Business?

When choosing between asset based lending, factored financing, term loans, and cash advances, here are some things to keep in mind:

1. Consider Your Needs First

If you need to purchase inventory, equipment, or other assets, then asset based lending might be right for you.

2. Select A Company With Experience In Healthcare

A company with experience in the healthcare industry will have a better understanding of how to manage your finances.

3. Know How Much You Can Borrow

You should research the maximum amount that your bank can lend you.

How Do You Borrow Against Accounts Receivable?

There are several ways to borrow against accounts receivable. One way is to ask your bank for a line of credit. Another way is to hire a collection agency. Yet another way is to find a factor who will advance funds to you.

A viable option for many small businesses is to look into accounts receivable factoring. A receivable financing facility gives your business access to additional cash by selling your accounts receivable at an agreed upon interest rate.

Having steady cash flow through accounts receivable financing can be a key component in growing your business. To learn more about accounts receivable financing, contact us today at (888) 653-0124 today!

We're Here To Help!

What Is Factoring In Medical Billing?

Factoring in medical billing is a process where a third party purchases accounts receivable from doctors and hospitals. When a doctor submits a bill to a patient, the hospital sends the invoice to the factoring company. The factoring company pays the doctor directly, and keeps 10%-20% as a fee. This allows the doctor to focus on treating patients instead of collecting money.

Accounts receivable factoring is beneficial because it allows companies to receive payment faster, without having to wait weeks or months for invoices to clear. It also helps reduce bad debt and increase net profit margins.

In addition, factoring reduces the time needed to collect payments, which means less downtime for your business. And since most factoring companies work with multiple vendors, they can negotiate lower prices for products and services.

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