Ortho Banc

Achieving Orthodontic Excellence:

An In-Depth Report on Delinquency Rates

Contents

Executive Summary

With patient receivables representing a significant portion of practice revenue, effective accounts receivable (AR) management is essential for minimizing delinquencies and maintaining financial health. This report provides a comprehensive analysis of patient payment delinquency rates in the orthodontic field, examining the financial impact, operational challenges, and strategies for improvement.

Key Findings and Insights:

- **Rising Delinquency Rates:** The orthodontic industry has seen a dramatic rise in patient delinquency rates, from 0.6% in 2017 to 3.2% in 2023—a 433% surge. This trend is exacerbated by broader economic challenges straining patients’ ability to make timely payments.
- **Operational Impact:** Higher delinquency rates significantly impact cash flow and increase the burden on practice operations, requiring more resources dedicated to collections and risk management. Practices must adapt to these changes to maintain financial stability and operational efficiency.
- **Traditional AR Management Limitations:** Many practices continue to rely on outdated AR management techniques, which are insufficient for today's financial environment. Delayed follow-ups and manual errors contribute to higher delinquency rates and lower collection success.

Industry Overview

Given the rise in delinquency rates, understanding the factors driving these trends and adopting proactive AR management strategies is crucial. By actively managing delinquency rates, orthodontic practices can ensure consistent revenue flow, reduce financial risk, and maintain strong patient relationships.

💡 Did You Know

The majority of patients are opting for installment plans rather than upfront payments.

Industry Overview: Delinquency Rates

As payment flexibility becomes more important to practice success, mastering AR management is essential to minimizing delinquency and reducing default risk.

Patient receivables are the total outstanding balances owed by patients (excluding insurance). These arise when patients are given the option to pay in installments. **In most orthodontic practices, only 23.8% of treatment plans are paid upfront, leaving 76.2% requiring monthly payments.** With an average treatment plan lasting 20 months and monthly payments averaging $204, managing patient AR becomes a critical and ongoing task.

Delinquent receivables are those that are more than 30 days past due. The longer an account remains unpaid, the less likely it is to be collected. The gold standard for delinquency has been around 3%, with a default rate of 1 to 1.5%.

Default receivables are the portion of total production deemed uncollectable. **Typically, about 60% of delinquent receivables turn into defaults.** For example, a 5% delinquency rate generally results in a 3% default rate.

Factors Affecting Delinquency Rates

The financial landscape in America is impacting patients' ability to maintain timely payments for orthodontic treatments, leading to increased delinquency rates.

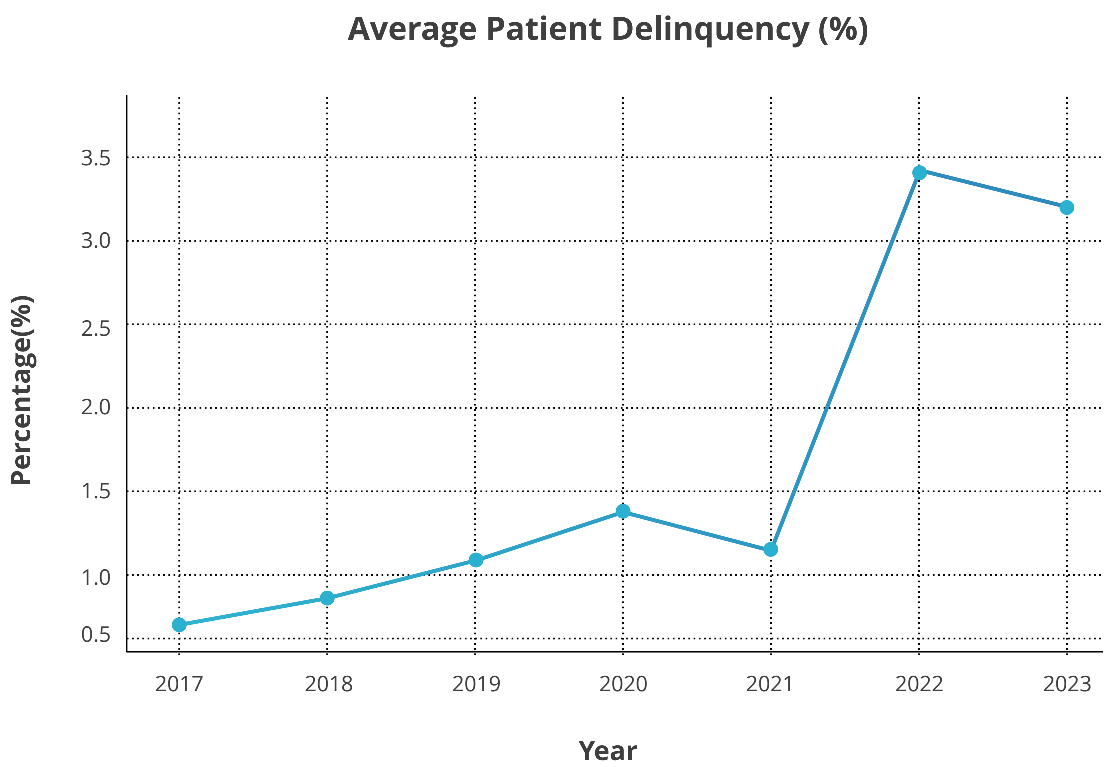
- Currently, 37% of Americans can't cover unexpected expenses exceeding $400, and 21% have no emergency savings at all[1]. This lack of financial cushion is further exacerbated by rising interest rates, which makes borrowing more expensive and hinders loan approvals.
- Since July 2021, the interest on a $30K home equity line of credit has surged nearly 5 percentage points, while credit card interest rates have climbed by 4.55 percentage points[2].
- Additionally, the cost of living has increased by 20.8% since the pandemic-induced recession began in February 2020[3].
- Amid these pressures, credit card debt has reached a record $1.14 trillion[4], and 25% of people have resorted to dipping into emergency savings just to cover basic living expenses[5].

[1] https://www.empower.com/the-currency/money/over-1-in-5-americans-have-no-emergency-savings-research
[2] https://www.bankrate.com/banking/federal-reserve/how-federal-reserve-impacts-your-money/#influences-borrowing-costs
[3] https://www.bankrupt.com/banking/federal-reserve/latest-inflation-statistics/
[4] https://www.cbsnews.com/news/credit-card-debt-total-us-2024/
[5] https://www.empower.com/the-currency/money/over-1-in-5-americans-have-no-emergency-savings-research

Analysis of Industry Average Delinquency Rates in Orthodontic Practices

The orthodontic industry has witnessed a dramatic rise in patient delinquency, with the average patient delinquency (percentage of total AR) soaring from 0.6% in 2017 to 3.2% in 2023—a staggering 433% increase.

For practices managing $2 million in accounts receivable, this shift translates to a jump in overdue payments from $12,000 to $64,000. This sharp rise in delinquency impacts cash flow and stresses operational efficiency, as practices must now dedicate more resources to collections and risk management. Addressing this challenge is crucial to maintaining financial stability and ensuring that practices can continue delivering high-quality care without compromise.



Gaidge™ Industry Data - Patient Delinquency as % of AR

Traditional AR Management Approaches

Most patients don't intend to default on payments; they simply face financial difficulties preventing them from meeting their obligations. However, when offices delay AR tasks, they miss crucial opportunities to collect before accounts become unmanageable.

Orthodontic offices often use outdated batch processing for collections, waiting for specific days to contact patients who have missed payments. **The key to successful collections is a proactive and consistent approach from the moment an account becomes delinquent.** Delays increase the risk of accounts passing the 30-day mark, making collection much harder.

By following a better system, where patients choose their payment dates and daily follow-ups are conducted, offices can keep 98% of their AR balance current, or 98.5% within ten days—especially when enhanced with AI-driven automated solutions. AR automation enhances accuracy and efficiency, reduces delinquency, and streamlines the collection process.

Embrace automation to transform outdated processes and collect 99.5% of patient payments.

The Business Impact of Low Delinquency Rates

Maintaining low patient delinquency rates carries significant financial benefits to your practice. Consistent and timely payments ensure a stable cash flow and the ability for the practice to invest in its growth.

A practice with 200 annual starts and an average treatment fee of $5,000, could face $30,800 in delinquent payments if the delinquency rate is 5%. Reducing this rate improves cash flow and minimizes defaults, which can significantly impact profitability—**just a 1% increase in defaults can mean $20,000 in lost revenue.**

Lower delinquency rates also reduce the time staff spend chasing overdue payments. Our data shows that 12% of auto payments fail. If a practice processes 200 payments a month, following up on the 24 failed payments results in an average of 12 hours of work to contact responsible parties, process payments, and update records each month. Reducing these failures frees up time for more productive tasks.

Additionally, maintaining low delinquency fosters better patient relationships. Engaging patients respectfully and professionally about overdue balances can make them more willing to work with you, leading to successful payment collection without straining the relationship.

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Best Practices for Managing AR and Minimizing Delinquencies

AR automation leverages technology to streamline billing and collections, significantly reducing manual effort while boosting collection rates. Advancements in data utilization and emerging technologies continually enhance its effectiveness, making it an indispensable tool for businesses aiming to optimize resources and drive financial success. These systems don't just streamline collections; they dramatically enhance them, ensuring a consistent and steady cash flow while curbing delinquency.

To maximize the benefits, here are the 4 key elements your practice should consider:

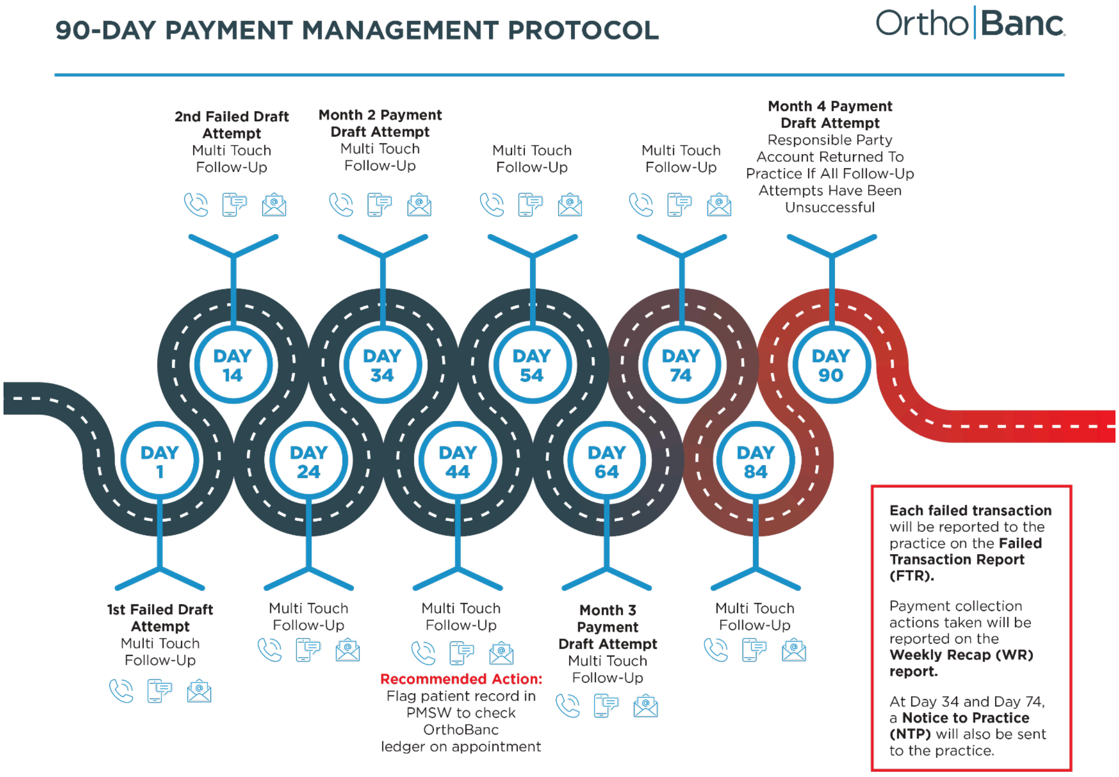
1. **Seamless Integration:** Your AR automation software should integrate effortlessly with your Practice Management Software.
2. **Customer Communications Management (CCM):** A CCM system is vital for managing your practice's communications across multiple channels, including live chat and text messaging.
3. **Patient-Centric Approach:** With 88% of patients seeking easier and faster payment options, aligning your strategy with these preferences can significantly improve your collection rates.
4. **Human Touch:** With automated emails often going unnoticed, human interaction is necessary for AR management to ensure patients feel valued and respected during their financial journey. By blending advanced AR systems with empathetic support, practices boost patient relationships and a healthy cash flow.

By focusing on these must-have elements, your practice can harness the full potential of AR automation, significantly impacting both your bottom line and patient satisfaction.

How to Collect 99.5% of Patient Payments

Over the last decade, OrthoBanc has processed nearly 38 million patient payments, totaling over $6 billion in AR. Our **industry-leading delinquency rate of just 0.5%** stems from a robust, multi-layered approach to payment management. Unlike typical autopay systems that focus on patients already inclined to pay, OrthoBanc actively manages missed payments, failed transactions, account changes, and billing inquiries.

OrthoBanc's **payment management protocol swiftly recovers delinquent accounts** with minimal disruption. Over 90 days, we combine automated processes with human intervention to bring accounts back on track.



As the only patient payment management company offering live agent support during business hours, our team handles an average of **751 interactions daily, including calls, chats, texts, and emails, ensuring quick resolution of patient issues and unique billing situations.** Patients can reach out via phone, chat, text, or email, and OrthoBanc's team responds in real-time, ensuring no communication is missed.

Current OrthoBanc Inbound Patient Comms Volume & Time YTD 2024

	AVG Daily Volume	Average Talk Time
Calls	536	3:50
Chats	45	5:21
Texts	101	3:32
Email/Help Requests	69	1:51

Patients also have **24/7 access to their accounts**, allowing them to update payment methods, make extra payments, and manage account details at their convenience. This flexibility reduces missed payments and enhances overall satisfaction.

We provide detailed **weekly and daily reports to inform practices of account statuses, payment trends, and necessary actions.** This transparency helps practices stay on top of their accounts and make informed decisions.

OrthoBanc's proven process, combining automation with personalized support, results in an incredibly low delinquency rate and high patient satisfaction, making it an invaluable partner for orthodontic practices looking to optimize revenue cycle management.

Conclusion

Effective patient AR management is more critical than ever as orthodontic practices navigate rising delinquency rates and the financial challenges posed by today's economic environment. By embracing modern AR techniques and leveraging tools like OrthoBanc, practices can significantly reduce delinquency and default rates, ensuring stable cash flow and enhancing overall financial performance.

As the industry continues to evolve, practices adopting these best practices will be better positioned to maintain financial health while delivering high-quality patient care. Implementing these strategies is not just about managing receivables—it's about securing the future success of the practice.

Ready to Reduce Delinquency and Boost Your Bottom Line? Schedule a consultation with one of our experts to learn more.

Contact Now