

Add 5% to Your Net Income: Stop the Silent Money Siphon

Expert tips can help protect your practice from needlessly losing money on credit card payments.

BY ERIC COHEN

The system that allows you to collect money from your clients can also be costing you more money than it should—sometimes a lot more—as there are hidden costs that reduce your bottom line without your realizing it!

We all know that running a practice costs money. You have all the typical expenses such as rent, employee salaries and benefits, insurance, marketing, lasers and other equipment, disposables, etc. Furthermore, if you accept credit cards—and almost everyone does—you have an expense that comes with this capability. What most do not realize is this revenue collection system can also cost you significantly more money than it needs to, acting as a “silent siphon” that slowly takes money out of your practice.

There are ways to reduce this cost and optimize the fees that you pay. Unfortunately for most people, the credit card industry has made it impossible to really understand exactly what it is you are paying for. To start with, there are hundreds of different cards (there are now over 700 different Visa, MasterCard, and Discover Card categories at last count), many of which have different costs spanning a very wide range: from 0.05% of the transaction total to over 3% of the transaction total. On top of the hard cost of the credit card used, there are dues and assessments imposed by the card associations, monthly fees tacked on by the processor, costs for equipment (most of you have heard of free credit card equipment, but we all know nothing is truly free), gateway fees, transactions fees, and PCI compliance and noncompliance fees; the list can go on and on! Additionally, now that most practices use software to help manage the practice and run their patients' credit cards through the software, you often increase the cost of accepting credit cards, because there is now an additional middleman to potentially take a piece of your hard-earned money.

YOUR RATE VERSUS ACTUAL COST

Choosing a credit card processor is not all about your rate. There have been many times that I have been told, “I have the lowest rate, as we have looked at this expense many times.” While that might in fact be true (although often it is not, because it is not always that simple to see what your true rate is), it does not mean that you have the lowest cost. There are other factors that make up the total cost of accepting credit cards besides the markup your processor is charging you, and there is almost no way a doctor or practice manager will ever be able to digest and understand the intricacies of this industry.

So what do you do? You need to find a third-party expert that understands every aspect of the industry, knows all the costs behind accepting cards, and is someone that can help your office digest the information and make sure you are processing both optimally and at the lowest cost. I want to share just a few of the factors you need to understand.

WHAT ELSE IS THERE BESIDES PRICE?

First, your office must use proper procedures when accepting a card. It is entirely possible that the same card taken by your office can cost you different fees depending on how it is accepted. Most practices should already understand that, if the patient presents his or her card in the office and it is swiped into the terminal, it costs less than when you have to take the payment at a later date and the card is not present (unfortunately, many offices cannot avoid this issue, as it is just the nature of the industry). What most offices do not know, however, is that the information they enter into their system when they charge the card that is not present will determine the cost of the transaction. There can be several reasons why your office is not getting the lowest rate possible on each and every card not present:

- The individuals charging the card were not educated on proper procedure.

- Your staff is too busy to be worried about the details.
- Your processor did not set you up correctly, because they will make more money when your staff is not paying attention. Yes, this can be true. Depending on your rate structure, it is actually more profitable for the processor when you do not enter all the important information for each transaction! Unfortunately, either some salespeople in the industry will not understand this and you end up with equipment that is not programmed correctly, or they will intentionally set up your equipment improperly, because they know they will make more money.

Not knowing proper procedure can siphon off anywhere between 0.5% to 3% of your gross profit, which can translate to over 5% of your net income. Imagine that: adding a few simple steps to your daily procedures can increase your income 5%!

Another example is proper coding. Once again, the credit card processing industry has made things difficult. There are a couple of simple coding errors that can cost you thousands of dollars a year. When you initially sign up for processing services, someone will usually help you fill out the application. Even though this person may have completed it perfectly and you double-checked everything, the application now has to be entered manually at the processor for your account to be activated. If the person entering this information is not paying attention or had a bad morning, is under the weather, or maybe did not get enough sleep, he or she can make mistakes such as

- Entering your standard industry code incorrectly. This can increase the cost to accept certain types of credit cards. I have seen this happen many times in my career. One particularly bad example I recall is a not-for-profit in the plastic surgery industry being charged thousands of dollars a year over what they should have been, because someone entered the wrong code.
- Making an error when entering how you accept cards. If the ratio between how often you swipe a card versus how often you take payment over the phone or through the Internet is not accurate, this seemingly little mistake can once again cost you thousands of dollars a year.

Unfortunately, these and other errors will normally go undetected, as no one monitors your account to ensure that you are processing optimally. Once you are signed up and processing, you will rarely talk to your processor unless something goes wrong. What all merchants need is someone who works for them, who is on their side, and whose incentive is to keep their processing costs as low as possible. ■

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