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Before You Sign the Dotted Line

by Amy Di Leo

Patient financing options are increasing, but how can physicians keep loan expense costs down?



Much the same way a driver can finance a new car, your patients can finance their new nose, breast implants, or tummy tuck with a loan handled through your office.

Over the past few years, as aesthetic surgery has become more affordable to the middle class, many practices have adapted to the trend by offering their patients many financing options. Concurrently, some practices don't offer any at all.

The range and pricing of these patient-financing options are more flexible than ever, and, despite the struggling economy—or, perhaps, because of it—practice managers owe it to the business to implement as many programs as feasible.

Kaitlin Downes struggled with a weight problem most of her life. Through diet and exercise, the 20-year-old Orange County, NY, woman was able to shed 150 pounds from her five-foot-five-inch frame.

Down to a much healthier 150 pounds, Kaitlin was also left with hanging skin around her midriff.

Kaitlin's mom, Kathy, a nurse, knew that her daughter would need aesthetic surgery to correct the disfiguring excess skin, but she also knew that insurance would not cover the operation.

Kathy and her husband did not have \$14,000 readily available to pay for the procedure.

However, through her surgeon's office, Madison Avenue Plastic Surgery on Manhattan's upper east side, the family was able to get a loan from Reliance Medical Credit for \$10,500 to pay Kaitlin's surgeon.

The remaining fees—including the surgical facility and anesthesiologist—were paid in cash.

"I knew I needed to do this for my daughter's self-esteem," Kathy says. "We didn't want Kaitlin to have to wait to get the surgery, but without the financing option we would not have been able to pay for it right now," she adds.

Kaitlin had her surgery in May, and she's thrilled with the result. Kathy is making her monthly payments, but expects to eventually prepay some of the 5-year loan to save money on interest costs.

HIGH DEMAND

Many plastic surgeons who offer financing say some of their patients wouldn't be patients without it. And Kaitlin is a perfect example.

Board-certified plastic surgeon Matthew Schulman, MD, specializes in body contouring after massive weight loss. He and his partner, Richard Skolnik, MD, performed Kaitlin's abdominoplasty and liposuction procedures.

As these types of procedures are costly and patients often require several surgeries, Schulman says his patients are the perfect candidates for medical financing.

In Schulman's office, patients can secure a loan from Capital One Healthcare Finance (www.capitalonehealthcarefinance.com) or, as Downes did, via Reliance Medical Finance (www.reliancemedicalfinance.com).

Although 80% of his patients pay for services via cash, check, or credit card and do not use the financing option, Schulman says, "Those who opt for financing would be unable to pay for these procedures without loans."

Even a patient who has an excellent credit rating may not have a \$20,000 credit card limit or have funds readily available in a bank account.

The six-physician practice, Plastic Surgery of Palm Beach (PSPB), offers financing to patients through Capital One Healthcare Finance and CareCredit (www.carecredit.com).

Luis A. Viñas, MD, the practice's co-owner and a board-certified plastic surgeon, notes that his firm's preferred finance companies offer incentives, which include 18 months interest-free,

5-year extended payments, and a revolving credit line.

With more than \$800,000 in loans financed last year at PSPB, Viñas says the financing options helped nearly 150 patients pay for their treatments, which included surgeries, injectables, and even skin care.

THE MAJOR PLAYERS

Care Credit is arguably the most popular finance company among plastic surgeons, mostly due to a ringing, ongoing endorsement from the 6,700-physician-member American Society of Plastic Surgeons (ASPS).

A division of GE Money, CareCredit offers ASPS members a special rate, and more than one-third of all ASPS members have signed up.

"CareCredit is essentially a credit card dedicated to health care," says Tony Seymour, CareCredit senior vice president. "A patient can take out a line of credit for up to \$25,000 and can then use it at any of the 100,000 health care providers who accept CareCredit as payment," he adds.

There are a variety of CareCredit payment plans a physician can offer patients—for example, "no-interest" payment plans range from 3 months to 18 months, and "extended payment plans" offer terms of up to 5 years.

The cost to the physician is an administrative fee depending on the terms of the loan.

As CareCredit is a credit card-based service and not a bank loan with terms, it provides medical offices with dedicated terminals for swiping its cards; however, Seymour says online processing is now available.

Capital One Healthcare Finance is another popular financing alternative for plastic surgery patients. As with CareCredit, Capital One Healthcare Finance is one of the nation's largest providers of health care financing.

Unlike CareCredit, but similar to many of the other financing plans, Capital One Healthcare Finance offers installment or third-party loans.

According to the company's spokesperson, Stephen Schooff, Capital One Healthcare Finance offers the lowest rates in the industry, starting at 1.9%, with terms of up to 60 months.

"Once the application is completed, we provide a decision immediately, which is usually within about 10 minutes," Schooff says.

Many other financial companies offer very quick, online-based decisions as well.

Schulman calls the loan application process "very simple." His staff encourages patients to obtain a preapproval over the Internet prior to the visit, or his staff can assist them with the process while in the office.

After approval, the patient selects the payment options and terms, and his staff completes the rest of the payment information to be sure that the physician, surgical facility, and anesthesiologist all get paid. With most loan companies, the physician is paid upfront.

Unlike home and auto loans, these "procedure loans" are unsecured personal loans, which means there is no collateral to back the loan and nothing to repossess if the patient stops payment.

Banks attempt to mitigate this risk by carefully evaluating a patient's application and credit report to predict how likely it is that they will repay a loan.

THE PATIENT-FINANCING PLAYERS

The following is a partial list of financing companies that can offer financing options for your patients.

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| • America One Unsecured
(800) 457-6785
www.americaoneunsecured.com | • Med Loan Finance.com
(800) 504-4053
www.medloanfinance.com |
| • Cosmetic Fee Plan
(888) 440-2379
www.cosmeticfeeplan.com | • MedProva Patient Funding
(888) 444-0016
www.medprova.com |

- **Capital One Healthcare Finance**
(877) 559-5050
www.capitalonefinance.com
- **CareCredit**
(800) 859-9975
www.carecredit.com
- **Cosmetic Surgery Financing**
(888) 405-8140
www.cosmeticsurgeryfinancing.com
- **FirstAgain**
No phone number given
www.firstagain.com
- **Health One Financial**
(888) 748-3621
www.healthone-financial.com
- **Health Ready**
(888) 873-1082
www.healthready.com
- **MedChoice Financial**
(954) 719-0890, ext 206
www.medchoicefinancial.com
- **Medicard Finance Inc**
(888) 689-9876
www.medicard.com
- **Medicredit**
(800) 963-6334
www.medicredit.com
- **MOCA Lending Group**
(888) 308-6622
www.mocalendinggroup.com
- **My Medical Loan**
(800) 788-0711
www.mymedicalloan.com
- **Monarch Patient Finance**
(888) 230-1600
www.monarchfinance.com
- **Pacific Bankcard Services**
(888) 364-0818
www.pacbankcard.com
- **PFS Patient Finance**
(888) 737-3679
www.p-f-s.com
- **Reliance Medical Finance**
(800) 322-6377
www.reliancemedicalfinance.com
- **SurgeryLoans.com**
(888) 502-8020
www.surgeryloans.com
- **Unicorn Patient Financing**
(888) 388-7633
www.unicornfinancial.com

PREScreening A PLUS

According to Etna Interactive, a medical Web site design and online marketing campaign management company, you can improve your patient's chance for approval by pre-screening the patient prior to completing the application process.

In addition, you may suggest a loan cosigner if the patient doesn't seem the best candidate for approval.

If your practice offers financing through more than one company, choose the one most likely to approve your prospect, not the one that offers the best terms for your practice.

Blasting a patient's loan application to many lenders simultaneously is not a good idea. It may actually hurt your patient if too many credit report inquiries are obtained in a short amount of time.

It may sound silly to remind all involved, but you should be sure your patient's application is complete before submitting it. Many banks will penalize an applicant for partially completed applications.

In addition, self-employed applicants are not attractive to some banks; suggest your patient use a title like "president" instead of "owner."

Be sure the applicant includes all sources of income—not just money earned at a job—in the application's gross income field. This could include rental income, social security, or money from a trust.

When filling out the monthly payment area, list only the required minimum payments, even if the applicant is able to pay more. Banks do not interpret larger amounts in favor of the applicant, and it will make the applicant's debt ratio climb.

Rates and terms vary for each financing company. The numbers are based on the patient's credit score and the proposed loan terms.

For example, with Capital One Healthcare Finance, Schulman says he pays a fee equal to 5% of an interest-free, 3-month loan. On a 6-month, interest-free loan he pays 6.9%.

Viñas says his practice will pay anywhere from 5% to 12% to secure a loan for a patient. Many plastic surgeons, such as Schulman, prefer to work with Reliance Medical Finance. "For Reliance, we do not pay any fee. The patient is responsible for the finance charge, which is determined by the terms of their loan."

CAVEATS AND ALTERNATIVES

Physicians should watch how their finance companies promote their loan programs.

A patient should take a significant amount of time researching and thinking before jumping into elective surgery, says Michael Law, MD, a board-certified plastic surgeon in Raleigh, NC.

In addition, some financing offers seem to encourage some people to leap before they look, which Law says is "unsavory."

If a patient isn't ready to schedule surgery after ample time to consider how it will affect their life—including their financial life—then he really shouldn't be scheduling surgery at all, he contends.

Law claims that he and his staff see 3,000 patients per year, between his surgical practice and his medical spa.

The fees and penalties charged by some financing companies seem "high and astronomical," Law notes, adding that if a patient were unhappy for any reason with the finance company, he wouldn't want that to reflect poorly on his practice.

While financing is one option, it is not the only one. A majority of aesthetic surgery patients pay for their services with their credit cards.

Pacific Bank Card (PBC), for example, offers to go to a practice's location and install equipment that lets practice staff swipe the credit cards. PBC provides the connection to the financial network required to conduct the transaction at no cost to the physician, says Anthony Chery, president of PBC. As any physician who accepts a credit card as payment knows, though, each credit card transaction generates fees.

The transaction fee could range from 18 to 25 cents per transaction. The discount fee is a percentage—usually between 1.29% and 2.9%—charged to the physician based on the volume of the transaction.

The most common credit cards taken by plastic surgeons are Visa and MasterCard, as they offer physicians discounted rates.

Many physicians don't accept American Express because of its higher rates, but Chery says his company can help practices obtain a special medical rate of 2.25% offered by American Express.

Did you know that the rate you are being charged for credit card transactions varies by the type of card your patient uses?

For instance, the percentage fee charged to a physician for using a patient's frequent-flier mileage card or bonus-points card is higher than that of a nonbenefit or nonrewards card.

Conversely, when your patient uses a debit card (ATM or check card), physicians are not charged a transaction fee—only a flat point-of-sale fee.

See also "[Is It Covered?](#)" by Patricia McGuire, MD, in the May 2008 issue of *PSP*.

Is it worth it for you to lose hundreds (or even thousands) of dollars on a surgery, reducing your practice's profit margin? That's for you to decide. Schulman, for one, says that it is worth it.

"We feel it outweighs the possibility that the patient may elect to not have the procedure or may find another doctor who will allow financing," Schulman says. "Patient convenience and retention is very important given the increasingly competitive market and lean economic times."

Amy Di Leo is a contributing writer to PSP. She can be reached at PSPeditor@ascendmedia.com.

Normal Version