

COLLECTING ACCOUNTS

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Most dairy farmers are accustomed to being billed for products and services, and most dairy practices find it wise to offer credit to clients. Once credit is extended, some problems in collection inevitably occur. Dairy practices are certainly not different from any other business in this regard.

We are, however, somewhat different from other businesses that deal with dairy farmers because we tend to get personally involved in our clients' operations. We develop relationships with farm families and consider ourselves "on their side" in their struggle for economic survival. Therefore, we are uncomfortable when it comes to requesting payment and especially uncomfortable with refusing service if payment has not been made.

Once again, I believe that much of our attitude toward collecting bills has to do with our perception of the value of our service. Speaking personally, I believe that my services are very valuable, and I can get rather outraged when a client does not pay. To me, failure to pay is, in many situations, a statement from the client that he or she does not value my services enough to guarantee continued availability of them by keeping the account current. Of course, there are times that the money is simply not there, but when I look at the new pickup trucks and tractors on some of the farms of chronic slow payers, I realize that it is actually a question of priorities.

I have often heard that clients perceive us only as an expense when we work on sick animals but as an investment when we do production medicine or herd health work. This may be their perception, but the payback on a sick cow successfully treated is just as real and may even be realized faster. A successful operation for a displaced abomasum easily pays for itself within 1 month. Treating a sore foot gives a payback even faster. In emergency situations, such as dystocias and prolapses, we frequently save a cow's life and certainly save the client far more than our fee on a long-term basis.

The bottom line is this: Our clients will not request any procedure unless they believe they will benefit by it. They should know the cost involved, and once they elect to go ahead with a procedure, they should be prepared to pay the bill. We, on the other hand, should not be ashamed to insist on payment on a timely basis.

ESTABLISH DEFINITE POLICIES

Every practice should have some definite policies in place regarding credit. The clients should be aware of these policies, and the policies should be enforced. Individual practices can make their policies as strict or as lenient as they like, but the policies should be set and enforced.

The above paragraph sounds simple, but is difficult to carry out, particularly in group practice in which different doctors have different attitudes toward collecting bills. Even making everyone aware of who is delinquent and who is not is often a major difficulty.

It is often best to have one member of the practice assume the role of dealing with past-due accounts. It is very important that the rest of the staff support this individual. This person needs to regularly report to the other doctors and appropriate lay staff on the status of past-due accounts. All doctors need to enforce whatever practice policies are in effect.

One of the first decisions to be made is whether or not to extend credit at all to a new client. Some clients can be kept on a cash payment basis indefinitely. In our practice, we occasionally get calls to come to a farm beyond our traditional practice area to investigate mastitis problems. When accepting these calls, I have always asked to be paid at the completion of the visit. I have never been turned down. Some of these calls have resulted in ongoing work in other capacities, and payments from these clients have remained on a cash basis. Obviously, this eliminates collection problems.

In many other cases, particularly when several visits a month might be made, it is convenient to establish an account with the client. When this is done, the client should be made aware of what your expectations are for payment. If you want to leave an invoice after a visit and have a check mailed to you within 10 days, say so. If you plan to send a statement at the end of the month, let the client know how soon you expect payment. What is your policy if no payment is received? (Do you have one?) Make this clear as well, and be prepared to carry out that policy if tested. It is far better to confront the problem when a bill is 1 month past due than after a year, when it amounts to several thousand dollars.

A somewhat different situation exists when a long-standing client with an excellent credit history suddenly one month does not pay his bill. I believe we should let this client know that we missed his payment. A polite note sent with

the next statement can serve this purpose. Maybe he forgot, or maybe the check was lost in the mail. Or maybe he is a little short of cash and just could not pay you that month. Whatever the case, we should not pretend that it does not matter. If we see the client at the farm, we can politely ask if there is any problem with the account. If we do not mention the unpaid bill, that implies permission to miss again, and the problem may snowball. The saying that “the squeaky wheel gets the grease” is very apt here.

I believe that it is best to leave a copy of the bill with the client or farmworker after each visit. This gives a subtle message that we think the bill is important enough to be made out and presented on the spot. The client can review it if he or she desires and, in essence accept it or dispute it. Most of the time I see farmers glance over it, fold it, and put it in their pocket. I take this as a silent agreement to pay it. These invoices prepare the client for the monthly statement that eventually arrives in the mail. If they see the charges for the first time when they open this bill, they may be surprised or even resentful if the charges are higher than anticipated. If they are having some cash-flow problems, your bill may be put on the back burner more readily than if they had received an invoice with each visit.

An added bonus of leaving the invoice at the end of the call is that clients often catch something you missed. It is not unusual to have one say, “You forgot the dose of GNRH you gave,” or some other treatment or procedure.

Statements should be sent promptly at the end of the month or whenever your billing cycle occurs. I am familiar with practices that send their bills whenever they have time or need the money. Sometimes as much as 3 months go by between mailings; this clearly tells the client that you are not too concerned about getting paid. If you do not bill them for 3 months, why should they bother to send a check promptly?

One final note on keeping accounts current is to regularly thank those clients who pay their bills promptly. A verbal comment at the farm or a letter sent expressly for that purpose is positive reinforcement for continued regular payment.

HANDLING PAST-DUE ACCOUNTS

So far, I have talked about keeping accounts current. Despite, our best efforts we all sooner or later end up with some accounts that are substantially past due, involving thousands of dollars. In my opinion, we need some definite policies to deal with accounts that get to this point.

Not every account needs to be handled the same way. In some cases it may be best to simply insist on full payment. If this option is chosen, you should be prepared to lose that client.

Another option is to cosign a note with a bank on behalf of the client. The note is used to pay your bill, and then the client owes the money to the bank. This is fine if the client makes his payment, but if he doesn't, the bank comes back to you. There are other plans in which banks simply buy your accounts receivable for a discounted fee, but usually they leave an escape clause for themselves, so that unpaid accounts of total “deadbeats” come back to you.

The course we have found most successful is to set up a repayment directly between the client and ourselves. We have called this our “minimum payment” plan. Once a client becomes more than 60 days past due, we request full payment of his account. If he indicates he cannot do so, we set up a minimum payment for him each month. Although this could vary from client to client, we usually do it the same way for all.

The minimum payment consists of the following: Any new charges incurred during the previous month, plus the interest on the past due balance, plus 50 dollars toward the past-due balance. Each month a new minimum payment is calculated. A special note is included with the statement to these clients.

The client is told that receipt of this payment is mandatory by the end of the present month or future service will definitely be refused. If payment is not made, then any further charges made in the interim are added on, plus additional interest charges. This payment is then required in advance of any further service.

I feel that this policy is lenient and fair to the clients. If they are unwilling or unable to comply with this policy, I think we are fully justified in refusing service in even emergency situations. I also feel that it is very important to make them aware of the possible consequences, should they fail to make the required payment.

Since we began using this policy for past-due accounts 3 years ago, we have cut in half the dollar amount past-due to us. This represented a windfall of over \$20,000.00 over a 2-year period. During that time we had to refuse service only once, although we threatened to do so on several other occasions as a means of getting paid. In the case in which service was refused, a \$2,000.00 past-due account was paid 10 days later, and that dairyman is still our client. At the present time, his account is current.

We have also had times when our system broke down, and clients received service despite not complying with the policies. These instances resulted from individual doctors either forgetting who was on the “no service” list or being unwilling to refuse service. I think these “breakdowns” of the policy hurt our overall effort to keep clients' accounts current.

Keeping accounts receivable up to date is a challenge in dairy practice. It requires having a definite policy in place to deal with past due accounts. Beyond that, it is necessary to enforce policy consistently. All members of the practice need to support the concept that we deserve to be paid for our services in a timely manner.