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**Collection vs. Revenue**

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Recently, I spoke with a young dentist that had joined a practice. As an associate, she was being paid on Collection. So far so good – right? Well, she wanted to “see” how the collection (Her pay check) was calculated. The software offered no report that would show how the amount was being allocated. She trusts the dentist she is working with – that is NOT the issue. The issue is “HOW” is the money that is collected allocated to each provider? Is it an ESTIMATE or is it REAL? What is the % of error and to whose favor is the error? The practice or the Associate? It should be EQUAL for every Provider for every dollar of Production.

Once she asked the question – her employer became concerned about the same issue. In this instance, the Practice Owner was taking the negative hit where Revenue was concerned. I have seen the opposite in other Practices. Either way, in this economy no one can afford to take any more financial hits! Let me start by defining Collection and Revenue.

***Collection is Simple. Collection is all money that is paid by the patient or the insurance companies to your practice.***

***Revenue is a little trickier. Revenue is the collected monies divided among providers as it is associated with production. Revenue is the money allocated to a specific Provider for a specific production.***

**\*\*\*\*Collection and Revenue are NOT the same\*\*\*\***

Look at the table below. Can you see the difference in Collected Money and Revenue? As a Practice owner you want to pay the correct amount to your Associates. As an Associate, you want to be paid the correct amount for the work you do. Understanding Collection, Revenue and how it is categorized is important to Practice Owners and Associates. Who can afford even a 1% mistake for a practice that generates $800K or more a year?

**Red is Production/treatment Green is Collected money whether copay or insurance payment Purple is Revenue – allocated money to each Provider’s production**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date of Service | Patient: IreneTotal Production | Production byDoctor | Production byHygiene Depart. | Production Practice (products)  |
| 04/01/2013 | **$223** | **$101** | **$97** | **$25** |
|  |  |  |  |  |
| Copay paid on date of treatment | **($ 50)** | **($ 25)** | **0** | **($25)** |
| Insurance payment  | **($197)** | **($ 76)** | **($ 97)** | **0** |
|  | ($24) will be refunded to the patient. |  |  |  |

In this example, it is easy to see why all Collected Money is NOT Revenue. The refund to the patient can not be counted as Revenue for anyone. However, it can be much more complicated. Write-offs, discounts, PPO fees – Patient‘s that see more than one doctor on the same day, all of these can affect the Practice or the Associate in a negative manner if it is not tracked properly by your software. In summary, can you track a specific patient’s treatment/production as it is paid? Can you see how the money was allocated to each Provider? If yes, then CONGRATULATIONS! If your answer is NO or you are not sure – call your software company – get a definitive answer. One you can actually follow yourself – not just their word. You nor your Associate may want to be paid by an estimated number!!