THE NO-SHOW DILEMMA

How to Determine If You Should Implement a No-Show Fee, or Not?

One of your physicians storms into your office at 2:00 p.m. and rants about another no-show in their clinic. With great animation he says, “Every no-show costs me money. I want you to implement a no-show fee starting Monday”. It is time to take a deep breath and think. You are the administrator and as such, need to be the voice of logic and reason. Should your practice implement a no-show fee? After all, “everyone” is doing it.

This question is on the front burner in healthcare practices across the country as reimbursement continues to decline and cost pressures increase. While it is true that one missed appointment or procedure may not have a significant impact, one per day could. For example, the Medicare allowable for a level two established patient visit is around $42 while a level three new patient visit is around $105. This represents a revenue opportunity between $7,500-$19,000 per year. Clearly, this could be material to a given practice. Okay, you are the administrator and a decision is in order: implement a no-show fee or not.

The purpose of this “How to guide” is to help you, make the right decision for your practice.

To answer to this question requires appropriate analysis in two critical areas:

2. Solid analysis of historical data. Once this “self assessment” is completed, you can advise your physicians regarding a no-show fee.

No Shows can cost a one physician practice from $7,500- $19,000 per year.

Making the No-Show Fee decision requires proper analysis in two critical areas.
CURRENT OPERATIONAL PROCESS
Let’s start with current operational processes. This analysis will provide an assessment regarding processes in place, or not, to limit no-shows. Answer the questions below as a starting point:

1. Is patient access reasonable based on the given specialty? A patient with a serious infection or blood pressure issues is probably not going to wait two weeks for an appointment, much less one month. Patients often establish an appointment to “reserve” a spot, and then attempt to find quicker access. This access may be one of your competitors. As access is limited, the rate of no-shows will increase. This is an undeniable fact and while not ideal, it is understandable. “Placeholder” appointments become an issue when patients fail to call and cancel once they have found a more timely access solution. Solutions include opening access on traditionally “closed” days or afternoons and reviewing appointment times to ensure they are accurate for new and return patient visits. Time slots can be affected by many factors which are outside the scope of this discussion. You may consider adding a midlevel provider or potentially recruiting an additional physician provider which is a longer term solution. Finally, even allowing one or two appointment slots to be over-booked for same day appointments can have a positive effect. Remember, no one likes to wait an unreasonable period of time.

2. Do you utilize an appointment reminder system? Appointment reminder systems come in many flavors, from automated voice to personal contact to electronic notification. While there are legitimate pros and cons for each type, the point is to make sure you utilize some form of a reminder system. The world we live in moves at a rapid pace; everyone is busy with hundreds of things to do. Reminders are critical for any practice.

3. How is your appointment reminder system structured? Do you call one day before the appointment? Two days? Five days? How many times do you call? What is your message? Do you target morning calls or evening calls? What type of performance reporting does your reminder system provide? Do you evaluate the contact rate (calls versus actual patient contacts) as well as other performance measures? “Fine tuning” of your reminder system is critical to its success.

Make sure the practice is running effectively before considering a No-Show Fee:

- Patient Access
- Appointment Reminders
- Proper Contact Information
- Track No Shows Effectively
4. Do you collect appropriate contact information? Are you collecting cell phone numbers or email addresses? Is it okay to text your patients? Do they prefer a call, text or email? The majority of scheduling systems have room for more than one phone number and additional contact information yet I routinely see practices collect home phone numbers only.

5. Do you have a process for accurately tracking no-shows? How do you annotate no-shows in your PPM system? Do you have an indexing system so that you can differentiate between 3-4 different types of no-shows? What is your definition of a no-show? For example, if someone calls and cancels the day before a 3:00 appointment is that a no-show? If someone calls the day of an appointment and cancels, is that a no-show? Defining no-shows for your practice and tracking capabilities are staples of a solid no-show fee policy.

Investigation of these areas, although not a complete list, is the first step in evaluating whether no-show fees are appropriate. Once you have this information, one additional step is necessary in order to make an informed and supportable decision regarding implementation of a no-show fee. That step is data analysis.

DATA ANALYSIS

When your car is in need of repair, most of us will try to diagnose the issue and make the repair personally. Others may take their vehicle to a repair shop to obtain an assessment and a price quote. Often times, we will also get an additional quote to ensure reasonable pricing, and then have the car repaired. In other words, we do our “homework” before we act. Few people simply sell their broken vehicle and buy a new one. So goes no-show fees. If an operational assessment is equivalent to routine maintenance on our car, then data analysis is the diagnosis.

Let’s do some homework.

The first step in an effective data analysis related to no-shows is to collect relevant data elements. This data can come from various sources, including your scheduling system, billing system, EMR or other processes. I recommend you analyze at least six months of data, though twelve months is preferred. Clearly, the quality of your data elements will materially impact the ability to perform an accurate analysis. The data elements should include the following:
1. Physician/provider name or number (who was the appointment scheduled with).
2. Patient Name.
3. Appointment reference – a number assigned (by most scheduling systems) to an appointment to ensure you have captured all appointments made.
4. Insurance type.
5. Appointment time.
6. Appointment date.
7. Appointment type (typically a new patient, return patient or procedure).
8. Appointment no-show/cancellation codes (the 3-4 types of no-shows/cancellations noted above).
9. Performance reports from your appointment reminder system.

Once this information has been collected it is time for the fun stuff: looking for trends and issues that could be contributing to your no-show issue.

Properly collecting critical data elements is the key to effective analysis of No-Show trends.

Most PM systems require operational changes to be effective data sources.

ANALYSIS

Web-based research is not perfect, but it will provide a great The best result from this process is obtained from analysis of all providers in a given practice. This allows you to identify both practice specific as well as “group-level” trends. The following reports can be produced from data elements collected (please note I am using the term no-show to include cancellations which is, in my opinion, a type of no-show):

No-shows by:
- Type
- Patient
- Tracking number (if any) for appointments
- Insurance type
- Visit type
- Time of day
- Date of appointment (will covert to day of week as well)
- Appointment reminder type
- Number of appointment reminder contacts

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The best approach to analyze this data is use of a Microsoft Excel pivot table. This allows you to easily view different combinations of variables with the purpose of identifying any specific trends contributing to higher than acceptable no-show rates. As an aside, you will need to determine what an acceptable no-show rate is for a given practice. While a goal of zero no-shows is admirable, it is not practical.

REALISTIC ALTERNATIVES

I recently had a physician practice tell me “This is too much work. I know I have a no-show problem and I am going to charge $75 for every no-show.” What that practice soon realized is that there is an ugly side to no-show fees. From “patient bad will” to an inability to collect no-show fees, clinical risk issues and even reduced patient volumes, no-show fees are not the magic pill they may appear to be. This situation was a classic example of not having your “house in order” before making a no-show fee decision with a resultant bad outcome.

One practice had what I consider to be a high no-show rate, i.e., 15%. They had some of the aforementioned operational prerequisites in place and most were working reasonably well. Data analysis reflected some very interesting findings:

1. The automated appointment reminder system was only moderately effective in making contact with patients, approximately 44% actual contact.
2. No-show rates were twice as high in the last week of a given month than the first three weeks.
3. For the no-shows in the last week of a given month, the appointment reminder system only reached 32% of patients.
4. Of the no-shows in the last week of the month, over 67% were Medicare patients.
5. Certain patients were in fact chronic “no-shows.”

This practice concluded that it would make a number of changes in response to the data analysis, including the following examples:

1. Schedule Medicare patients earlier in the month if possible as cashflow may be tighter toward the end of a given month for some Medicare patients.
2. Call Medicare patients directly versus use of the automated system and track contact activity, i.e., a more personal touch.
3. Require a $75.00 credit card deposit for chronic offenders (two no-shows) before an appointment is scheduled.
4. Terminate care for select chronic no-show patients.
5. Begin collecting patient cellular phone numbers and email addresses. The automated reminder system was modified to use these “better” numbers.
6. Post signs in the check-in area indicating patients may be charged a $75 per visit no-show fee if appointments are not canceled within 24 hours of the scheduled visit.

This action materially reduced no-shows for the patient population identified and reduced the overall no-show percentage from around 15% to 7%. This is far from perfect yet represents over a 50% reduction in their no-show rate. The practice continues to evaluate implementation of a no-show fee as well as collect more accurate data for continued analysis.

I will stop short of guaranteeing you that this process will reveal information that can be used to positively impact the rate of no-shows. I will state that numerous analyses of this nature have yet to do otherwise.

With that example out of the way, let’s get back to the decision process for possible implementation of a no-show fee. If good operational processes are in place and data analysis reflects no trends, it may be time to consider a no-show fee. I would recommend a staggered implementation process.

People read signs. Start by posting signs in the check-in area and add a disclosure on your check-in forms/history updates or other documents, if any. Just the threat of action can have an impact. Additionally, signs are cheap.

Isolated services approach: Implement a no-show fee related to select procedures. Most procedures have a much higher reimbursement than an office visit. Patients can more easily identify with a no-show fee for a specialty service like a procedure (and EKG, EMG or an ASC-based procedure).

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Across the board No Show Fees are complicated, from appointment policy changes to collection methodologies, care must be taken to avoid pitfalls which could cause more harm than good.
THE FULL MONTY
Across the board no-show fee. WARNING: Issues ahead. Before implementing any form of a no-show fee, you need to define a number of items in anticipation of future conflicts.

Here is a brief list:
- A well thought-out patient communication plan (possibly including a script) for implementation.
- A clear definition of your cancellation policy.
- A standard form patients can complete to challenge a no-show fee.
- Determine the process for addressing challenges to a no-show fee.
- Assess clinical risks associated with refusing to see an established patient.
- Policies for collection of no-show fees.
- Communication to referring physicians for terminated patients.
- Check with your State Department of Health or applicable state-based health services department to ensure there are no prohibitions against charging no-show fees.

Finally, How Will You Collect The No-Show Fee?
There are a number of options, each with its own set of challenges:

Credit Cards:
Use of credit cards is the ideal collection vehicle; however, this option presents some unique challenges. Will you charge a deposit and apply to visit and issue a refund for any balance, reserve a charge on the card or just use the card when a patient no-shows. Patients are very resistant to providing credit card information in anticipation of a possible no-show fee. Patients are more amenable to providing charge cards related to clinical procedures. What will be your policy if they refuse to provide the credit card information? Who will have the authority to waive this requirement? Also, how to properly defend against credit card chargeback’s is important but not a part of this article.

Bill for no-show:
This approach is largely ineffective. You have to track the billing in your PPM system, address collectability in your accounts receivable, send out the bills and statements, have a process for adjusting no-show fees when those fees are challenged and waived, make out-bound phone calls and determine if you will apply a “hard collection” process to no-show fees after routine collection measures have failed.

As you can tell by now, the topic of no-show fees is very complex and while it may appear I am suggesting you not implement a no-show fee that is not the case at all. What I am suggesting that there is a very objective decision process which, if followed, will lead you to an informed decision.
Meet the President

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Andy Popple, Jr., CPA  
President, Senior Executive Consultant

Andy has over 20 years of experience in the healthcare industry and provides clients with a diverse offering of subject matter expertise, from physician compensation plans and development/implementation of revenue producing lines of business to strategic planning and innovative approaches to overall group operations. Andy’s depth of financial experience coupled with significant operational experience brings a unique view to many practice management challenges.

Andy began his career in public accounting with Ernst & Young, specializing in audit, consulting, and tax services for a diverse group of clients, from large physician groups and hospitals to manufacturing companies and retail businesses. His public accounting background was augmented through experiences with healthcare companies in the public and private sector in senior leadership roles such as CFO, executive director, and executive vice president. Andy leveraged this experience by establishing Medical Management Services. Since then, Andy has assembled a world class team of professionals which represent Medical Management Services today.

Andy earned a BS in Accounting from the University of South Alabama and is a licensed Certified Public Accountant in the State of Alabama. He is an active member of Medical Group Management Association (MGMA), the American Institute of Certified Public Accountants (AICPA), on the board of directors of United Way and Covenant Hospice, and an active member of the Chamber of Commerce and Rotary International.