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Hi, it's Dr. Weitz. Thank you so much for joining me for this episode of the private medical practice Academy. Choosing a bank for your personal needs is pretty straightforward while you'll shop around for the best deal, like getting the lowest minimum balance, you need to keep in order to get free checking. There are relatively few variables that you actually need to consider. But today I want to talk to you about what do you need to look for when choosing a bank for your medical business? I'll dive into the details, but let me start by telling you that commercial banking is completely different than retail or personal banking as a medical business owner, regardless of whether it's a medical practice, ambulatory surgery center or other related service, first and foremost, you will want to partner with a bank that understands and values your practice.

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I use the word partner because the bank and ideally your dedicated banker can support you. And any other physicians you bring on as well as your employees and they'll evolve with your needs quickly dispensing with the obvious you want to choose a bank that's strong and sustainable. You can assess this by looking at their credit rating and their performance in capital stress tests. The independent credit rating should be a triple B or higher. And if you're wondering how you're going to find out this information, just ask the bank, the ones you want to deal with, we'll be more than happy to share this information. You want to choose a bank and a banker that have a lot of experience in working with medical businesses.

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And sure many banks have lots of medical business clients, but the big banks like chase Wells Fargo, bank of America, don't always offer great customer service. Some of the smaller banks like first Republic were even really small banks like my bank here in Louisiana home bank, they tend to be much more customer service oriented. You're going to want to have a personal relationship with a specific banker at the bank. You ultimately choose for your business. Unlike your personal banking, where you go to an ATM and take out cash or use the mobile app to deposit money or to transfer money. Your business banking needs will be much more complex and you'll want to have a dedicated person and their team to help you navigate to that end.

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There are three key things that you're gonna want to assess. When thinking about a bank's quality of service. First, you want a bank. The demonstrates a firm understanding of a medical practices, unique cashflow needs. As we all know, medical businesses function differently than other businesses. What services are offered to you and how much they cost is largely impacted by how familiar the financial institution is with medical businesses. Second, you want to understand the bank's responsiveness. For example, how quickly are deposits credited to your account? Our capital requirements met in a timely and efficient manner. For example, if you have a line of credit with them, how easy is it to access it?

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If you need a loan, how many hoops do you have to jump through in order to get it? Everything from tracking

and important wire transfer to helping finance and expansion project should be addressed with speed and efficiency. The bank is there to make your life easier, not to be a thorn in your side. And third, the bank should be easily accessible to answer questions, to provide training on any account related technologies and to offer insights into how they can meet your banking financing and treasury management needs. Having a dedicated, single point of contact to address your business's unique needs is crucial to being able to understand and anticipate challenges.

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Your financial partners should be easily accessible to answer questions. Not that this is going to surprise you, but my expectation is that if I send you an email, I'm going to get it immediate response. Okay, seriously, maybe not in the middle of the night, my business needs are not limited to bankers hours. As a matter of fact, between running the practice and seeing patients, there were plenty of night and weekend emails and my banker responded to them. So should yours as well. Everything else in life, it's all about relationships before deciding on a bank, ask for references from other medical businesses, aside from what services the bank offers, you really want to ask about the individual.

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Who's going to be your point person in terms of how helpful are they have responsive. Are they, and their ability to anticipate needs, make sure to ask the references about these things. A good banker can improve your workflow, your revenue cycle management and your compliance. Because my banker understood so much about our medical businesses. She was able to offer us solutions to streamline our processes that we didn't even know existed. Recognize that the bank and the banker you choose become integral members of your team. Now, I want to talk about products and services that you want your bank to offer in order to address the unique financial needs of your medical business.

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Ideally your business has one banking partner that fully supports all of your banking and lending needs. I know everyone is always looking for the best deal or the lowest interest rate for a loan. And as a result end up with a hodgepodge of services provided by multiple vendors. From personal experience. I can tell you that this is not the most efficient way to do it, nor do you ever get the best deal. You'll get the best loan terms from the bank that has your banking business. As an example, when you're depositing hundreds of thousands of dollars into your business checking account at that bank, it's a whole lot easier to get a loan from them in terms of services. Let's start with business checking at blush.

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This may seem like the most simplistic service, but it really isn't. There are several factors that you're going to want to consider first much like your personal checking account. You'll want to ask if there is a minimum balance required, some checking accounts require you to maintain a minimum balance in order to get free checking. And if your account goes below that balance, you'll have to pay additional fees. And this can really

add up. Once you're busy, this is established. This tends to be less of an issue, but when you're first starting out, there can be large balance fluctuations. Why? Because you can't really predict when deposits will hit and how much they will be relative to the withdrawals that you need to make.

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And you may be thinking in that case, I'll just hold off paying my bills. But I'm here to tell you that if you want your employees to stay, the payroll hits when it hits, when you're first starting out, you may want to consider free checking, regardless of the minimum balance. This is something that you can discuss with the banker. Also remember that the right bank will allow you to be fluid in your choices because as your business evolves, your needs are going to change. Second, how quickly do you have access to the funds after making a deposit? How quickly is that money available? One of the solutions that our bank offered us was the check processing service.

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Basically when patients checked in at the front desk to pay their copay co-insurance or deductible by check the front desk person was able to scan the check, the check immediately cleared, and the money was deposited and available in our business checking account. And if the check bounced, we also knew immediately, so goodbye to return checks and returned check fees, and we didn't have to chase after those patients on the back end, trying to collect their money. You'll also want to understand what options are available for online banking, including things like online, bill payments, integration with any of the back office accounting software that you may have.

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And bank transfers. Nowadays. Most banks offer great online banking services, but the real question is what are the fees sometimes hidden. And are there any restrictions next you will want to consider? How often are you going to make withdrawals? Some checking accounts, charge additional fees for cash withdrawals. Others have a set number of withdrawals per month for free. And then there's an additional charge per transaction. For example, you may have six withdrawals a month for free. Now think about all of the expenses you have to pay out of this account. Let's start with two payrolls, the rent malpractice internet.

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Look, I'm not going to enumerate all of your typical monthly expenses, but you can quickly see how this can add up. As with any agreement. You need to look at the fine print and really understand how it fits with your practice or your business. Fourth, how many deposits are you going to be making a month? Many of the banks have a limit on how many deposits you can make per month and still get free checking. Because remember when you're making deposits, it's work for them. So if you anticipate a high volume of deposits, then you're going to want to consider a commercial analysis account. Basically with this type of checking account, you're rewarded for keeping a high balance and you receive competitive earning credit rates that can help offset any monthly fees.

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So if that's not clear enough set another way they're giving you credit for keeping money in their bank. And they use that to offset whatever fees they have for your checking account. I want you to recognize that medical businesses have many more deposits per month than you would think. Why each patient who sees you pays you something. If you scan their checks, each check is a deposit. Then each insurance company pays you and they don't do this once a month. They pay you when they have processed claims. Sometimes we would get paid by an insurance company four times a month. It just depends. Again, this is one of those services that you may not start with when you first opened, but you may need to switch to as your practice grows in order to minimize your fees.

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You also want to ask about hidden costs, such as charges to print checks or to stop payments on checks. You may not know today when or if you're going to need these services, but you're definitely going to want to understand what the costs associated with them are because ultimately I promise you more likely than not. You're going to utilize them. I'm sure you're going to take credit cards in your business. And many of today's practice management software packages include credit card processing. Do you know how much you pay for your credit card processing? It can be 3% or more. And depending on which platform you use, it may or may not hit your bank account for three business days.

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I want you to recognize that most banks offer credit card processing as one of their commercial services frequently, they can beat the rates of the external vendors, including your practice management software folks, and the money will hit your account immediately. You're going to want to compare this service to what you can get from external vendors. Now that I've talked about banking and essentially money coming into the bank, let's talk about loans. I know that there are a bunch of people out there who think that borrowing money is just the worst thing ever. And that being in debt is a black Mark. I'll spare you the lecture on the difference between good debt and bad debt.

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But let me promise you that there will be times that you will want to consider or need to consider a loan for your business. For example, you may want to borrow to meet your working capital needs with a revolving line of credit. You can borrow as much or as little as you need. Having a line of credit could help you get through temporary downturns or delays in payment like during COVID or hurricane Katrina. You can use the line of credit to purchase a piece of equipment that you don't immediately have. The funds for the line of credit gives you tremendous flexibility. When you do all of your banking with an institution and they see how much money you're depositing on a monthly basis, it's usually very easy to get a revolving line of credit.

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Now, if you want to finance longer term investments like an expansion of your office or opening a new satellite office, you may want a term loan. A term loan is for a fixed amount for a fixed period of time. In other words, you tell them how much money you need and they loaned it to you as a lump sum. As an aside, once you have that wonderful working relationship with your bank, you can extend it to other physicians in your business. For example, when we sold shares of the ambulatory surgery center to other physicians, our bank offered those physicians, very favorable loan terms to cover the cost of the purchase. Shares why in part, because of the center's relationship with the bank and the fact that we were utilizing multiple banking services of theirs.

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In addition, the bank knew how much money the center was generating. So loaning physician's money to buy in represented very little risk to them. I also want to point out though, that this reflects how important it is that the bank and the banker really understand your medical businesses, how they operate and how financially stable they are. Many banks also offer a full suite of treasury management products to maximize the use of cash, including lock boxes, remote deposit, capture biller and payment solutions and fed EDI. They also have services to protect your accounts by monitoring and detecting fraud. So for example, no one can use your ACH information to take money out of your business account.

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Well, I'm not going to go into detail about all of the different treasury management products. I do want to tell you about lockbox services. As much as this may surprise you, money still comes by snail mail. There are still insurance companies, including many of the workman's compensation companies that send out paper ELBs and checks. When you send a patient statement, many patients still send a paper check. Sure. They can make a payment through your portal or call your office with a credit card. But there are lots of people who send checks. And if the checks come to your office, someone has to process them. Someone opens the mail, takes out the check. Then they either have to scan it or prepare it to be deposited at the bank.

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And then ultimately go to the bank. Or you may have the payments go to appeal box rather than come to your office. In that case, someone has to go to the PO box and get the mail and then process it for deposit aside from everything else. This is a great way for payments to go missing either that they're misplaced or stolen, but even if your money is not lost, it will certainly be delayed because it takes time to get it process and deposit it. Enter the lockbox. The bank gives you a PO boxes. The address for payments to be submitted to a bank, employee deposits the money immediately into your account. Then they upload through a secure portal, the EOB and any other paperwork that came in the envelope using a lockbox decreased the amount of time.

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My billing folks spent processing snail mail money. The money was available quicker, and we had fewer

missing payments. The cost of the lockbox was insignificant. While most physician business owners don't spend a lot of time or effort in choosing the right bank for their business. Doing your due diligence will pay you dividends pun intended. As a final note, I want to stress to you that there are huge advantages to having all of your banking, both personal and business in the same place to say that the relationship is synergistic is an understatement. You will find that the customer service for both your personal and business needs will be much better, and you're likely to get better rates on any product or service that you need because you have preferred customer status.

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Thanks for joining me, be sure to sign up for my newsletter below, and I'll be sending you tips on how to start your practice best run your practice, grow the practice, and then ultimately be able to leverage your medical practice into multiple other businesses. I hope to see you soon.