0 (0s):

Hi, it's Dr. Weitz. Thanks so much for joining me for this episode of the private medical practice academy. So I'm here today with Jennifer Mogan, who is an anesthesiologist and who actually works for park place payments, a credit card company run totally by women. And I'm so excited to have you here, Jennifer. I told you that you are my very first guest. And the reason that I invited you is because I think that as people are complaining about decreases in reimbursement and ways in which they can capture every penny that they're entitled to, they never think about the fact that when they accept a credit card as payment of a co-pay or co-insurance, or somebody is deductible, that they are actually taking a haircut in doing that.

0 (49s):

So that's what I'm hoping we're going to chat about today. So thank you for being here.

1 (54s):

Thank you so much for having me, and I'm honored to be your first guest.

0 (57s):

Thank you. So I want you to tell everybody a little bit about how, as an anesthesiologist, who actually doesn't work in a practice per se, in office-based practice, how did you get involved in doing credit card payments?

1 (1m 13s):

Sure. So COVID had a lot of changes for all of us. I'm sure we all have our stories out there, but for me, it afforded me a little bit of extra time to learn about something totally outside of medicine, through a very good friend of mine who helped to found this company. I learned about the world of payment processing, which was totally foreign to me, just like I'm sure it is to most of you. And the more I learned about it, the more I learned all of the questionable practices that are out there and how much it's affecting us in medicine, the more I was determined to kind of help educate my colleagues about this and how it is an area of your business, that you do have more control over than you would think.

1 (1m 56s):

And a little bit of knowledge can really go a long way.

0 (1m 59s):

And you know, one of the things that amazes me and you and I talked about this before we got on, I never carried cash ever. If you asked me for a dollar, I don't have it. I give you my credit card for everything, no matter what it is. So, you know, as a consumer, we think nothing of using a credit card, but in actuality, there's a cost for that credit to the vendor. Who's accepting it, right? So they're either giving me a discount, probably not, or they're building it into their price. The problem in medicine though, is if you are an in network physician who has a contract, you're getting paid, what you get paid, regardless of whether you take cash, you take a check or you take a credit card.

0 (2m 50s):

So if you accept somebody's credit card, then you defacto are getting, giving them a discount because you're going to be getting that much less. So can you just tell people, you know, the 30,000 foot view of the behind the scenes, how does the credit card work for the vendor in this case, the doctor or the practice accepting that card?

1 (3m 13s):

Right? Absolutely. So I will try to distill it down for you and not get too much into the weeds. So please reign me in if I do, but the background to the credit card industry is that they're kind of two different entities. One is the card brands and the bank that issues the credit card. So the card brands, visa, MasterCard, Amex, and then the bank that issues, the card are getting paid for you using their credit card, but they are not a credit card processor. They don't actually process those transactions. So you also need to pay a credit card processing company. There are no, you can't go directly to the card brands to have them do this.

1 (3m 54s):

You need to have a credit card processing company. And the credit card processing company builds you in the entirety. So they bill you for those credit card fees from the card brands and they bill you for what they are charging for you to have those transactions processed. What is important to note is that there are over 500 different credit card types out there. There's different what they call interchange rates. So every card that's out there be it a debit card, which is very, very low. It can be as low as 0.05% up the ladder to a basic bank credit card, a points or rewards card all the way up to business and corporate cards or even higher tiered cards.

1 (4m 38s):

That can be well over 3% and greater. So when you take that into account, it's kind of like if you go to your restaurant, your favorite restaurant, everything has a different cost on the menu, right? And the restaurant is paying a wholesale price or whatever it is for the cost of those goods. So if you think about your credit card processor in those regards, your credit card processor is paying for those interchange fees, plus what it costs them to process the fees. Now there's several different pricing models out there. The three main ones are flat rate pricing, tiered pricing and interchange plus pricing and flat rate pricing is very, very common out there these days, especially with companies like PayPal and Stripe and square, which is kind of a separate conversation, but those are merchant aggregators, where you don't have your own account.

1 (5m 32s):

You are all under the same umbrella, but also importantly is that they use flat rate pricing. And that's the same as if you went to your favorite restaurant, everything on the menu from your pre-dinner drink to your side salad, to your lobster, main to your side of brussel sprouts and your dessert afterwards, all costs the same. Obviously the restaurant is winning out for a large percentage of those purchases. And so it's the same with a credit card processing company. That's charging you a flat rate, just like in Vegas, the house always wins. So if you are on a flat rate pricing model, you are definitely leaving a lot of money on the table.

1 (6m 13s):
Similarly, with tiered pricing, which is oftentimes used by a lot of banks, it's kind of like three different flat rates. And they determine, you know, based on different characteristics of the transaction, what bucket it lands in for the rate that you're being charged. And more often than not, things get pushed up to different tiers and you end up paying in the higher tiers more so than in the lower tiers. And very often youth, you may say, Hey, I know what my rate is. I'm being charged 1.9%. That might just be the lowest tier in your tiered pricing model. And so that's why it's important to know those details. The third pricing model is called interchange plus pricing, and that is typically the pricing model that's most advantageous for most businesses.

1 (7m 0s):
Historically it was only available to very large retailers like BJ's and Costco and Walmart, but more recently it's being available to more businesses out there. So that is based off of those interchange prices, those interchange rates, plus a small markup for the cost of running that transaction. So those are kind of the basics behind those three different pricing models. And it's important to know what kind of pricing model you're on. That being said, as the merchant, you look at your merchant statement and it's like reading a foreign language because you can look through that and you know, you don't even know what rate you're paying or what fees you're paying, let alone what kind of pricing model you're on.

1 (7m 43s):
So it's important to ask those questions. If they're not answering the questions for you, it's important to find someone who can help you distill out that information.

0 (7m 53s):
And I get the merchant statement every month. How, if I'm, if I'm that practice owner, where do I even look to get that merchant statement?

1 (8m 5s):
Well, some merchant statements are mailed to you. Some are email to you. Some at you have some sort of portal to get onto. I've run into so many practices that have no idea how to access their merchant statement or run into so many difficulties getting it. And that's with intention because the less, you know, if your company's not making it easy for you to get that information, the less, the easier it is for you to just say, I don't have time to deal with this. You know, I'm just going with, what's easy. I'm going with my bank because I trust them. I'm going with the payment processor. That's integrated with my EMR because it's easy, easy is not always best.

0 (8m 50s):

So does the rate change based on time if I sign a contract, let's say with Stripe, or if I do something with my bank or I get one of the interchange, do the rates change over time, or basically what I've signed up for is what I've signed up for, or does it depend on the volume, in the amount of money that I bring to the deal?

1 (9m 15s):
So that's a great question. Every processor is different and that's part of all of those questionable practices that are out there. There are, there are many times where you'll get quoted one rate and then over time, the rate creeps up and you really don't know, there'll be the little disclaimers at the bottom that will say, you know, effective such and such date. Your rates will be increasing. Now let me back up and say that those interchange rates that are dictated by the card brands, they do reassess those rates every April and October. Typically they just add on another different couple of different cards. So instead of 510 interchange rates, there's now 550 interchange rates.

1 (9m 57s):
But sometimes across the board, they do have a small increase. And that was actually slated to occur this past April. But because of COVID, they did agree to push it off. So probably in October, those rates will go up slightly. However, a lot of processing companies will take advantage of this to increase their own rates at the same time, because you just, you don't know any better. You don't know that that, that you can kind of negotiate those. And as a side note, you shouldn't have to negotiate. There are companies out there that will guarantee the rate that they quote you. You don't have to worry about it. You can just trust that they are looking out for your best interest.

0 (10m 39s):
And does the, do those rates tend to vary based on volume because you know, a lot of practice owners understand that like the billing company, they charge you a percent of your collections, but it's based on volume. So the more, you know, money revenue you bring in the lower, the rate, does it work the same way with credit card fees?

1 (10m 60s):
Sometimes some companies, yes, some companies and I can't speak for all companies. I can only speak for our company. We use a rate card and it is based on sales volume. As your volume increases, your rates do go down and we also look at your rates over time. So if you know, your practice is doubling tripling, you know, your volumes increasing, you can have a rate adjustment and have those, those prices go up. Those rates go down. In addition to the rates that you're being charged. The other piece of the puzzle is all the extra fees that are involved. So if you look at the end of the statement, there's a whole laundry list of fees that show up some of which are from the card brands associated with those interchange rates.

1 (11m 42s):
And some are legitimate charges because there are costs to doing business. You do have to pay for having

an account and having next day funding. And those sorts of that go along with it. But every company charges in a different way, they call things a different title. They charge a different amount. There's really no regulation about this. So the important part is transparency and disclosure, knowing what you're paying for, knowing what those fees cover and making sure that random charges don't show up on your bill. Another thing that a lot of companies will do, they'll charge you either quarterly fees or annual fees instead of just a monthly fee.

1 (12m 25s):
So that you're less likely to notice. If you just pull out a random merchant statement, you're not going to notice that $120 annual fee and that, you know, 49, 95 quarterly fee that show up because maybe you'd picked out a month where there's no extra fees. So, so that's another practice out there. That's very common. And the bottom line is you, you want to know what you're paying for upfront? You know what? I want to know what it's covering.

0 (12m 51s):
What about equipment? Because it seems like a lot of the credit card companies have proprietary equipment in order to utilize their services. Now, you know, some of them have like square where you have this nifty thing that you can scan somebody's card. The banks will offer their own device. How do I make sense of what's a reasonable cost for that? Or is that something that is sometimes bundled? How does that

1 (13m 20s):
Again, across the board, it's different for every company. There are some companies that will lease their equipment to you. We never recommend leasing because you end up way over paying for your terminals in the long run. Some companies will allow you to purchase your equipment upfront. We charge just cost for equipment. Some companies will, we'll charge you a lot more. I'll say, you know, we have an example of a lot of, lot of people will go to Costco thinking, well, this is great. You know, I can get a great deal through Costco. Well, Costco uses the same backend processor that our company does and the same pro or the same terminal that we sell for like $500.

1 (14m 6s):
Costco is charging $950. So you think you're getting a great deal by going through someone like Costco. You're not necessarily. So, so things

0 (14m 15s):
Like that, Costco in general, guys,

1 (14m 18s):
I do love Costco, but you just, you just have to be buyer, be aware. That's all there is to it. But the other thing is, you know, if are processing company gives you your terminals, number one, nothing is free. You're

somehow paying for those terminals, but they also may be giving you terminals that are not quite as up to date as you would like. They might not be giving you terminals that accept contactless payments. And I know we talked about how we don't carry cash anymore. Lots of times I don't even have my credit card on me. I just have my phone and I'm trying to pay with apple pay or Google pay. And so if you don't have the ability to accept those contactless payments, you know, you might also be losing out on a transaction there.

1 (15m 1s):
But the other thing is, is that not only may, they, they might be giving you terminals that are less out, less up to date, but if they are not up to date terminals, if they're not highly encrypted also leaves you open to the risk of data breach and fraud,

0 (15m 20s):
Which is a really big

1 (15m 21s):
Deal. Absolutely. Particularly

0 (15m 24s):
With COVID, especially with COVID and especially from not only a, you know, financial perspective, but also from a HIPAA perspective.

1 (15m 37s):
Yes.

0 (15m 37s):
In medicine, if you know, if you have the person's name and any other demographic information, and then you have a data breach, depending on the size of that data breach, you can end up in HIPAA hot water.

1 (15m 51s):
Absolutely. So

0 (15m 53s):
Let me ask you this, you know, let's say that I now have figured out that I have no clue where to find my merchant statement. I finally find it. I can't really read it and I decide I need to shop for a different credit card vendor. What would be your suggestions for, how does somebody go about trying to sort out the myriad of different companies that are out there first? What am I, what am I going to ask?

1 (16m 22s):
So the, the main things that you want to know, you want to know what pricing model you would be on. You

want to know what rate they're going to charge you. And by rate that differs by if it's a flat rate, if it's a tiered rate, you want to know the specifics about your different tiers. And if it's a interchange plus pricing, then you want to know it's described in basis points and a per transaction like cents. So it might be like 15 basis points and 7 cents per transaction. So that's how it's

0 (16m 52s):
Structured. Can I stop you here for a second? Because I think that there are probably a lot of people who are going to listen to this with us, who don't actually know what a basis point is. So can you explain what a basis point is?

1 (17m 5s):
Yes. A basis point is one, 100th of a percent. So if it's 15 basis points, it's 0.15%. Perfect.

0 (17m 17s):
Yep. Okay.

1 (17m 19s):
And that's a very common, you know, figure and finance. So it's across the board. It's not specific to payment processing.

0 (17m 28s):
Do you have a sense of what the average private practice really should be paying? Like if I look at my numbers, if I figure out my merchant statement, how, how do I even begin to decide, oh my God, I'm being ripped off or, Hey, I'm doing pretty well.

1 (17m 48s):
Well, there's a lot of factors that go into that. So to figure out your, what we call effective rate, you would divide your total fees by your total sales for the month. And that will give you an effective rate. It's kind of a rough measure of, you know, what you're paying. Now, if you're paying a flat rate, obviously every month, that number is going to be exactly the same. If you're paying interchange plus pricing, that number is going to vary month by month based on the card mix you're bringing in. So if one month you get all debit cards and you're an interchange plus pricing. You're going to pay a whole lot lower percentage of fees than you were. If the next month everyone comes in and pays with a corporate business card.

1 (18m 29s):
And so that number is gonna change every month. It doesn't mean that your processing companies charging you more. It just has to do with your card mix. But the other piece of the puzzle is the fees. So when you are calculating out your total fees divided by your total sales, it's not only the rate that you're looking at, it's all of those extra fees that show up. And again, those fees might vary monthly as well. You might end up with what

we call a PCI noncompliance fee, which this really drives me crazy. So PCI compliance is kind of like HIPAA, but for credit cards. So it's maintaining security for credit card information, making sure that you're not taking a phone call with and writing credit card information down, making sure that you're not storing data in properly.

1 (19m 20s):
So it's all created with a purpose. It is a headache for the practice you have to do yearly paperwork. However importantly, a lot of credit card processing companies will not help you with this. They won't give you the heads up that it's expiring because they get a piece of that fee. So there's no incentive for them to help you with that. So it might show up in really tiny little writing at the end of your thing, that your PCI compliance is up, but it's very unlikely that they're going to handhold you through that process and make sure it occurs. Now, I've seen, I've seen statements where people are paying an annual PCI compliance fee or an annual compliance fee.

1 (20m 4s):
It was called, it was $120 annual fee for compliance. And then they were also being charged to 1995, monthly PCI compliance fee. And then they were being charged a 49 95 a month, PCI noncompliance fee because they were noncompliant. So that just tells you that your company's not looking out for you and you are being so overcharged. And I mean, I can't tell you how many times I've seen this happen.

0 (20m 33s):
Well, and I have to tell you that more likely than not, it's a line item that somebody says, oh, it's a fee. And they have no clue what it is and have nobody to ask. And so they just assume this is a legitimate line item, right? I think one of the summary things that I'm getting from you on some level is that I, I want an interchange rate, not a flat rate. Okay. Not a tiered rate, but the other thing I'm hearing from you is that a practice owner should probably keep track of the distribution of the cards that they are accepting and if possible, actually choose to not accept some of those higher cost cards.

1 (21m 19s):
Well, I think it's difficult for a practice owner to say, well, I'm not going to accept, you know, your chase rewards card, or I'm not going to accept your, your business or corporate card. I think that's challenging for a business to do that. You know, when at all possible, if a client, if a customer wants to pay with a debit card to make it very easy for them

0 (21m 42s):
When it's, and that's when I'm getting it. I mean, I understand you can say, we're not taking chase Sapphire, but we're taking, let's say American express Delta cards. Right. I understand that. But I also understand that you can make it easier for people to take certain cards than others, right? Certainly there are vendors that I've gone to, not doctors who don't take American express who only take MasterCard and visa, right? So I

think there probably is a way to disincentivize people from using one card and incentivizing them to use a different card because at the end of the day, you know, is it to the point that you made earlier?

0 (22m 32s):
And I think we're going to end there is, is long as you have the data. Once you understand how much we're paying for this, once you understand how it affects your bottom line in terms of your revenue cycle, right? And the fact that, you know, yes, you get paid X amount by the insurance company, but in, in essence, you're actually getting paid less than that. When you take a credit card as payment from that patient for whatever their portion is, then you need to understand how, what are the mechanisms including changing the way I pay for my credit card services to really minimize the expense associated with accepting it.

0 (23m 19s):
Because I think to your point, everybody expects that you're going to take your credit card. So as that physician practice, you just have to figure out how's it going to cost you the least amount of money to offer that as a service. True. Yes. So, Jennifer, I understand that your company actually offers a free assessment. Do you want to tell us about that?

1 (23m 42s):
Absolutely. So park place does a free payment. There's no obligation. And essentially it's, it's an analysis of your merchant statement and your business in general, to determine your needs. You know, do you need physical terminals? Do you need virtual terminals? Do you process most of your transactions in person? So all of those sorts of details, and then we collect one or two months of your merchant statement, and then we have our analyst look through everything and determine the pricing model, the rates, the fees. And we do a direct side by side comparison against our rate card. There are a lot of companies out there that will just look for this information from you, and then just undercut whatever rate you're currently getting just enough to gain your business.

1 (24m 29s):
And then your rates may go up over time. But in any case, they're just looking out to see, you know, how much they can bargain with you to just get enough of your business. We use a rate card because we feel that it should be honest, transparent. You should know what you're paying and you shouldn't have to negotiate your rates. We give our best rates up front. So when we do that analysis analysis, we do that side-by-side comparison. You're able to get the information about how you compare with a fair standard, and then you can use that information to make a good choice for your business. 10% of the time we come back and we say, Hey, listen, you've got great rates. You have fair pricing, you've got great customer service, your technology's up to date.

1 (25m 9s):
We recommend you stay with what you've got. 90% of the time. Our rates are lower. You have significant

savings involved. You have improvements in your customer service improvements in your technology. But the bottom line is you need that information so you can make an educated decision.

0 (25m 27s):
Well, and if they use that free analysis, does somebody actually sit down with them and go over the merchant statement so that they can look at it themselves and see what it is somebody is looking at?

1 (25m 40s):
Yes, we are happy to do that as well. We, we show you all of the things that we find on the merchant statement that are concerning. And we're happy to go into greater detail with anyone who, who truly wants to do a deep dive. For sure.

0 (25m 55s):
Yeah. Well, I think, you know, step one for everybody who's listening to, this is really understanding how to read the merchant statement. Like, because that's the fundamental here, right? So Jen, thank you so much for coming. I've really enjoyed this. I hope everybody else will and take advantage of your offer because reading those merchant statements, having done it myself, they indeed are a true nosebleed.

1 (26m 22s):
Thank you so

0 (26m 23s):
Much. Thank you. Thanks for joining

2 (26m 26s):
Me. Please be sure to sign up for my newsletter below, I'll be sending you tips on how to start a practice, grow a practice, and then add multiple services so that you can maximize your revenue.