

**TITLE: HEALTHCARE BENEFITS**

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*SAMPLE DOCUMENT (ACCOUNT COLLECTION PROCESS)*

**Policy:** All open accounts receivable with late or delinquent payment activity will be handled in a timely and effective manner to ensure maximum collections and an optimum accounts receivable turnover ratio.

**Purpose:** To provide the actions and methods for processing late or delinquent payments.

**Scope:** This procedure applies to the Credit Department involved with collection of past due accounts receivable. The Sales and/or Shipping Departments may be involved in reference to shipping holds or special credit arrangements.

**Responsibilities:** The Credit Department reviews all records for a customer to determine a possible explanation for non-payment prior to commencing the collection process.

**Definition:** Bad Debt consists of unpaid accounts receivable invoices that are considered to be uncollectible.

Debt collector is any person who regularly collects debts owed to others. This includes attorneys who collect debts on a regular basis.

**Procedure:**

**1.0 COLLECTION PROCESS**

- 1.1 No matter how careful customers are screened prior to credit approval, slow pay or delinquent accounts will occur from time to time. Once an account becomes past due by even a few days, the collection process should commence immediately. Studies have shown that the sooner the collection process starts, it is more likely that the account will be collected.

Prior to commencing the collection process, the following should be reviewed by the assigned Credit Department Representative:

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- Make certain that the Company has not received the customer's payment or applied it to the wrong account. Verify that a Returned Goods Authorization has not been issued. These seems obvious, but it can avoid an uncomfortable situation in wrongly accusing the customer of delinquent payments.
- Scan the invoice in question for accuracy.
- Verify with the Customer Service Department that the customer has received the product(s) and that they are satisfied.
- Review the customer's past payment activity. Determine if they are chronically late and what their response has been to any other overdue notices.

- 1.2 Upon review of the above, the Credit Department Representative should then proceed with the collection process by completing an Accounts Receivable Collection Control Form (Exhibit 1).

This form will assist in planning and tracking the collection effort. Depending on the amount and the customer situation, the representative can choose to follow-up with collection letters, telephone calls or both. Any action taken (late payment notice, telephone call, etc.) should be noted and dated on the form. All customer agreements and excuses should be noted. If payment has not reached the Company by the expected date, immediate follow-up action should be taken with another collection call or letter. The longer you ignore an overdue account, the longer the customer will ignore it, too.

- 1.3 Telephone communication will often speed up the collection process. A few tips or principles should be observed by credit representatives when speaking with a delinquent account.

- Identify yourself and the Company and state the reason for calling. Be direct and use a controlled, confident voice. Concentrate on listening to the customer and don't rush through the call.
- Get the Facts - The most powerful tool is knowledge. During the phone conversation, try to gain as much insight into the situation as possible. Remember, the goals and objectives are to:
  - collect money.
  - identify reasons for non-payment.
  - settle on an agreement for clearing the debt, including special payment plans.
- Never argue, accuse or be condescending - Verbally fighting or talking down to the customer will only serve to produce negative feelings and may hamper the collection effort. The ultimate purpose is to secure payment, and this is best accomplished without becoming defensive or irritated.

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Many people find it difficult to confront customers regarding delinquent payments. Just keep in mind that it is the customer, not you, who should feel uncomfortable in this situation.

There are several common objections, complaints and excuses used to elude payment. Study the following examples to learn the most effective responses to the most frequently used ploys.

"I didn't get the invoice." - Respond by verifying the debtor's name and address, and then review the account information with them.

"The check is in the mail." - Extend your thanks, then ask for a check number, amount, date posted and address to which it was mailed.

"Your payment is being processed." - Ask when the payment will be ready for the mail. Determine the process that the payment undergoes after it leaves your contact's desk.

"I need proof of delivery." - Give the customer the name of the person who signed the delivery slip.

"The computer is down." - When do you expect it to be up? Can we get a manual payment?

"I'll pay you when we get paid." - Respond calmly, but make a direct request for payment, such as "When can I expect payment?"

"I have no money" - Create a payment plan. Be flexible and consider alternatives offered by the customer. Work toward making the plan acceptable to both of you.

**2.0 SERIOUSLY DELINQUENT OR UNRESPONSIVE ACCOUNTS**

2.1 When an account becomes more than 60 days past due, the immediate target of securing prompt payment should take on a greater sense of urgency. The Credit Manager should review the account with sales to determine if the customer's business is valued.

If their business is valued, the following strategies may be used to collect payment:

- Restrict any further credit until the past due amount is paid in full.
- Withhold delivery of products or services already ordered. The harsh reality of having inventory/supplies curtailed often can spur a delinquent account into action.
- Invoke a "COD-plus" system. Deliver merchandise on a COD basis with an additional amount added to the cost of the order to cover past unpaid balances.

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- 2.2.1 If all other avenues for collection of the account have been exhausted, the Credit Manager should determine and authorize the use of an outside collection agency.

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