

Managed Payment Plans for Orthodontists, Dentists and Veterinarians



Bill Holt - CEO

OrthoBanc, LLC is a risk assessment and payment management provider specializing in electronic payments for orthodontists, dentists and other companies that provide services to be paid monthly. OrthoBanc, LLC currently does business as OrthoBanc, DentalBanc and PaymentBanc. OrthoBanc's management team has over 100 years of experience in risk assessment for financial companies. That expertise is leveraged to provide payment management services to dental and veterinary professionals in the United States.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. Holt, what is the concept at OrthoBanc? What does the company do?

Mr. Holt: We manage payment plans for orthodontists, dentists and veterinarians. Many people confuse us with third party financing sources, which is not what we do. Orthodontists, dentists and vets provide high dollar procedures and allow the responsible billing party to pay for those services over time. We manage those payment plans. For example, if a child needs braces and they are going to cost five thousand dollars, the orthodontist might present a payment option of \$1000 down with the remaining \$4000 being paid over twenty months at \$200 per month. This is where OrthoBanc gets involved. We manage that payment plan by electronically drafting the \$200 per month. If there are any difficulties along the way - such as insufficient funds, a closed account, a changed account number, or a family emergency- it is our responsibility to handle anything and everything related to that payment plan.

CEOCFO: Is there a trend away from financing themselves and more towards third party?

Mr. Holt: Actually, the trend seems to be moving away from third party financing toward the solution that is our niche. Recently, newspapers have reported that a major third party finance company has settled with a state government for a large sum of money based on misleading lending practices. The original allegations suggested that the finance company was hiding the fact that the consumer will be charged high interest if they do not pay off the loan in a certain period of time. When consumers become angry, business is often shifted in a different direction. We have seen this to be the case. Another situation that has driven more business to us has been the recession, which has left many practitioners unable to find patients that qualify for third party financing. The problem is that credit criteria has become more strict. Consumers that once qualified for credit are now being denied. Many of these consumers are credit worthy, perhaps with only a glitch or two on their record yet they are not able to qualify. We help our clients assess the risk involved with the responsible party and establish a payment plan based upon that risk. Then we manage that payment plan for them.

CEOCFO: Are you typically working with practices that outsource other aspects of their billing or might this be just one feature?

Mr. Holt: When we started in 2000, orthodontics was our focus. When we entered this industry, orthodontic practices were managing their own payment plans. They generally created a coupon book, handed it to the responsible party, much like you received a coupon book years ago for your car payment. The patient was expected to mail in a payment once a month. However, what typically happened was that the patient would show up for their treatment appointment, scheduled approximately every six weeks, present their coupon and make a payment. This means practices were receiving payment every 6 weeks rather than monthly. The patient would come to the end of treatment and still have a large unpaid balance. It became a situation where treatment would be prolonged until the balance was paid. The doctor was not providing the level of service that he preferred to provide because the relationship was centered on money at that point. We stepped in to electronically transfer those funds each month, including management of the exceptions, and doctors started raving that we were the best decision they ever made for their practice.

CEOCFO: Is it the same with all of your clients? Do you decide how you send someone a "past due" or when you do a reminder or when you get tough or do you work that out with each practice as to what they might like?

Mr. Holt: The risk assessment that we do on the front end is based upon algorithms that we have built. Our management team has more than 100 years of experience in the credit reporting industry. We have worked with banks, finance

companies and credit unions to establish risk models for them. We took that expertise and designed risk models for these professionals. With that risk assessment we can categorize risk. However the action that is taken - what payment plan will be offered – is still up to the practice. For example, at our highest category of risk our recommendation might be that the individual should pay in cash or not receive treatment. However, the practice may not want to turn anyone away, but does want to know ahead of time whether or not this consumer is going to be a collection problem. Ultimately, our practices are in control of the decision and we will act accordingly. When it comes to actually collecting the payments, we manage that. Generally, the practice just accepts our management of that payment and how we handle it. Some situations necessitate contact with the practice. A consumer may ask us to defer a payment for a month due to some financial difficulty. We will confer with the practice to determine whether or not the practice is willing to allow the deferral and act according to the guidelines of the practice.

“There is plenty of growth for the future. As more and more practices outsource financial services I believe that we will continue to be the first choice for these services.” – Bill Holt

CEOCFO: *Are there many companies in your niche?*

Mr. Holt: There are a number of companies that will draft monthly payments for these practitioners but they provide no account management. The management of the account is our specialty.

CEOCFO: *How do you reach potential customers?*

Mr. Holt: As you know, dentists and doctors are difficult to reach. If you go and knock on the door the front office staff is pretty much coached to keep sales people away. Therefore, we reach our doctors through a variety of means. We started with a heavy direct mail campaign until we established our name, particularly in the orthodontic industry. We also attend their industry tradeshows which are held each year. At these trade shows, the doctors are in attendance and want to learn about new services beneficial to their practice. We can be face to face with the doctors at their trade shows. We also have a great network of practice consultants working with us who recommend our services. Often, our business will come through those channels. We integrate our services into various practice management software systems that are used by these professionals. Our integration partners provide opportunities to be in front of the doctors during their user group meetings or through newsletters they send to their clients promoting various features their software offers.

CEOCFO: *When did you expand to include veterinary and dental?*

Mr. Holt: We service orthodontic practices, dentists and veterinarians. We started building the company in 2000 and we actually went live in 2001, servicing clients. Probably in 2003 and 2004 was when we consciously made an effort to start working in the dental market. That came primarily as a result of our orthodontists referring their dentist friends to us. We received more and more calls from dentists asking if we would help them. Our veterinary model started in 2010. That was primarily a result of the recession. We found that vets were seeking alternatives to third party financing because third party financing, particularly for animals care during a recession, had become limited.

CEOCFO: *What challenges do you find in putting together the whole offering and making sure all of the pieces are in place?*

Mr. Holt: When we first started up we thought we would be challenged with convincing the orthodontists to allow us to manage their funds. Eighty to eighty five percent of an orthodontist's revenue will flow through us. We were concerned that there might be some push back in regard to that. We actually found that the orthodontists were seeking a solution and were very accepting of our business model. When we first started in the dental world, third party financing was a big factor to overcome. We were up against the large third party financing companies who were entrenched in the industry. However, over the years two of the three major players exited the market, leaving primarily one major player in that market. In the vet industry the challenge is more from veterinarians being nervous about setting up payment plans and extending payments over time for treatment that may be completed today but paid over the next six or twelve months. The concern is understandable but is addressed through risk assessment. Consumers with the least risk pay their bills. Therefore, even though treatment may have been completed today, their character indicates that they will make their payments over the next twelve months for that service that was rendered. As risk increases, the payment arrangement should be adjusted accordingly.

CEOCFO: *What surprised you as the business has grown and developed?*

Mr. Holt: I guess the biggest surprise to me early on was the trust that these professionals placed in us without really requesting much verification of our trustworthiness. That is a vulnerability for many medical and dental professionals. Very often you hear about office managers who have taken advantage of their position in a practice and have embezzled funds, sometimes even hundreds of thousands of dollars. Doctors are very trusting. They primarily want to treat their patients and provide good care. The financial side of their practice is not something they watch as closely. We have had a lot of trust placed in us and over our fourteen years we've earned a reputation of trust.

CEOCFO: *How do you get people to pay?*

Mr. Holt: We use electronic funds transfer to draft the payment out of a consumer's checking account, savings account or credit card. A certain percentage of those payments will fail. Generally, we are able, when we make contact with a responsible party, to set up a time that is convenient for them for us to redraft their payment. Our delinquency rates for most of our practices are below one percent. Also, we deal with industries where the industries themselves select out consumers who are less risky, so we do not have a lot of problem with non-payment. Our problem is more with incidental missed payments than it is with intentional non-payment.

CEOCFO: *Would you tell us about the customer service side? How do you make yourself available to people that need some help or want to talk with you?*

Mr. Holt: When we set up an account with a responsible party they receive a welcome letter that very clearly defines everything that we will be doing for them over the course of the payment period. We make it very obvious to them that if they have questions about their payment plan they need to be contacting us, and contact the practice for questions about treatment. We try to set that separation of responsibilities upfront so that the practice is not burdened with phone calls about the payment plan and we are not burdened with phone calls about treatment. We offer an 800 service and are available from eight o'clock in the morning until seven o'clock eastern time each day, except Friday and weekends. Fridays we are only open until five o'clock. We have both English and Spanish speaking customer service representatives. Our customer service representatives view the consumer as our client even though the practice actually is our client. By treating the consumers as our client we handle each account with greater care and respect. We understand that they have life circumstances just like we do and that a missed payment does not mean that they are bad people. It just simply means that they are having a difficulty that we need to help them work through. One of the attitudes that we regularly stress is that ninety nine percent of the money we manage is not our money. It either belongs to the consumer or it belongs to the doctor and we need to treat that money with respect.

CEOCFO: *OrthoBanc is on the Inc 5000 list, which indicates that business is good. How do you continue the trajectory?*

Mr. Holt: Five years of growth at better than 20 percent per year has been a challenge, though it has been quite exciting. We continue to find new industries to serve. At this point we are only serving about thirty percent of the orthodontic market and a very small blip in the dental and veterinary space. There is plenty of growth for the future. As more and more practices outsource financial services I believe that we will continue to be the first choice for these services.

CEOCFO: *What sets OrthoBanc apart?*

Mr. Holt: It would have to be our customer service. We want to be perceived as an extension of our practices. In other words, we are another part of that same practice. We want to provide excellent service for both our clients and their customers. Every one of us working for OrthoBanc either are or have gone through struggles in our lives. When people have difficulties making payments we do not want to lose sight of the fact that we have been there too, and that these people simply need help. Therefore, showing compassion for those people, but also understanding that the payment needs to be made, we work out arrangements that work for both sides. That is what has set us apart.

BIO: Bill Holt served twenty-seven years in the credit reporting and risk management industry before helping form OrthoBanc to serve the financial needs of orthodontists, dentists and veterinarians. An entrepreneur at heart, Holt's passion is to use technology to solve many needs of his clients while not forgetting that excellent customer service can only be provided by caring people dedicated to those whom they serve.



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