

# ALTERNATIVE FINANCING



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## MEDICAL A/R FACTORING

We have looked before at the challenges of carrying slow paying accounts receivable. Paying the discount fee to a credit card processing company seems like no big deal when you consider the alternative-waiting 30, 60 or 90 days to get paid if you don't have deep pockets and you have payroll and lots of other bills to stacking up.

Some reports estimate that more than 91% of businesses suffer from late payments.

Accounts Receivable Financing (aka Factoring) is one-way business owners speed up payment on their invoices. It's the oldest form of business funding-currently a billion-dollar industry.

There are lenders that specialize in offering this type of funding exclusively to the healthcare industry.

A medical provider's biggest asset is its accounts receivable-the payment it expects to get from Medicaid/Medicare, HMO's, private insurance companies, personal injury settlements or worker's compensation insurances.

As you can imagine (or even experience), due to the bureaucratic inefficiencies in our healthcare system, a medical provider may have to wait up to 90 days or more to get these claims paid and monetize this asset.

This hinders the provider's ability to conduct business, pay staff, order supplies, pay rent and grow the business to its potential.

Most providers turn to their local banks for working capital loans but as we know, banks have strict requirements and hindrances that can make it difficult to qualify. If they can approve you, it may not be for a line size large enough to support the growth curve you are on.

### HOW MEDICAL FACTORING WORKS

Medical factoring is a type of invoice factoring where a Factor provides a medical provider with an advance based on the provider's outstanding accounts receivable.

The factor advances funds and waits for the invoice to be paid from third party insurance carriers. Medical factors will consider any

provider that bills third party insurance carriers including doctors, doctor groups, home healthcare companies, medical transport and translation companies, imaging centers, labs, urgent care centers and more.

### WALK ME THROUGH THE PROCESS

1. A medical provider establishes a relationship with a factor.
2. A medical provider submits bills to the 3rd party insurance carrier.
3. A medical provider submits a copy of those billings to their factor.
4. The Factor analyzes the invoices and uses historical collections and industry standards to establish the Expected Collectable Value or ECV.
5. The Factor will advance up to 80% of the ECV. Funds can be wired or ACH'd into the provider's bank account the same day.
6. The remaining 20% is set aside in a reserve account to protect for any bad debts. Once the bill is paid by the 3rd party insurance carrier, the factor returns the reserve minus a factor fee of 1-3% per month.

The beauty of medical factoring is that it is determined solely by the provider's ability to generate claims (invoices) thereby providing access to capital for smaller or non-bankable providers. There is no set line amount. The more you grow, the more you can factor.

We can connect you with the right lender to factor your medical A/R.