Providing Options For Patient Financing

Sep 13th, 2022

Cheryl Whitman

There are a few hard and fast rules of business that we all know.

It is much more expensive to recruit a new client than to keep an existing one.

If you want to grow your bottom line, you must either increase the amount you sell to existing clients or you must grow the number of clients you sell to.

This article will address how to help retain existing clients and make it easier for them to purchase more series and packages from you.

AFFORDABILITY NOW

It's no secret that inflation has hit many consumers. With affordability being a major hurdle, it behooves medispa owners to consider ways of making their products and services more accessible to their clients. One way to do this is to proactively offer financing. Doing so puts services within the reach of potential clients who could not otherwise afford it. Don't wait for the patient to raise his or her hand and say "I can't afford that," because most people won't. They will simply walk out of the office and you'll likely never see them again because they're embarrassed to admit they need financing. By offering flexible payment options, we provide the opportunity for current clients to purchase the products and services they want today while making payments over time. In turn, that increases sales for your practice and helps generate a healthier bottom line.

FINANCIAL BENEFITS TO FINANCING

Offering consumer financing is not free to your practice, but it does offer increased sales opportunities because the potential for lost sales due to affordability can be avoided during the purchase decision process. Consumer financing shortens the sales cycle, facilitates an immediate buying decision and allows your clients to purchase the products and treatments they want rather than settling for something less. Offering financing adds value for your practice and your clients. It can improve patient loyalty and drive repeat business. Additionally, purchase totals tend to be higher when financing is offered. Services can be bundled with retail products.

FINANCE OPTIONS

There are mainly two options when it comes to offering patient financing. First, you can self-finance, meaning you allow the patient to have the treatment and pay you over time with interest.

The other option is to accept credit cards or work with a bank, credit union, or other financing company such as CareCredit to set up a patient financing program. With CareCredit Patient Financing, your patients can see if they prequalify for the CareCredit credit card and apply immediately on their mobile device and without the inquiry impacting their credit score. The best part is you get paid in 48 hours via an electronic deposit into your account. Let's take a look at offering in-house or self-financing through your medispa practice.

IN-HOUSE FINANCING

First, make sure that offering patient financing is right for your practice. A PayPal study revealed that businesses that advertise a pay-over-time option (financing) could see up to a 56% increase in average invoice value. While this presents exciting potential, it's important to understand that if your practice offers in-house financing, you only receive the down payment at checkout and must manage collections as part of your accounts receivable. It requires running credit checks, offering financing, and managing payment collection yourself—it also comes with more risk and legal responsibilities pertaining to consumer credit information.

In-house financing opens practices up to greater risk because it ties up working capital, slows your cash flow and carries with it the risk of non-payment. In short, it can negatively impact your bottom line. For most small practices, it makes sense to partner with a third-party financing platform.

CREDIT CARDS AND MERCHANT SERVICES

If the cost of offering in-house financing is too high, accepting credit cards is a straightforward way to let patients finance purchases themselves. Not only do credit cards offer your patients a convenient way to make purchases, but credit cards and merchant services are flexible enough to integrate across all of your sales platforms.

Merchant services include the merchant account and other added tools like encryption to increase security, payment processing, ACH transfers, gift cards, customer loyalty programs, payment gateways, the ability to accept credit cards online, mobile payment processing and merchant cash advances. If you wish to compete in today's marketplace, you will need a merchant account. The reason for this is simple. Today, cash sales account for just slightly more than 25% of all purchases, while nearly 75% of all transactions involve other payment methods. There are various types of merchant accounts: payment service providers; merchant account providers; banks with a merchant services division; and payment gateway providers.

Payment service providers. Payment service providers charge a set rate and may include free tools such as point of sale systems. This is likely the best option for practices with lower monthly sales.

Merchant account providers. Merchant account providers are generally used by higher volume practices. A merchant account provider generally charges an interchange-plus rate by adding a small percentage to the existing credit-issuing bank charges. They may also charge a monthly fee, but usually this type of merchant account is a better value for a larger practice.

Banks. Larger banks have merchant services divisions and may offer benefits to business customers such as immediate funds deposit into their accounts.

Payment gateway providers. Finally, payment gateway providers offer a connection with your merchant account, and some may provide merchant service while others may not.

It’s important to do your research before choosing your merchant account. Determine your needs. Will you be processing a large volume of transactions per month? Will the transactions be large or small dollar values?

Do you need to integrate into your existing business software, etc. Adding to the benefits of CareCredit is that it is integrated with most aesthetic software companies. They make it fast and easy to sign up your patients while making it affordable for them and for you. Partnering with CareCredit leads to staying ahead of your competition, closing more consults and thus being more successful.

TERMS AND CONDITIONS

Once you have thought through your requirements, then consider the terms and conditions each provider offers; for example: fees, contract duration, services offered, ease of use, etc. Let’s look at each of these.

Fees. Is it a flat fee per transaction? Is it an interchange-plus fee? Is there a monthly fee in addition? Is the transaction fee a percentage, a cents per transaction charge or a combination? Consider the size of your average sale to determine which option may be best for your practice. We’ll go into more detail on fees below.

Commitment. How long is your commitment to this provider? Is it month-to-month or does it require a long term contract?

Services Offered. Does the provider offer free terminals or a point of sale system? How does this affect your commitment?

Ease of Use. Is the system easy to use and to integrate into your existing business software? Is there adequate customer support available? In short, do your research. Ask other practices about their providers and determine what the best option is for your practice.

ASSESSING FEES

Understand what your merchant account will cost you. Merchant account fees can be confusing. Here are some of the more common fees you may run into. A service or account fee is like a bank service charge. It’s a way for the provider to recover their administrative costs. Not all providers charge these, so it's wise to check. Application fees are charged to set up your account, much like a college admissions fee. It's a fee the provider charges to cover their cost of processing your application.

Assessment fees go to the credit card associations and are a percentage of your monthly credit sales. These fees are set in stone. Batch processing fees are charged each time you send the information on your terminal to the provider. Since most practices do this daily, it's wise to investigate what the batching fee is and plan accordingly.

Chargebacks are an expensive fee that's charged when your patient has had their card fraudulently used. Each time a chargeback occurs, the provider will charge your practice a fee and generally, this fee is two to three times the original amount of the sale that was processed. They may also charge fines. Payment processing fees are another cost you must bear. These make up the largest portion of the fees you pay to accept credit cards and generally average 1.75% to 3.75% per transaction.

An equipment rental cost such as terminal rental, etc. is another potential fee. If you don't already own a compatible terminal, it may make sense to purchase one outright rather than pay a monthly rental fee. Other fees include a minimum fee for processing your transactions; a monthly service fee, and a setup or installation fee to get started. Some but not all providers charge a payment card industry compliance fee to remain industry compliant. Different providers may charge different fees. Shop around and be sure you understand what you will be charged for before you make a commitment.

THIRD-PARTY FINANCING

If in-house self-financing isn't a good fit, another alternative is using a bank, credit union, or a third-party financing company. While banks and credit unions offer lending options for your patients, they frequently require pristine credit histories and are only willing to lend for certain things.

A third party lender is a company that provides loans to people by taking on the risk of default. Third-party lenders are often more flexible on the loans they will provide and can offer lower rates than banks. They may also offer longer repayment times and lower payments than a bank, a win-win for your patients.

By using a third-party lender, you get paid in full upon completing the transaction, you don't have to worry about collections or cumbersome accounting, and your reduce your legal risks and responsibilities. In addition, you increase your practice's cash flow and that benefits your bottom line. Third party lenders generally offer a fast and easy application process for your clients, provide funding quickly, and have flexible interest rates based on the applicant's credit history. They also have no requirements for a pre-existing relationship with the applicant or require another account to be used as collateral. Using a third-party lender is often the best option for providing your clients with a financing option.

MARKET TO CLIENTS

Regardless of which financing alternatives your practice chooses to implement, make sure you get the word out across your social media platforms and other advertising channels. Offering patient financing options is an excellent way to increase sales and grow your bottom line.

Cheryl Whitman is founder and CEO of Beautiful Forever, an aesthetic business-consulting firm, and the Beautiful Forever University training program for medspas, and author of Beautifully Profitable, Forever Profitable. Contact her at cheryl@beautifulforever.com, 561.299.3909.