ICD-10: Five Tips on How Your Bank Can Help

As healthcare providers across the nation prepare for the upcoming implementation of ICD-10, planning should factor in the financial impact on your practice. As you prepare for the conversion, the magnitude of the changes on your employees, your patients and your bottom line should not be underestimated. There are practical expenses – as well as potentially hidden costs – you should be planning for today.

These five tips will help you identify items you need to consider and actions you need to take in anticipation of expanding capital and increased cash flow flexibility that will affect your practice both before and following the October conversion. Like many aspects surrounding the transition, to be fully prepared, it is prudent to address finances three to six months in advance of October.

1. **Understand Capital Needs** –The complexity of the ICD-10 implementation will require software upgrades and extensive staff training in advance of the conversion. Your bank can construct term loans to address these capital expenditures.
2. **Before You Meet with Your Banker** – Compiling essential documents before meeting with your bank will expedite the credit review and result in a fuller discussion of the practice's financial needs. These documents should include tax returns for the prior three years for the practice and the principals, year-to-date interim financials, current Accounts Receivable Aging Report and an updated personal financial statement.
3. **Work with a Bank that Understands Your Needs** – As the healthcare industry becomes more complex, it is important to work with a bank that understands the specialized financing requirements of healthcare practitioners. Some banks have specialized units dedicated to the healthcare professional. A knowledgeable banking partner who understands the full scope of your industry and operation – from posting and managing your receivables to establishing loans and lines of credit – can design financing plans that anticipate your short- and long-term needs.
4. **Arrange Working Capital** – Understand the average time it takes today to collect receivables, and expect the average time to lengthen significantly as practitioners learn the new codes. To backstop a longer receivables cycle, you should have access to three to six months of working capital reserves. Although you cannot control whether your payers will be ready and whether they are fluent in the new codes, an expansion of your working capital line of credit will help your practice manage available cash reserves through a period of delayed receivables. In advance of the conversion, talk to your banker about how to obtain or increase an existing line of credit.
5. **Widen Your Cash Flow Window** – Rather than writing checks to pay for monthly operating expenses, use a business credit card to stretch out payments. Some banks offer extended 50 day billing cycles which can provide additional cash flow flexibility. To avoid interest payments, pay your credit card bill in full each month.