

BUSINESS

How to lower your medical practice's banking fees

Practice Management. By VICTORIA STAGG ELLIOTT, *amednews* staff. Posted Oct. 4, 2010.

As medical practices look to cut costs as patient volume lessens, one expense that may be worth scrutinizing is fees paid to banks for checking and savings accounts.

This is particularly true since recent legislation restricted fees that can be charged to consumers, and banks are looking at raising revenue from other types of customers.

"A lot of the protections don't apply to small businesses," said Alex Matjanec, a co-founder of Mybanktracker.com, which posts banks' interest rates and customer reviews. "You definitely need to be even more cautious."

The amount of money medical practices pay per month for various banking services most likely is not large, but shaving a few dollars here and there may be enough to make paying attention worthwhile, experts said. Situations will vary widely based on the size of the practice and the characteristics of the banks that serve a particular area. Some fees may be negotiated in conversations with a bank officer. Others may not, and practices might have to shop around institutions for a deal on those with fixed rates.

"As a business, [medical practices] have to look at all the expenses," said Cindy Dunn, RN, a senior consultant with the Medical Group Management Assn. "You could save a hundred bucks, and I don't think anybody is going to throw that away."

Evaluate your needs

The first step is to analyze how banking services are being used and how they might be used in the future.

"Companies need to look at their banking habits," Matjanec said.

Questions to consider: On average, how many items will be deposited in a month? What about the number of withdrawals? Some banks are considering fees for paper statements; if that is important to a practice, is there a charge for that? If a certain balance has to be maintained to avoid a monthly maintenance fee, is that determined by the balance at the end of the month? Or is a fee charged if the balance dips below a certain level at any point during a 30-day period? Are there some services a practice is paying for that it doesn't use or need?

"For many practices, the statement goes directly to the accountant. It doesn't even come to the physician or practice manager," Dunn said. "They don't often see the fees that are paid to the bank. Practices need to ask: 'What are we paying on a monthly basis, and what are we paying for?'"

Answering these questions may help practices negotiate a better fee structure with their current banks, or decide when to go elsewhere for an account with better value.

Experts say medical practices should be particularly cautious with accounts that have no or low monthly fees but have other associated costs that end up making them more expensive than those with higher monthly charges.

For example, many banks offer free small-business checking accounts. These have no monthly maintenance fees if a certain balance is maintained or other conditions are met. But the number of withdrawals or credits is usually limited. Any extra activity incurs a fee of 25 to 50 cents per item. Doctors' offices tend to have a high number of transactions, and this can add up quickly.

"Medical practice volumes are too high for the free small-business accounts," said Mike Moebs, CEO of Moebs Services, an independent economic research firm in Lake Bluff, Ill.

Linking accounts

Other strategies to consider include linking accounts at the same institution or collaborating with others in the same location. Bank account fees may be reduced if checking, savings and various types of loan accounts are maintained at a single institution. These may be linked so that interest earned on a checking or savings account can pay for any fees.

Linking with other physicians can save money without necessarily merging accounts.

For example, Farmers & Merchants Bank, based in Long Beach, Calif., works with doctors in separate practices in the same building. This means that some services, such as sending a courier to pick up the day's transactions from a single drop box supplied by the bank, can be provided to all for a lower charge.

"We definitely see more groups coming together," said Matthew J. Walker, the bank's vice president.

But experts say the most important thing is to keep a business account separate from a personal one. Mixing business and personal funds in one account may look like a way to reduce fees, but most likely it will not pay off in the long run. Having a joint account can make it harder to figure out where the practice stands financially and may lead to trouble with the Internal Revenue Service.

"You cannot tell what is going on with your practice when you do that," Moebs said.

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