

# Service Fee for Credit Cards?

You need to weigh the potential benefits  
and/or repercussions.

BY LYNN HOMISAK, PRT



**To Our Readers:** *There are no foolish questions. Chances are that if you have a question or concern in your practice, others are experiencing a similar situation. We're here to help. PM [doctor and staff] readers are encouraged to submit questions to lynn@soshms.com which will be printed and answered in this column anonymously.*

## Re: Service Fee for Credit Cards

Dear Lynn,

*With the rise of CC fees for all transactions (especially rewards cards which include separate fee transactions that are quite significant), we have recently been thinking about charging our patients a 4% service fee for the use of a credit card to compensate for this lost revenue. Other industries seem to be doing this as well.*

*Have you seen other podiatry offices charge a service fee for credit card use and would you include the 4% fee on an HSA credit card?*

Welcome to 2019, where concerns that never before existed have become reality! These days, we use credit cards to pay for a cup of coffee—and in most areas, we've not had to pay extra for that transaction, although I am told by my merchant processor that industries are heavily moving in this direction. I actually

sat in our local Starbucks to see just how many customers pay by credit card. On average, an astounding 80%! Of course, cafes and healthcare offices are two entirely different "industries".

Of course, to get your full, deserved compensation, you can always discontinue credit card payments altogether. Is accepting only cash or checks a viable option?

the staff? Recovering these costs by passing them off to patients may appear to be a minor policy change to you and yet could have far-reaching effects on patients. Let's look at this concept from both a business perspective (running your practice) and from that of the average consumer (your patients) and weigh the potential benefits and/or repercussions.

Is there justification? At the time

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patient credit card usage translates to an increased  
financial hit on the practice, especially with  
high ticket services/products.**

Some clinicians like the idea of minimum cash on hand from a theft or embezzlement standpoint. Paying by credit card is not just a convenience for patients; it is also pretty much a guaranteed immediate payment for you; and wasn't that the beauty of accepting credit cards in the first place?

Will patients view paying an extra fee for their healthcare as unprincipled or will they see it as just a part of doing business? Would these added fees cause their dissatisfaction and more administrative work for

you began accepting credit cards, you agreed to accept all associated fees, including the discounted payments. Still, there is no denying that increased patient credit card usage translates to an increased financial hit on the practice, especially with high-ticket services/products. Accepting multiple credit card payments per day/month/year legitimately adds up to significant lost revenue. not to mention the associated business expenses, i.e., credit card hardware/terminal or "POS",

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(clearly referring to “Point Of Sale”, nothing else!), software, and security and compliance fees.

While reward card holders typically pay a pretty high annual fee, they have agreed to that, in exchange for accumulated miles/points, i.e., free flights, hotel rooms, cash back, etc. Consumers are well aware of added expenses, including paying a percentage (a higher percentage than non-reward cards) per purchase in some establishments. Their rationale is that the benefits they receive make up for the supplementary fees they pay. It seems costs add up for both the consumer AND the merchant (even the credit card processors) while the only ones making bank on this program are credit card companies!

Some questions to explore before moving forward: Will passing this added fee along to credit card patients increase your A/R, reduce immediate payments, (“All I have is a credit card, so you’ll have to bill me.”), or pose an inconvenience and frustration for them? Will your

• If you practice in one of the following six states, note that there remains a ban on credit card surcharges. As of October, 2018, they are Colorado, Connecticut, Kansas, Maine, Massachusetts, and Oklahoma.

you want to exercise that right? Whether a traditional credit card or reward card, there is no correct answer.

After thoroughly examining pros and cons, and considering personal

## You must provide “clear disclosure” signage at the office entrance, and at the point of sale, and as a line item on the customer’s receipt.

• You cannot impose a surcharge on debit or prepaid cards.

• You must provide “clear disclosure” signage at the office entrance, and at the point of sale, and as a line item on the customer’s receipt. The disclosure on the receipt must list the amount of the surcharge. The full document, Check-out Fees-Consumer

philosophies, safety and cost factors, practice and patient demographics, only YOU can determine



## Take the temperature of your patients’ reactions to help calculate risk/reward.

billing department burn time and expense chasing those patients who decline the extra fees? Will you have more bounced checks and cash handling errors (the alternate means of payment)? Will collections suffer as a result? Will your practice experience an increase in patient complaints? Will loyal patients tied to your practice suddenly become untied, feeling “nickel and dimed” or worse, publish a ruthless online review? Considering all that, would a surcharge really be a cost savings?

If you decide to be an early adopter, here are some things you should know:

• You will need to contact your credit card processor for a specific terminal device, program, and contract capable of properly recording the surcharges.

rights and retailer responsibilities, is available for download at [www.consumer-action.org/downloads/english/checkout\\_fees.pdf](http://www.consumer-action.org/downloads/english/checkout_fees.pdf)).

• You are prohibited from using a mobile card reader (or “mPOS”) such as Square, Revel, or PayPal Here, for example.

• The max fee you can charge is 4% and you are only allowed to charge a fee that is equivalent to what you pay to accept the card, which is typically between 1.5% and 3% of the total.

Do many offices do it? It is not “conventional” practice in podiatry currently; however, rules around surcharges are moving quickly. These “check-out fees” have been rolled out in some doctor and dentist offices. Do you have the right? Yes, with responsibilities and restrictions. The question is, do

the proper course of action for your practice. Seek information from colleagues in your area, your associations, your card provider contract, and most importantly, take the temperature of your patients’ reactions to help calculate risk/reward. **PM**



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