



The Kaulkin Ginsberg *Bulletin* is sent each month to provide you and others in the Accounts Receivable Management (ARM) industry with valuable insight, access, and information. Each issue contains actionable content designed to assist you in making strategic business decisions.

We hope you enjoy this issue. Comments are always welcome at hq@kaulkin.com.

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You may be reading this newsletter while preparing for the Debt Buyers' Association conference in Vegas – or perhaps you're even reading this during a break at the show. If so, many representatives from Kaulkin Ginsberg are attending the conference – including me – and as always, we'd enjoy the opportunity to meet with you and discuss your business interests.

Attending or not, many established debt buyers and new entrants are investigating their options in the market. To help you capitalize on this growing industry, we now offer [Debt Sales & Acquisition Services](#). After 15+ years, we have the established connections and expertise to help you, whether you are selling portfolios and need to expand your buyer network, you're seeking advice on purchasing or valuing portfolios, or you need to research new asset classes in the market.

In this month's issue of the Bulletin, Director Paul Legrady takes a look at the specialized nature of medical debt purchasing – a sector that offers growth opportunities for those who understand

its limitations. Patrick Lunsford, Editor of insideARM, has noticed that mainstream media coverage of our industry has been more balanced recently. He shares some of the good news that's made the news. How the general public perceives the industry is important, but equally important is how your prospects and clients perceive your company. Lastly, service businesses have some unique challenges. Patrick Jeanty, National Sales Director of insideARM shares some insights to keep in mind when marketing your business.

Thanks to everyone who has taken the time to share feedback on our new website, insideARM.com. We appreciate your thoughtful comments and will continue to grow and improve our site based on your input. Keep those notes and emails coming!

Mike Ginsberg
President & CEO



Some Good News on Collectors In The News

By Patrick Lunsford
Editor, insideARM

What's going on here? In the short space of two weeks, two stories appeared on TV that were – with all possible synonyms exhausted – *sympathetic* to the jobs debt collectors must do on a day-to-day basis.

Airwaves, printing presses, and the Internet have long been crammed full of negative publicity for bill collectors.

Are we now seeing a shift in the way the media portrays collectors? Is this just an anomaly, or does it matter; should we just bask in the glow of the scant good press that comes our way?

On Friday, January 19th, ABC's venerable news program *20/20* ran an hour-long special called "[Flat Broke: Begging and Borrowing in America*](#)." The special included various video

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Some Good News for Collectors In The News (*Continued*)*(Continued from page 1)*

segments discussing everything from how to avoid going too far into debt to a segment on that newest of phenomena: cyberbegging. Also included in the special was a segment by John Stossel that offered a “rare view on debt: not all collectors are bad guys.”

The segment highlighted the work done at Sunrise Credit Services, a collection agency in Farmingdale, NY. It focused on the motivational techniques used by managers at the firm to keep collectors engaged in their job under the crushing weight of constant harassment and abuse at the hands of consumers.

Collectors being abused by consumers? On network TV? If that’s an odd thought, consider the next segment which aired on MSNBC’s “Your Business” program.

This segment focused on small business owners and their attempts to get paid by their customers. Two businessmen in California enlisted the help of Credit Consulting Service of Salinas, CA and continue to use the collection agency to remind customers to pay. While a little less laudatory than the 20/20 piece, this segment did lay out the basic argument collection agencies and industry proponents have been using for years: businesses of all types benefit from the work of collection agencies.

The media is hardly finished bashing collectors. In fact, an

accompanying web article to the 20/20 piece was titled, “Debt Collectors Gone Wild,” with content fitting what is suggested in the title. And recently it was [announced](#)* that the infamous *Boston Globe* series on debt collectors in Massachusetts had been nominated for a prestigious investigative journalism award (not a Pulitzer). But if the positive stories mentioned above are becoming more commonplace, what is the cause, and can we expect more?

Maybe media outlets are finally getting around to balancing out the debt collector vs. consumer story. Maybe producers are seeing fatigue among viewers for the same old “debt collectors are evil” angle. Or maybe the industry is finally targeting the right people in the right way to get our story out there.

Whatever the case may be, at least there are two recent examples that ARM professionals can point to and say, “That’s my industry, that’s what I do...and I’m very proud to do it.”

**Archived articles on insideARM are available to Premium members*

Patrick manages all content for insideARM.com and is responsible for editing all content and periodic newsletters for Kaulkin Media. Contact him with your news at editor@insidearm.com.



Healthcare Debt: Not Your Typical Portfolio

By Paul Legrady, Director

Our recent research, *Healthcare ARM 2006*, found that healthcare providers set aside \$129 billion annually to cover bad debt – that’s roughly 7 percent of industry revenues. Yet despite the pressures to recover this debt, the size of the healthcare debt purchasing market is still relatively small. Of the estimated \$110 billion in face value of delinquent debt purchases that took place in the United States during 2005, we estimate less than 4 percent was healthcare debt.

We anticipate the healthcare debt buying marketplace will grow, however, as healthcare providers increase their willingness to sell portfolios, and debt buyers compete for them. Prices of healthcare portfolios have been increasing in recent years, feeding added incentive to some healthcare providers to sell their debts. Kaulkin Ginsberg’s research suggests that the average price of a healthcare debt portfolio ranges from 0.25 percent to 5 percent of face value, with an average between 1.5 percent and 3 percent.

Hospital debt portfolios aren’t like other asset classes. One

factor in the relatively small size of the market segment is the unique nature of medical debt. The charitable mission of many healthcare providers and their overall sensitivity to public relations problems preclude many from selling debt at all. When debt sales do take place, portfolios may not be awarded to the highest bidder. Healthcare providers are aware of the impact the debt buyer will have on their reputation within the community. As a result, retaining control over accounts may rank as high on a seller’s requirements for the transaction as making a profit.

Since healthcare providers are unusually sensitive to the effects of the collection process on their community reputations, liberal buy-back provisions have been included in their agreements with debt buyers. These provisions allow hospitals to repurchase accounts that have been sold to a debt buyer on request.

Another important distinction between healthcare and other sectors of the debt buying market is the absence of a secondary market. While reselling accounts and portfolios

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Healthcare Debt: Not Your Typical Portfolio *(Continued)**(Continued from page 2)*

is common in other industries, the practice is excluded in contract provisions by hospital finance managers who may be concerned more with maintaining control and mitigating public relations risks than with maximizing profits as part of a transaction. The absence of a secondary market for medical debt also has the consequence of holding prices relatively low relative to other markets, in which cash flows from the expected resale of debt portfolios are often incorporated into the price of a purchase.

The good news is that with the prolonged relationship between debt buyer and seller, forward-flow agreements have become more popular in recent years with healthcare providers that sell debt. These agreements involve the ongoing sale of delinquent receivables, typically on a monthly basis. These agreements can decrease the administrative work on behalf of the hospital and can serve to strengthen the relationship between the healthcare provider and the debt buyer. As hospitals become more comfortable selling debt, the number and

frequency of forward-flow agreements are likely to increase. This may cause successful debt buyers in the space to cultivate relationships with debt sellers and work closely with them as if they were clients, rather than sources of inventory.

This article is based on Kaulkin Ginsberg's *Healthcare ARM Report, 2006* (October 2006). This 60-page research publication was developed in partnership with healthcare providers and receivables management companies throughout the United States. Kaulkin Ginsberg's research on the healthcare ARM market is available online at www.insidearm.com/go/research. A copy of the executive brief, "Healthcare Receivables Management: Strategic Data on a Growing Market," will be available free of charge on this section of the site in mid-February.

As Director at Kaulkin Ginsberg, Paul oversees custom research projects and publications focusing on the ARM industry. Contact Paul at 301-907-0840 ext. 104.



Perception is Reality When Selling Services

By Patrick Jeanty

National Sales Director, insideARM

If a furniture builder creates a beautiful chair, it's easy to see the craftsmanship and to evaluate the purchase price. As a bill collector, you provide a value to your client which is harder to discern. Clients who utilize multiple agencies may assess performance strictly on a net-back basis and determine contracts strictly on price. If your clients work with you exclusively, over time, they may begin to question why they are paying you to collect on past due accounts.

Do your clients appreciate – or even realize – the true value you bring to their organizations? The unfortunate fact is this: unless you effectively communicate this value, your clients will focus on the aspects of your work that are tangible; your fees.

Harry Beckwith is the founder of Beckwith Advertising and Marketing and has worked with some of America's best service companies. His book *Selling the Invisible* offers some powerful marketing tips to help you succeed. A few thoughts to keep in mind:

Your service is intangible, but your message isn't

Every time a customer or potential client comes in contact with you or your firm, he or she receives a marketing message that builds their overall perception of you. Make sure your message is clear and consistent in every point of contact. Does your advertising message match the

way your proposal looks, how you answer the phone, the demeanor of your billing department, the design of your business cards – even how your office is decorated?

Focus your message on what makes you special

If a client believes that all agencies offer the same service, the decision will come down to price. To distinguish yourself from the competition, make sure your client knows what you can deliver that nobody else can.

Services are seen as less urgent purchases

Often when you are selling a service, your prospects are not just evaluating you vs. the competition, but are also considering the option of not buying the service at all. Be sure you know what your client really wants, so you can become an indispensable part of the solution.

It really is a popularity contest

Often, the service company that gets the contract is not the best firm for the job, but the one that had the best rapport with the client. It's human nature to make choices that appear to have less risk; so many clients "go with what they know." Be sure to stay on "top of mind" and maintain relationships with your clients and prospects.

As National Sales Director, Patrick manages the sales activities for insideARM and our five email newsletters. Contact Patrick at 301-907-0840 ext. 121.



Upcoming Events

Kaulkin Media produces a quarterly calendar to help you plan for upcoming industry events.

If you would like to receive our Calendar of Events for the second quarter of 2007, please [send us an email](#) with your current mailing address.

To review a complete listing, you can also visit www.insideARM.com/events.

We will be on hand at these upcoming shows and would like to meet you. To schedule a confidential discussion, please email hq@kaulkin.com.

DBA International 10th Annual Conference

February 7-9, 2007 – Las Vegas, NV

This is *the* conference of the year for those who buy, sell, collect, or service charge-off debt. Kaulkin Ginsberg is now offering expanded services for debt purchasers and our team will be on hand to discuss your interests. Mike Ginsberg, President & CEO; and Directors Mark Russell, Paul Legrady, and Jamie Welsh, are all attending the show and are available for a confidential discussion.

National Collections and Credit Risk Conference

March 11-13, 2007 – Boca Raton, FL

The focus of this year's event will be on the future of collections, and will cover issues across many industries.

Michael Lamm, Associate, will be moderating a panel on Monday that will cover mortgage collections, including such topics as:

- Collections from the mortgage servicing point of view
- Finding good talent/putting talent in the right roles
- Using technology to improve collection efforts

Also Monday, Paul Legrady, Director, will moderate a discussion of healthcare collections, including:

- How agencies can partner with healthcare providers
- How healthcare providers should manage agency performance
- The core competencies an agency should possess in order to be a good partner
- Trends related to debt purchasing within healthcare

About Kaulkin Ginsberg

We've been helping accounts receivable management (ARM) executives with advice, expertise, and information to make well-informed decisions for over 15 years. We offer a full array of advisory services to support you through almost every stage of your company's lifecycle, from debt purchase and sales advice, to executive-level recruiting, to custom industry research, to company valuation, to buying or selling a business. The Kaulkin Ginsberg family of companies also includes Kaulkin Media, publisher of the most popular sources of industry information such as insideARM.com[™] and *The ARM Insider*[™]. Kaulkin Information Systems creates secure and affordable document and business process management technology (www.kistrack.com). Read more about Kaulkin Ginsberg at www.kaulkin.com.

What can we do for you?

To discuss your business needs in confidence, send an email to hq@kaulkin.com or call us at 301.907.0840.