



Optimizing Credit Card Processing Costs in the Medical Industry

without switching processors

Credit Cards and Medical Practices

Credit card spending has more than tripled in the last decade. For merchants accepting credit cards, that means billions of dollars in processing fees. While processing may be big money, very few people understand the ins and outs of this unregulated industry. Fees are often inflated by credit card processors, resulting in significant annual costs that are otherwise avoidable. Beyond excessive fees, these same processors can add more costs such as penalties for recurring payments and missing data, adding further financial burden to the business.

Medical offices face even more issues than a typical merchant, including the high cost of accepting virtual credit card payments, software integration challenges, and the collection of sensitive patient data, which makes them prime targets for increased fees and security breaches. Offices must also contend with insurance constraints, which can restrict passing on the burden of fees to patients. That's why it is so crucial to understand exactly what is in your merchant statement every month to mitigate expenses and optimize costs.



Swipe fees cost merchants

\$172 billion

in 2024

CONTACT your PAMED representative: Michael Dringus

Understanding Credit Card Processing Fees

Average credit card processing fees range between 2.5% to 4.5%, which varies based on several factors, including what kind of purchase it is, the merchant category, and what card is being used.

The sheer amount of fees can be overwhelming for medical offices, which is one of the ways processors get away with overcharging. Fortunately, it is possible to understand what each fee is and break down a merchant statement to see where businesses can save money.

The most effective way to combat rising processing fees is to simply get rid of them by negotiating without switching processors. Processors often will not want to lose you as a client, so if you are able to ask them the right questions and be persistent, savings will often materialize. Merchant Advocate can audit your merchant statements and facilitate the negotiations for you should you prefer to bring in an advisor.



***Don't
ignore your
statements***



**MERCHANT
ADVOCATE™**

can help!

CONTACT your PAMED representative: Michael Dringus

Top Four Challenges Facing Medical Practices

1 VIRTUAL PAYMENT ACCEPTANCE COSTS

If you receive payments from insurance companies that use virtual credit cards, you should investigate how to optimize these payments, as virtual payments normally come with extremely high processing fees. These fees are so high, in fact, that many states have banned insurance companies

“Virtual payments normally come with extremely high processing fees.”

from only offering this payment option. The good news is that with the proper education on procedures you can reduce these drastically. You can read more specifics about existing virtual credit card legislation, including whether your state is on the list, on the American Medical Association's website.

2 SOFTWARE INTEGRATION CHALLENGES

Many of our medical clients use practice management software. Typically, these software companies work exclusively with one processor, which can make it challenging for a practice to secure optimal rates on their own.

Another major issue can involve the software itself. If you aren't running the most recent upgrade, it may not share all the information required by the processor, resulting in additional charges that can really add up. While we would recommend calling your provider to ensure you're running the most recent version, they aren't always aware if there's a problem or how to fix it. Merchant Advocate has extensive experience in this area and understands not only what information the processor needs to avoid fees but can also ensure pricing is fair.

3 COLLECTION OF SENSITIVE DATA

Every merchant that stores, processes, or transmits cardholder data is responsible for its protection. The Payment Card Industry (PCI) Data Security Standard (DSS) was created to help protect consumer data. Because patients' credit card data is considered patient data, a PCI breach is also a HIPAA violation. The good news is that it's easy to become compliant by using a PCI-compliant hosting provider. EMV chip cards are an additional way to protect card-present transactions.

To ensure PCI compliance, you must implement the proper security policies, procedures, and staff training. You can start by auditing your merchant statements, which will show noncompliance via a penalty fine. Other simple steps include changing your user account passwords on a regular basis, using a third party to monitor your network security, and reviewing your physical security measures such as employee training and IT infrastructure.

4 SURCHARGING CONSTRAINTS

Some business owners have turned to cash discounts and surcharges to cover increases in processing costs, passing the cost to their customers. The guidelines and laws surrounding these programs are unclear, ever-changing, and vary by state and area. Many states cap the percentage of a transaction merchants can charge and the surcharge itself is often set up incorrectly, leading to math errors and overcharging. There are serious tax implications and the possibility of fines in these cases, not to mention insurance constraints.

Options include:

- ▶ Signing up for a registered surcharge program that only passes the fee on credit cards. If you take insurance, you will need to check with your carriers to make sure it doesn't break the contract with the set fee you have.
- ▶ Raising your prices, offer a cash discount yourself (no need to have the processor involved as they are just trying to make a commission), and keep the extra profit. All you need to do this is a well-priced merchant account.

CONTACT your PAMED representative: [Michael Dringus](#)

Protect Your Interests and Your Patients

Third-party auditors are often the best resources for understanding the credit card processing ecosystem, as processors often hide fees and raise rates many times per year. Without due diligence and knowing how to read these statements, fees add up quickly.

Merchant Advocate can help your practice negotiate credit card fees, avoid unwanted non-compliance fines, and ensure proper setup of your payment systems—creating immediate savings without switching processors.

We are a proud partner of several notable medical associations, including the **Pennsylvania Medical Association.**

Merchant Advocate has saved clients ***more than \$300 million*** in excess processing fees. Find out what we can do for you with a free consultation and analysis.



CONTACT your PAMED representative: [Michael Dringus](#)

