

CRAIN'S

NEW YORK BUSINESS®

©Entire contents copyright 1998, by Crain Communications Inc. All rights reserved.

Elective surgery without the plastic

Low-interest medical financing provides alternative to credit cards

BY SHIRA J. BOSS

When a Long Island woman had breast enhancement surgery six years ago, she was happy with the results but not thrilled to have shelled out the \$8,000 cost from her savings. This spring, she wanted to follow up with liposuction, and she was determined to find a financing alternative.

Through a company advertising on television, she was offered a medical loan at 19.9%. At that rate, the overall cost was too high for her budget. Then her surgeon's office told her about a new firm, Unicorn Financial Services Inc., that provides quick, low-interest two-year loans to qualified patients for elective procedures. In minutes, she was approved for a \$3,500 loan at 9.9%.

"It was so easy," says the 37-year-old patient. "I didn't have to take money out of my savings account, and I have a low monthly payment of \$175."

The surgeon who performed the liposuction, Dr. Lloyd Landsman, is one of 130 New York plastic surgeons who are using Unicorn's help to bring in new patients and make current ones more satisfied. Launched in January, the Chicago company is the latest in a growing number of firms offering financing for elective procedures such as plastic, dental or laser eye surgery.

Doctors pay a price

The doctors may be getting more business, but the financing costs them. Some companies charge an enrollment fee for referring preapproved patients to surgeons. In some cases, the doctors are responsible for a portion of a loan if a patient defaults. And with

Unicorn, the physicians have to contribute a percentage of the cost of the procedure.

Still, the new financing sources are getting a lot of attention.

"We usually don't do start-ups," says Larry Feinberg, managing partner of Oracle Partners in Manhattan, the primary investor in Unicorn. "But there are enormous long-term opportunities to being an interface between the individual and the health care industry."

Cosmetic surgery is rarely paid for by health insurance. A survey sponsored by Unicorn and conducted last February by Trenton, N.J.-based Opinion Research Corporation International found 80% of respondents said they would be more likely to have plastic surgery if they could pay for it with low-interest monthly payments.

"We studied the market and found that people wanted more elective procedures but needed an alternative to cash up-front and to using high-interest credit cards," says Anne Tynion, president and co-founder of Unicorn.

Instead of relying on direct advertising, Unicorn gets customers by going through the doctors. A patient who wants to finance his or her procedure fills out an application at the doctor's office, which faxes it to Unicorn. The company runs a credit check, and within five minutes tells the office if the patient has been approved and if so, what the interest rate and monthly payments would be. About 80% of applications are approved, but it is too early to know what the default rate will be.

Dr. Jeffrey S. Yager, a cosmetic plastic surgeon in Manhattan, faxes some potential patients' applications to Unicorn even before they come for an initial consultation. "Some people call and say, 'If I can't get financing, it's not worth it for me to come to the office,'" he says. His office returns those calls in 10 minutes and tells the individuals what their monthly payment is likely to be.

Doctors are even tailoring their consultations based on what they expect the patient can afford through financing. They say that saves time and energy for both the doctor and the patient.

Patients can fill out an application form at their doctor's office, and receive approval for a loan within 5 minutes

The pioneer in medical financing is Dallas-based Jayhawk Medical Acceptance Corp. It recruits through advertising, and patients can apply by fax or through Jayhawk's Web site (www.jmac.com). The company refers approved patients to local doctors who have signed up with Jayhawk. It offers a one-year loan at 9.9% for the most creditworthy customers, but the two-year rates are comparable with credit cards, at

14.9% to 17.9%, and only about half of applicants are approved.

The American Society of Plastic and Reconstructive Surgeons has teamed up with MBNA Corp. to offer medical financing, at rates of 14.9% to 26.9%. In the past few months, new companies have started to solicit doctors, who must wade through the offers looking for the best deals for themselves and their patients.

Plenty to choose from

"There's something new every day," says Dr. Yager, noting that it would be easier to work with just one company. However, he does work with alternative firms and with the local credit union when patients are not approved by their first choice.

Doctors cannot legally charge more of patients who are getting financing, even though they do receive less. With Unicorn, the doctors receive 3% to 25% less than the amount of the loan, depending on the credit rating of the patient. Jayhawk charges doctors a \$1,500 annual fee, and pays an average 60% of the bill up front. The amount paid to the doctor after that depends on how fully the patient repays the loan.

Doctors say that offering financing is particularly increasing their numbers of younger patients, who are less affluent and more apt to shop around.

"It's competitive," says Dr. Landsman, who has offices in Plainview and West Islip, L.I. "My theory is that if I didn't offer financing, the patient would be in somebody else's office." ■