

A close-up photograph of a globe on the left, showing the Americas, and a credit card on the right. The card has embossed numbers and the date "12/09".

Understanding Credit Card Processing

Many dentists agree that accepting credit cards results in higher cash flow for their practices. But in order to extend this convenience to your patients, you will pay transaction fees, which fluctuate in amount based on a variety of factors.

Transaction rates vary by merchant category, types of cards used for purchases and how the credit card transaction is processed. Qualifying for the best possible rate can significantly reduce the cost of accepting cards at the point of sale. Examining how credit card sales are processed is the best way to ensure each credit card sale will qualify for the lowest transaction cost.

Your processor should be able to assist you in identifying transactions that can be processed more cost effectively. But it's equally important for merchants to understand where the costs are, too.

What is interchange?

The most misapplied term in credit card processing is discount rate. This term is applied to the percentage of each sale a merchant pays to a process credit card sale. To call it a discount would suggest something is being reduced... but it's not. It's a fee merchants pay to their processor to handle the transactions and deposit of credit card funds into their bank account.

The "discount" rate begins with interchange – the base fee assessed by credit card companies and distributed to card-issuing banks. Interchange, of which there are more than 100 different rates and categories, makes up the largest portion of the so-called discount rate.

How does interchange affect transaction costs?

Although interchange fees are applied to all credit card processors equally by the card associations, namely VISA® and MasterCard®, they fluctuate in amount based on a variety of factors. Factors include:

- ◆ How you Process – Merchants processing transactions in a mail, telephone or Internet

environment pay higher interchange fees when a cardholder is not present for the sale, which creates a higher risk of charge-backs.

- ◆ How the Card Account Number is Captured – Merchants receive a lower processing rate for all transactions swiped through a magnetic-stripe reader (credit card terminal or card reader), because the encoded information on the back of the card can be verified through the issuer. When a card cannot be read through a magnetic reader, merchants need to get a manual imprint of the card, if possible, for protection against potential charge-backs.

- ◆ Amount of Data Submitted with Each Transaction – Visa and MasterCard have multiple levels of qualification. For example, transactions accepted by telephone that do not meet the requirement, such as when only a partial address is provided, for Address Verification (AVS) are assessed higher rates, which are passed to the merchant.

Note: Older processing terminals may not have the ability to accept required prompts for AVS. For details and information about upgrades, call your processors Support line.

What You Can Do To Reduce Your Costs

The CSDA and the associations that support the affiliate program receive both good and not-so-good calls about credit card processing and we appreciate both types of calls.

The CSDA is fortunate to work with a business partner, like Elavon, that is determined to help dentists save money on credit card processing and we hope the information contained herein clearly expresses our commitment to support the dealers who use the program.

The most important thing you can do is to enter all required data when prompted by your credit card terminal. Simply, you will save money. For example, we recently worked with a dentist that was considering a competitive offer. A review of the account by Elavon revealed a large portion of the

dentist's transactions were downgrading – failing to qualify for the best rate.

What Elavon discovered is that terminal prompts requesting information were being ignored and this resulted in higher transaction fees. We asked the Office Manager to instruct its employees who handle credit card transactions not to ignore terminal prompts. Elavon watched the dentist's transactions for about a week and not a single transaction resulted in a downgrade. In other words, every transaction qualified at the best possible rate. At the end of the year and going forward, the Dentist will save dollars on credit card fees.

Barbara Martin, Elavon's representative who works with the CSDA, emphasizes the importance of following the prompts. "It is imperative to enter the required information when prompted by your terminal to do so regardless of who you process with. The least amount you pay for a transaction is when it is qualified. If you skip past the prompts on your terminal, the transactions will downgrade. A downgraded transaction will cost more – and over time that can add up."

Elavon, the payment processor of the CSDA, invites you to take advantage of the special discounted rates available to you as a member. Even if you are currently using another payment processor, call us for a free rate comparison.

To get started, please call Liz Harpst at (865) 933-0872 or email liz.harpst@elavon.com.