Outsourcing Your Billing

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Recently a colleague met with a surgeon who was very unhappy about the monthly receipts from his billing company. "Something isn't right," the surgeon grumbled as he pulled out a wad of reports prepared to help diagnose the problem. "Oh," my colleague said, "Here's the problem. They only posted your charges on the 23rd and 25th of the month. No wonder you aren't getting paid. And, who knows when they hit the submit button!" Astonished, the surgeon said, "Wait a minute. I deliver the charges to her at least once a week. Why did she wait so long?"

The answer, of course, is unknowable. This doctor had chosen a cottage billing company primarily for its low rates. Convinced that his purchase was only about price, he thought it was a good deal. The results, however, made his billing service choice a very expensive one.

But let's assess your thinking. You are considering outsourcing your billing and collections because you:

- Are fed up with all the red tape of billing and collections.
- Just got a look at your human resources overhead percentage and are wondering if you really need all these billers and collectors.
- Are nervous about compliance.
- Have recently lost one or more of your billing staff.
- Feel that, no matter what you and your staff do, the payers pay only what and when they want.
- Crave the simpler life you once had.
- All of the above.

Any and all of these reasons may lead you to consider outsourcing your billing and collections, but none of them is sufficient, without thorough research and consideration, to contract with a service.

The message in this article is not "every practice should outsource its billing, and here's how to do it." Practices are unique. Some are good candidates for outsourced billing, and some are not. Similarly, all billing services are not created equal. The messages in this article instead are:

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- Outsourcing your billing does not necessarily relieve you of all the burdens of billing and collections.
- Carefully consider all aspects of a billing service before *partnering* with it to bill and collect your revenue.
- If you determine that outsourcing is not for your practice, apply many of the criteria described in this article to your in-house billing and collections functions for better results.

WITH WHOM IS YOUR PRACTICE "PARTNERING?"

A billing service becomes a business partner of sorts, and the Health Insurance Portability and Accountability Act (HIPAA) formalizes this with a required business associate agreement. As dependable cash flow is very important to physicians (most cannot afford to practice without it), this asset should be protected—you will want to know who the billing company is before you consider partnership. Consider the credentials and experience of the company's employees and contractors and ask for many references. Are the practices that use the service considered reputable and well run?

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Ask:

1. How long have you been in business as a billing service? A billing service that has been in business only a short time may have the resources for additional time and attention, but they may not have the experience and relationships with the payers that are essential to success. Experience of more than 2 years is ideal.

2. How many certified coders do you have on staff? Are they employees or independent contractors? Certified coders indicate the company's commitment to compliance and coding accuracy. The number of certified staff and their employment status is a gauge of the company's expertise in coding.

3. How many physicians and practices do you serve? As with the number of years in business, the answer will give you an idea of the company's level of experience.

If the company serves many practices, you may want to follow up and find out its staff-to-physician ratio so that your work does not get lost or overlooked by staff who are stretched too thin.

4. How many orthopedic physicians and practices do you serve, and how long have you served them? Of all specialties, orthopedic surgery uses the largest number of CPT (current procedural terminology) codes. Within this specialty are several focus areas, and coding, formatting, and reimbursement formulas are complicated. Ideally, the billing service already has orthopedic surgeons as clients, so it is not learning the many nuances of the specialty on your dollar.

WHAT TECHNOLOGY ENHANCEMENTS AND ADVANTAGES WILL THIS PARTNERSHIP BRING?

Cottage industry billers, which are growing in number, typically use software that is cheaper and less useful than that used in most practices. One of the potential advantages of working with a capable billing service is its ability to purchase and optimize use of the most up-to-date technology and share it with its clients. Indeed, it is in a billing service's best interest to regularly update and upgrade all its software. Today, third-party payers can be billed electronically, and some are paying electronically as well. In fact, technology is so closely tied to billing and collections that some practice management software corporations have branched out into providing billing and collections services.

Billing services can be more focused in purchasing state-of-the-art technology and making the most and best use of it, just as you are able to keep up with your specialty changes and advances. How will a service's information systems and overall operations work with your practice?

Ask:

1. Which billing software do you use? Although there is not necessarily a preferred software system, you should know which system a service uses. Proprietary systems should be avoided. The system should be able to handle multiple (up to 100) carrier payment schedules for each client so that underpayments can be caught. It should also allow for your data transfers and remote access and be compatible with your office scheduling or EMR (electronic medical record) system. Such compatibility enhances communication and efficiency.

2. Does your service provide practices with remote access to accounts and reports? It should. Remote access allows you and your manager to access accounts and reports whenever you would like and from wherever suits you. You do not have to depend on the billing service to submit reports every month, and you can check the status of individual cases.

3. Of your claims to payers, what percentage is submitted electronically? Are claims submitted directly or through a clearinghouse? Electronic submissions, which are available with all the major payers, greatly enhance efficiency. If a billing service is not up-to-date with its technology, it is less efficient than a billing service that stays current. Electronic submission saves time and money. If a billing service is not realizing these efficiencies on its own behalf, then it is not able to pass them along to you.

4. Which payers offer electronic remittance, and do you use it? Medicare and other large carriers offer electronic remittance—another saver of time and money. Because electronic remittance is a time and money saver, the answer to "Do you use it?" should be yes. A billing service's use of electronic remittance indicates that they are efficient, technologically savvy, and cost conscious.

5. Must you place hardware or software at my practice site, and, if so, what are the technical requirements and associated expenses? The billing service may or may not require or offer installation of software or hardware for communication, demographics, or even data entry. You need to know if any required installation represents additional cost.

6. What kind of training does my practice support staff require in order to effectively transition to your services? This training must be included in the transition work plan so that all involved practice support staff will understand how information access works, which parties are responsible for it, and what their responsibilities are in making that access smooth and efficient.

7. What claims edit software do you use? Billing services should use edit software that catches mistakes on claims before they are submitted to carriers. This software automatically catches claims with inherent errors and notifies the biller so that data can be corrected before submission.

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WHAT WILL THIS PARTNERSHIP CHANGE IN TERMS OF YOUR PRACTICE'S CODING AND COMPLIANCE RESPONSIBILITIES?

Not much, but, as you will most likely still be responsible for accurate coding, documentation, and other billing-related compliance, you must understand the billing company's policies regarding code assignments and alterations. A competent billing and collections service will have many measures in place to comply with federal laws and prevent monetary indiscretions. To determine a service's competencies specific to compliance and process integrity, consider some of the same practices and policies you should have in your practice.

Ask:

1. Do you have a written compliance plan? If so, get a copy or a Web reference and read it before signing. Compliance within health care is a vast topic, and at least 2 subtopics apply to physician billing: coding/documentation

accuracy and confidentiality (HIPAA). The compliance plan will give you a sense of the billing service's understanding of applicable laws; of its responsibilities versus those of its clients; of its commitment to compliance; of its protocol for responding to indiscretions; and of its preparedness for investigation.

2. What precautions do you take to protect the privacy of information and to ensure that claims billings are sent correctly, in compliance with HIPAA? HIPAA requirements extend to your billing service, which represents you when it calls patients. You should make sure that the service's scripts and procedures reflect the discretion and confidentiality required by HIPAA.

3. What is your protocol for changing CPT codes or ICD-9-CM (International Classification of Diseases, Ninth Revision, Clinical Modification) codes when errors are discovered (a) before submission and (b) when a denial is received? If a billing service discovers that a physician has assigned an incorrect code, there must be a protocol for correcting it. *You are still responsible for each and every code and claim submitted to a payer (the billing service is not responsible).* If a billing service changes CPT and ICD-9-CM codes without your approval, you are left with all the risk and with none of the confidence that the codes are correct.

4. Do you use batching and controls to minimize and detect errors in data entry and other areas? The answer should be yes. Batching and controls minimize mistakes and assist in data management.

5. Are all your employees bonded? Does your organization carry liability coverage? How much? Bonding and liability coverage protect a billing service and its clients from embezzlement and other improper actions by its employees. The service should bond its account-handling employees and carry liability insurance for your case and theirs. You should contact your own insurance broker to assess bonding costs and make sure the practice bond covers the outside service.

6. How do you compensate your employees—hourly, salary, piece rate, and/or incentive based? Compensation methods create incentive directly or indirectly. A piece rate, if not properly designed, might encourage employees to send bills regardless of accuracy or low balance. Similarly, incentive bonuses can be extremely effective but must be designed in a way that aligns them with the clients' goals. Improperly designed incentives can lead employees to work other clients' accounts harder than yours and can promote busy work rather than quality and accuracy.

How Does the Billing Service Manage Accounts Receivable and Follow-Up on Unpaid Claims?

Reputable billing and collections services have procedures, policies, and protocols for each part of the reimbursement process as well as regular, clear communication and reporting. Before signing with a billing service, you should set clear expectations as to follow-up on unpaid, underpaid,

and rejected claims and as to regular reporting. Some billing services do not begin follow-up until after 45 days have passed, which can be too late if the payer has earlier claims filing deadlines ("We did not receive the claim in time").

Request:

1. Copies of protocols and procedures for collections:
   - Payers at 15, 30, 45, 60, 90, and 120+ days outstanding
   - Patients at 15, 30, 45, 60, 90, and 120+ days outstanding and patients with financial hardships
   - Appeals (samples of letters or written appeals policy)
2. Copies of clients' standard monthly, quarterly, and annual summaries. You should ask when delivery of each of these reports is expected. If delivery is said to be client dependent, indicate your preferences or request the service's "best practice" recommendations. You should examine reports for content, readability, and user-friendliness and ask if they are submitted to you electronically or on paper.
3. Procedures and protocols for:
   - Credit balances
   - Refunds (the fund source for refunds should be specified)
   - Adjustments (examine different adjustment types, codes used and when, and who is authorized to make adjustments)

Two Calculations to Help You Stay Abreast of the Financial Health of Your Practice

Two calculations can help you stay abreast of the financial health of your practice. *Days in accounts receivable* is the mean time that a dollar stays in your accounts receivable. *Net collections ratio* tells you the percentage collected of collectable money (collectable refers to the difference between what was allowed and what was paid, not between what was charged and what was paid).

Request:

Precise equations used to calculate:
- Days in accounts receivable
- Net collections ratio

How Accessible and Service Oriented Will a Billing Company Be to Your Practice and Your Patients?

As a billing service will be handling your money and interacting with your patients, you must make sure that you will have access to someone who knows your accounts and that your patients can count on friendly, helpful staff when they call with billing questions.

Ask for your practice:

1. Is only 1 account representative assigned to my practice?
2. How and when is my representative available to me?
3. What is the protocol for providing backup and coverage during my representative's absence?

Ask for your patients:

1. Is only 1 phone number assigned for their inquiries?
2. Is that line answered by a person, or is there an automated menu?
3. What days and hours can my patients call?
4. Do you call patients during evening hours?
5. Do you guarantee response times for patient inquiries?

WHAT WILL YOUR PRACTICE BE CHARGED?

What is the fairest and most ethical way to compensate individuals and organizations that bill for health care services? There has been some debate and even some legislation regarding this topic, but in most states it is still legal and common for billing services to charge a percentage. For incentives to be properly aligned, the percentage should be based on collections rather than charges.

Some billing services charge clients by claim or transaction. If a service proposes charging per claim, you should inquire as to how follow-up is assessed. Will there be one charge for sending a claim to a carrier and another charge for sending the balance statement to the patient? Will you subsequently be charged for claim resubmissions and additional patient balance statements?

You should insist that a billing service provide a detailed description of the equation for calculating client charges and that it delineate all costs for training, hardware, software, courier services, long-distance telephone calls, service initiation, and so forth.

Often a billing service will include volume and value components to their charge calculations. That is, surgical specialties, which typically have fewer claims for higher dollar values, will be charged a percentage lower than that charged for primary care, which typically has more claims for lower dollar values.

Some billing services charge a flat rate. If so, again you should request, monthly, a detailed description of the calculation and a detailed list of any additional charges.

CONCLUSIONS

The decision to outsource billing should not be taken lightly. If interested, you should write a request for proposal (RFP) and submit it to all the billing services you are considering. In the RFP, briefly describe your practice and include some or all of the questions and topics covered in this article. You may have additional, specialty- or region-based questions for a prospective billing service. In the RFP, indicate a response deadline and provide contact information for the person in your practice who will be receiving and organizing responses.

You should keep in mind that many practice management software systems are Web-based and have affiliated billing services. These services can perform your billing even though they may be at locations remote from your practice.

If you do not want to outsource billing, you may consider applying many of the issues and inquiries posed in this article to your internal billing and collections efforts.

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