



OUTSOURCE MEDICAL BILLING SERVICES- SHOULD A PHYSICIAN OUTSOURCE MEDICAL BILLING SERVICES

Should a physician outsource medical billing services?

This is a very difficult decision for any physician and partially boils down to this or her own personal ideology and comfort level. Hospital-based physicians will almost always be better off outsourcing because of the office related expenses that they would not otherwise incur. As the owner of medical billing service you may think I'm naturally biased towards outsourcing. I can assure you that this is not the case. Physicians who are overly controlling, uncomfortable or mis-trusting toward billing services are nearly impossible to administer. I don't want anything to do with those types of physicians but I completely respect and understand their point of view. Setting all ideology aside I would like to delve into the pros and cons of this difficult and complicated decision.

1. I am a physician who is very interested in the business aspect of medicine and I do not mind spending my valuable time managing the medical billing aspect of my practice.

Clearly, the best way to do your billing is to do it personally. Obviously, doing it yourself is probably not an option but if you're willing to spend the time and have the interest I would recommend that you do your own billing. Keep in mind that most billing service owners and certainly our employees have limited medical backgrounds. Physicians who study CPT, regularly attend billing seminars and keep up to date on industry changes are the ultimate medical billing gurus in my view.

2. I am a physician who has absolutely no time or interest in the medical billing aspect of my practice. I am completely reliant upon my office manager and billing staff.

Unfortunately, most physicians are in this position. Even if they were interested in keeping up with all the changes and elements of medical billing the practical reality is that there is absolutely no time. Let's face it; time is your most valuable asset. It's sort of like mowing your own lawn. You'd be way better off financially seeing patients for three hours on Saturday morning. I believe the following information will dramatically help with your decision to outsource your billing or continue to do it yourself and with future decisions in the ever-changing business aspect of medicine.

The pros and cons of outsourcing your medical billing services.

I would like to preface this article with a couple of obvious but important points. If you have a system of controls, keep an open mind about the competence of your office manager, you've got an excellent computer system, proper information systems and your office is doing a superb job at collecting your money, then by all means do not make any changes. Conversely if you're planning to outsource your billing make sure you hire quality firm. I'll spend some time at the end of this article discussing this further.

Most leading experts agree that it costs about 4.5% of net collections to perform the billing function within a physician's office. Incidentally, this is close to my actual cost as well.

Theoretically, a billing service should be able collect more money than a physician's office because it is our core competency. The question is how much more? This is why I focus on how to choose a billing service at the end of this article.

The numbers

A. Lets just do the math in a theoretical model.

We'll base our numbers on a practice whose total gross receivables are \$100,000 per month. Obviously, this is an overly simplistic model designed to quantify the aggregate cost and or opportunity cost of the medical billing component only.

Current Aggregate Billing Expenses

In-house expense

Total gross revenue	\$100,000
Current billing expense	\$4,500
(4.5%)	-----
Net Revenue	\$95,500

Outsourced Billing Expense

Total gross revenue	\$100,000
Current billing service exp.	\$7,000
(7.0% net collections)	-----
Net Revenue	\$93,000

Net cost increase with outsourcing = \$2,500.00

As you can see in this, "all things being equal" theoretical model your practice would incur a \$2,500 decrease in net revenue with the implementation of a billing outsource strategy. Keep in mind that this model does not address other less tangible issues such as your reduced payroll, computer expenses, ect. In reality the net cost could be substantially less than \$2,500. Many physicians will perceive this as a small price to pay while others will consider it to be cost prohibitive.

5% theoretical increase in gross revenue with outsourced billing

Total gross revenue	\$105,000 (5% increase)
Billing service expense	\$7,350
(7% net collections)	-----
Net revenue	\$97,650

\$95,500 - \$97,650 = \$2,150.00 increase in net revenue.

As you can see from this model with a 5% increase in collections your net revenue will increase \$2,150.00 with the added expense of the billing service. Keep in mind that a 5% increase in gross collections is actually quite conservative and should easily be obtainable by quality billing service.

Intangibles

B. A billing service should be able to provide you with a substantial reduction in your day-to-day aggravations such as practice management software issues, fewer employees, hassle of hiring competent employees, less health insurance, less training, ECT..ect. Conversely you will however lose some control over your practice. If the billing service does not collect more money your expenses will increase. It's up to you to determine whether or not the increased expense is offset by decreased aggravation.

security

C. A billing service should be able to increase your security levels by creating a system of checks and balances. As a former police officer I can assure you that crime statistics indicate most embezzlement/fraud/theft occurs from within. During an investigation a store manager for Sears and Roebuck Co. once told me, "our customers take it out piecemeal but our employees take it out in wheel barrels" This logic also applies to a doctor's office. A billing service can provide an extra layer of protection because there is a system of independent checks and balances. Typically billing services are fairly large businesses with strict internal controls. My organization Medi-Bill Inc. Operates internally similar to a banking institution with the way we handle funds. It is highly unlikely that the ownership of a reputable medical billing firm would risk the consequences of committing fraud against a client.

Conversely, the issue once again boils down to control. Many physicians are understandably quite unsettled at having their checks and correspondence mailed directly to the billing service. Further compounding this dilemma is, "what will happen to the checks and correspondence after the billing service

Technology

D. State-of-the-art practice management software is an extremely expensive investment. If you've already invested in a high quality computer system I do not believe outsourcing your billing would make much sense financially unless your computer vendor is charging outrageous support fees. If you're considering purchasing a computer system or a medical record management system my favorite vendor who we've been working with for over 15 years is Office Management Solutions (OMS) based in Tampa Florida. The owner's name is John Peake and he is by far the most honest and reputable computer vendor I have ever worked with. OMS can be reached at 813-963-5582 or www.oms-online.com.

If you need to update your system, purchase a new system or your support fees are getting out of hand this may be an opportune time to consider outsourcing your medical billing services.

Financial security

F. Many physicians, for obvious reasons do not want their office managers/staffers to have any in-depth knowledge of how much money the practice is making. A reputable and properly run billing service can create this level of financial security. The best case scenario is for your staffers to only see your expenses and have only a limited understanding of the revenue being generated. This can also be accomplished internally by making and recording your own deposits. If you're going to do your own billing I must emphasize the importance of financial security. You must create a system of financial security. If you don't have the time to personally open your mail and make the deposits you are definitely a candidate for outsourcing. Many banks offer a "lockbox" where you can direct your checks and correspondence. Bank lockbox services are generally quite pricey. They usually charge about .25 per copy. You may also opt to take out your own P.O. Box located adjacent to your billing company. This way you still maintain control of your checks and correspondence.

Collection agencies

G. Many billing services own or have affiliate relationships with collection agencies. You'll most definitely want to avoid this situation. Make sure your billing service provides you with a monthly report containing proper information on delinquent accounts enabling your office manager to properly send the information to a collection agency of your choice. In my opinion billing services that own collection agencies or establish close affiliate relationships with them are unethical and should be avoided at all cost. Even though it is nearly impossible to find a collection agency that does not have relationships with medical billing services the point I'm trying to make is to be sure that your billing service is independent and you have the freedom to select a collection agency of your choice. This relationship presents a scenario whereby the billing service can simply go after the easy to collect accounts and allow the more difficult but still collectible ones to slip into the hands of a collection agency who obviously charge a much higher percentage of collections. Again, it's easy to see how a billing service can facilitate or erode your sense of control. The most reputable collection agency I've dealt with is a company called Collection Information Bureau (CIB). I've been doing business with them for years and they have never attempted to establish an affiliate relationship with my company. CIB can be reached at 1-800-231-3514, contact sandy Lopez.

Should I outsource my billing checklist: If you answer yes to most of the following questions then you should probably consider outsourcing?

- Is your overall collection rate declining?
- Is your accounts receivable too high?
- Are you experiencing an increased number of denied claims?
- Is your overall frustration level regarding your billing/business office very high?
- Are you facing a major capital investment in new hardware or software?
- Are your computer support fees too high?
- Are you having a difficult time keeping or hiring experienced billing staff?
- Are you spending too much time on the business aspect of medicine?
- Are you concerned that your staff or office manager has knowledge of your income?
- Are you completely reliant upon your office manager?
- Are you planning to expand your practice?
- Do you believe that your practice's cost structure is too high?
- Do you have several employees performing tasks that could be handled by a single more experienced manager?
- Is your computer system obsolete?
- Are hardware, software, and information technology disrupting the operation of your practice?

How do I select a billing service?

1. The service should fit or complement the size of your actual practice. Try to get a basic idea of the size of the firm. A solo practice will most likely have greater success with a small to medium-sized billing firm. Obviously, a solo family practitioner would probably not be very well served by a publicly traded firm.

2. Avoid long-term binding contracts. You should be free to terminate your agreement any time within 30 days written notice. The agreement should clearly specify what each side will do for the other. Make sure the agreement assures that upon termination you'll receive a highly detailed account receivable report [listed by individual patient].

3. Ask for references and call the other providers!

4. Inquire/investigate the actual owner of the company. Ask to speak with the owner directly.

5. Avoid firms who offer too many different types of service. Medical billing is a very highly specialized field. Companies who offer, collection agency services, payroll, financial consulting, tax consulting, malpractice insurance, marketing services etc. etc. are not in my view focused enough on what they're there to do. Collect your money!

6. Ask other physicians. Keep an open mind about this one because physicians who are happy with their billing company do not necessarily want them to grow and generally like to keep a low profile on this issue.

7. Is the billing service for sale? Try to ascertain whether or not the firm has recently been sold. In your contract/agreement you should request to be notified within 30 days of the pending sale. In my experience billing services are constantly being bought and sold. Sometimes the acquisition is a positive thing but quite often the merger/acquisition can be very detrimental. You should at least be notified and given ample time to make a proper decision on whether you'll stay with the new firm or select another.

8. Where will your checks and correspondence be mailed? This delicate and important issue need not be as complicated as it appears. Many physicians for obvious reasons are reluctant to allow checks and correspondence to be forwarded directly to their billing service. Some reputable, high-quality billing

services will not even provide services to clients who insist upon having the checks and correspondence mailed to them directly. I'd like to spend a few moments on this important issue and explain the ramifications of exactly where your checks and correspondence will be mailed. Maintaining the integrity of your accounts receivable is crucial! If your office routinely fails to properly mail copies of checks and correspondence to your billing company your practice could be in grave danger of losing control of the accounts receivable. If your account receivable is to maintain any semblance of financial integrity it is crucial that billing service employees do not spend valuable time and effort following up on claims that have already paid and not properly forwarded to them. Understandably, your service may even look upon this as an intentional effort to reduce their commissions. Again, bank lock boxes provide a sound alternative to this dilemma. Some practices solve this problem by directing all checks and correspondence to a P.O. Box keeping EOB's separate from other corporate mail. The checks and correspondence are mailed to the billing service, "unopened" biweekly. This is an excellent compromise and creates a system of control. There are many other possible options but the important point to remember is that ONE entity must be completely responsible for the validity and integrity of your EOB's.

9. Make sure all checks and correspondence are issued under your tax identification number and made payable to you! Make sure your contract/agreement specifies that the billing service will not countersign or attempt to countersign your checks and correspondence.

10.

If you have any questions or comments regarding this article please do not hesitate to contact me at david@usemedibill.com.

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