

Should you outsource *your* practice's billing?

How to decide whether you need an outside billing company—and some tips for choosing the right one

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When Adrian Secheresiu, MD, first opened his practice in Freeland, Pa., nine years ago, his billing system was a mess. The practice didn't follow up aggressively enough with patients who failed to pay, and insurance company payments were constantly delayed by claims fraught with misplaced digits and coding errors.

"I have a feeling a lot of times we lost money because we didn't know what to do," said Dr. Secheresiu, a general internist in solo practice.

All of that changed seven years ago, when Dr. Secheresiu and his four employees began outsourcing the practice's billing to Healthcare Billing Inc. in Hazleton, Pa. Since then, he said, he's getting more money—collections have increased more than 30%—and he's getting paid faster.

Those are the benefits of outsourcing billing operations that third-party billing companies like to tout: higher collection rates and fewer staff headaches. "I've seen outsourcing increase revenue tremendously because the person doing the billing previously didn't know how to do it," said Mary Ellen Scalise, president of Healthcare Billing Inc. "You can lose thousands of dollars [that way]."

For many doctors, though, the decision to outsource is not always so clear. Many practice consultants contend that it's often more efficient and less expensive to keep billing in-house. "Don't count on outsourcing costing you less; it doesn't always," said Randy Bauman, president of Delta Health Care, a practice consulting firm in Brentwood, Tenn. "The real question is, who is going to do it better?"

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That's a difficult question to answer. Even experts in the billing industry acknowledge that quality among companies—many of them mom-and-pop operations—vary significantly. So how do you decide whether outsourcing your billing is right for you, and how do you find a reputable company? Here are some tips from some billing companies and practice consultants:

Examine costs and benefits. Billing companies typically charge a percentage of the fees that they collect. That percentage varies both by company and by practice type. Most charge general internal medicine practices more than subspecialty practices because primary care physicians generate more bills for smaller amounts, which means more work for the billing company. In general, primary care internists can expect to pay 9% to 11% of their collections to outside billing companies.

Craig Carlson, senior vice president for office-based practices at Medaphis Corp., a national billing company in Atlanta, suggested that physicians invite potential outsourcing companies to give a cost estimate based on the practice's billing data, charge volume and payer mix.

Ideally, you'll benefit from outsourcing most if you can trim the size of your billing staff. For small practices, though, that's not always an option. "In small practices," Mr. Carlson said, "billing is often part of the job of the receptionist, and you can't get rid of the receptionist."

Take a hard look at your current billing system. If you have already set up a computerized billing system to do your own billing, it probably doesn't make sense to outsource the entire billing process, said C. David Carpenter, partner with PCSI HealthCare Consultants in Southern Pines, N.C. Even if you're already billing insurance companies electronically, Mr. Carpenter said, you can still outsource your patient billing by using a claims clearinghouse that prints out statements and bills patients for you.

That's how pulmonologist Henry S. Mishel, ACP-ASIM Member, handles his patient billing. Employees at Abington Pulmonary, his seven-physician practice in the Philadelphia suburbs, enter billing information throughout the work day. During the night, the practice sends patient billing information via computer to a clearinghouse that prints and mails them for 40 cents per statement.

Taking into account staff costs, paper and postage, said Dr. Mishel, it would cost roughly \$1.25 to pay his staff to process each bill. Another plus: "The bills get delivered faster than if I sent them out," he said.

If you're not ready to sink tens of thousands of dollars into computer systems, however, outsourcing all of your billing may be a good alternative. Delta Health Care's Randy Bauman cited the example of four physicians who were told by the hospital where they worked that they were going to be cut loose. They decided to start their own practice, but had little time to organize a billing department and little capital for equipment.

"That's where outsourcing billing is a perfect opportunity," Mr. Bauman said. When you don't have the money or time to buy a system and train everybody, he explained, outsourcing for a brief time can provide the best solution. "In six to 18 months the group will evaluate the billing service and make a decision about whether to bring it in-house," he said.

Identify how much service you need. Billing companies offer several levels of service: filing claims and getting bills out to patients; follow-up and collections; and accounts receivable management. The latter would include such services as making sure that charges are coded correctly, claims are clean and fee schedules are updated regularly.

Within each level of service, you also have options. Some firms will take your charge slips or superbills in batches by courier and manually enter them into their computer system; others will provide a computer so that one of your employees can do the data entry. Some companies offer both options.

Be sure you're getting your money's worth. "I have seen tremendous abuses," said Gary Matthews, president of Physicians HealthCare Advisors, a practice consulting firm in Atlanta. If a billing company is charging 14% of collections, for example, a practice should expect to receive comprehensive accounts receivable management, said Mr. Matthews. Sometimes, he said, "all they're getting is billing and perfunctory collection work and the billing company is just relying on the physician's codes."

Ask about resources. Find out how many billing staff the company will assign to you. Evelyn Eskin, president of HealthPower Associates, a physician practice management consulting and training firm in Philadelphia, said that there are typically one or two full-time billing employees for every five internists working in a fee-for-service environment. Atlanta billing company Medaphis, on the other hand, usually assigns one billing employee for every two physicians in an internal medicine practice, explained Mr. Carlson, the company's senior vice president.

Ask for references. Though a few large national firms exist, most billing companies are local operations. Do your homework before you sign up, Mr. Matthews said. "Get references not just from physicians, but from [those in] your specific specialty, your size and type of practice, and your type of payers."

Also make sure that your contract includes a termination provision in case the company doesn't provide all the required services. You can also negotiate a clause that reduces rates after a specific period (say, six months) if certain gross collection ratios or accounts receivable targets aren't met. The rates would increase again once the service improves collections.

Decide how much control you want. "There are some doctors who just want to be doctors and practice medicine and want an expert to take care of patient accounts," said Linda Hansing, president of HealthCare Advantage, a Denver-based billing service. "Then there are some doctors who can't let go. For those doctors, it's a nightmare to try to outsource."

Even if you willingly relinquish control, you will want to retain input on issues like collection procedures for overdue patient balances. Ms. Hansing, for example, will send letters to patients telling them they have 10 days to pay before their account is sent to a collection agency, but she insists that a physician approves each letter. "The worst nightmare is to send that physician's sitter or neighbor to a collection agency," Ms. Hansing said. "I won't do it unless they sign off."

Retaining access to patient account information is also a control issue. If you send patient charges to a billing company, you may not have the necessary information to ask patients to pay overdue balances when they come back for a follow-up visit, Mr. Carpenter said.

"You lose your ability to tell that patient when he checks out that he still owes \$20 for the visit he had a month ago," Mr. Carpenter said.

Some billing companies offer solutions to that problem. HealthCare Advantage, for example, provides a list of patients whose accounts are 60 days overdue. Receptionists can consult that list when patients check out, said Ms. Hansing. Or, for about \$1,000, her company will provide physicians with software they can install on their own computers to look up patient information on the billing company's database.

When negotiating a contract with a billing company, insist upon a clause that allows you to reduce rates if collection ratios are not met.
