

Considerations for Outsourcing Billing Operations

The provision of billing services is a classic “make vs. buy” decision. Many physician groups have made the decision to outsource these functions to focus their efforts on the clinical aspects of their businesses. The complexity and technology required to conduct these activities are increasingly out of reach for most organizations. Without strong technical expertise in both Billing and IT providers run the risk of costly errors. Even with such in-house expertise, the risk of turnover in key personnel can devastate short-term cash flow. When evaluating the outsourcing of billing functions to a third party service provider, consider the following:

Price *and* Performance – Unfortunately, price is often easier to quantify, understand and predict. Therefore, many practices tend to give greater emphasis to price in their evaluation of options. While price is certainly important, lackluster performance can easily overshadow any price savings. The lowest cost service is not always the best, in fact, it rarely is. Amounts saved on lower billing fees may actually cost your practice in terms of total collections. Take no comfort in getting the lowest fee, but rather focus on getting a high-quality service at a reasonable fee. Also, be aware of comparing “apples to apples.” Some providers have an “all-inclusive” approach, while some have a more “nickel and dime” approach. Most billing services are priced on a percentage of collections method, unless prohibited by state law, but some have a lower rate, but charge extra for implementation, programming, credentialing, enrollment, patient statements and/or refund processing. Not all billing companies offer the same services or the same pricing models. There are quality billing agents using a variety of pricing models; one is not necessarily better than the next, but for comparative purposes, practices must take these additional items into account in their overall evaluation of pricing and service levels.

Services - A quality outfit should have the ability to receive electronic data, file electronic claims and receive electronic payments. The most important by-product of the billing process is the management information an organization can extract to evaluate the performance of the billing agent, monitor payor reimbursement, and understand market trends of referrals. This information is critical to making good business decisions. Many billing companies still employ antiquated systems that do not allow line-item posting, which means that charges and payments are not captured at the CPT level, and thus it is very difficult to monitor reimbursement. A quality outfit should be utilizing software systems that capture data at the line-item in order to be able to provide meaningful reporting modalities. Providers should receive a comprehensive monthly billing report, and agents should be able to provide custom reports for practice management needs in a timely manner. Quality reports should show monthly and year to date charges, payments, contractual adjustments and bad debt. Many reporting packages do not separate contractual adjustments from bad debt which doesn't allow monitoring of the agent's performance or detailed analysis of payors adherence to contracted terms. Outstanding agents will also have in place strong quality assurance programs. Also, look for a service that provides web-based payment alternatives for patients, as well as robust phone hours. More of the cost burden of healthcare services is being shifted to patients with consumer-driven health plans; in order to collect well from patients, service providers must make it convenient for the patient.

Experience - Determine how long the billing company has been in business. Strong contenders should have a high concentration of and significant experience in the specialty of pathology/laboratory. *This experience will aid greatly in the ability to achieve good results, and lend to the delivery of high-quality value-added services.* Ask for references and call them; this independent opinion costs little in terms of time and effort, but is very valuable.

Compliance - Compliance is ultimately the responsibility of the provider in the eyes of the federal government; dealing with a reputable billing company with a strong Compliance Program is of paramount importance. Ask for a copy of the Compliance Plan. The absence of one is certainly a red flag. Ask questions about the *operation* of the Compliance Program. Even if you are not a compliance expert, this exercise will provide valuable insight into the importance placed on Compliance by the billing company. Check the OIG's list of excluded entities.

Other questions that should be presented to a billing vendor in review:

What is the availability and additional cost, if any, of postage, interfaces, electronic claims, patients' statements, customized reports, credentialing, contract review and negotiation?

During the billing transition who is responsible for gathering all necessary data and what is the estimated time line?

Who will the primary contact be and will it change after the contract is signed?



800-832-5270 toll free

www.psapath.com