

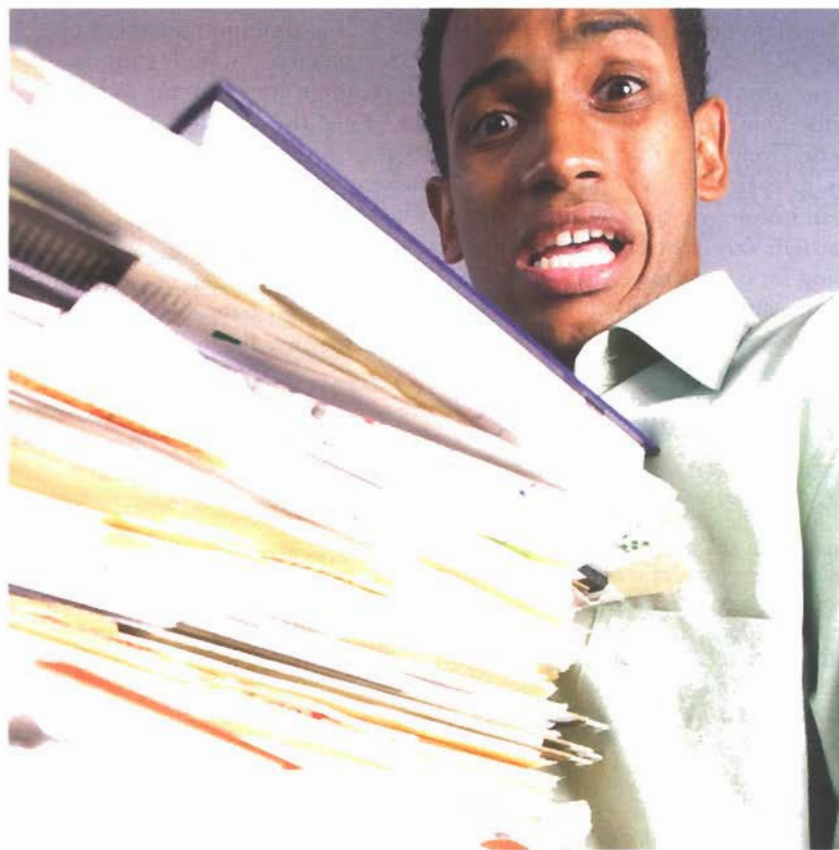
GETTING THE PROCESS RIGHT

BY GREGORY MERTZ, MBA

SHOULD YOU KEEP BILLING IN-HOUSE OR FARM IT OUT?

A family physician in New Mexico was quick to tell anyone who'd listen that he didn't need any billing staff, he did it all himself. Had he discovered a way to drastically cut overhead? Depends on how you define overhead. It was true that he did 100 percent of the work involved in submitting bills, and it was equally true that he spent \$0 on staff to help with that process. What he failed to include in the equation is the fact that, after he finished seeing patients, he spent the next 2 to 3 hours entering the information into his software program and transmitting his claims, as well as entering the payments that he received and generating the statements for the patient portion of each bill. While his labor technically didn't cost money, it was certainly impacting his quality of life.

Someone has to perform the functions involved in charge entry, data submission, and payment reconciliation. Who that someone happens to be is not as important as assuring that whatever effort involved is appropriate to the work involved. If you want to get paid for the work that you do, and you don't



have a cash practice, then someone has to assign codes (CPT and ICD-9) to the care that was given; someone has to enter that information into the data system (all but the smallest practices are now required to send claims electronically); someone needs to collect demographic and insurance information on the patient to be sure that the claim goes to the right place; someone needs to print the claims or transmit them to the insurance plans; and someone needs to match payments received with the charges and handle anything that wasn't paid and needs to be written off or billed to another insurance carrier or the patient.

Physicians often don't have a good understanding of the revenue cycle because their billing staff is

tucked away in a corner and, unless there is suddenly not enough cash to meet payroll, their work is somewhat invisible. Physicians see their nursing and front desk staff almost daily and quickly know what works and doesn't work and how many people it takes to get the job done. Billers, those invisible folks tied to their computer screens, are far more difficult to understand (they speak a strange language) and many physicians just don't bother.

As revenue becomes ever more critical and overhead must be reduced, or at least controlled, the role of the biller requires closer attention. What should they do and how many should there be? These questions need to be addressed in every practice, on an ongoing basis. Unfortunately the answers are as

LEARNING OBJECTIVES

After completing this article, readers will be able to:

- Outline the steps involved in the medical practice billing cycle
- Evaluate the factors that determine the optimal number of billing staffers needed for a practice
- Delineate the pros and cons of using an outside billing service

difficult as the process. The billing process differs by specialty, by volume, by market and payer mix, and by who does what. Before you throw up your hands and head back to the exam room or your office there are some basic steps that can be taken to get the answers. But before you can decide how many people you need to effectively bill and collect your fees, or even if you should do the job in house, you have to define the job itself. Kris Fisher, who does billing for a small specialty surgical practice and is a former billing consultant, says that "billing is easy, almost anyone can do it, collecting is hard." Collecting is all that counts.

IN SUMMARY

There is no one best way to approach billing. Regardless of whether you choose to keep it in house or hire a local or national billing company, you'll still need to monitor performance to ensure that you get every dollar you are owed. Don't forget to consider these caveats:

- If you do your own billing, make sure you have regular "sit-downs" with your staff to brainstorm on ways to be more efficient.
- If you use a billing service you should expect routine reports that provide an overview of the status of your accounts.
- If you are a new practitioner it might be more cost efficient to outsource your billing for the first year or two, while your patient volume builds and cash flow becomes less of an issue.
- If you are considering slowing down, you might be better off moving billing out of your practice — to avoid employing a full-time biller.
- If you are sure that you want the control of doing it yourself, but are unsure of what software to buy, you might want to test drive a program before making a big investment.

Every practice is different. Carefully look at all the factors before determining which choice is best for you.

BILLING SERVICE VS. IN OFFICE

The first step in examining your billing process is to decide if you are going to do it in house or you are going to contract with a billing service. This is an important decision. Fisher says that "nobody cares as much about your revenue as you do." Keep this in mind as you explore your options. Ask yourself these questions before deciding which option is for you:

- **Is money an issue?** If the practice is tight on money then investing in sophisticated software and hardware may not be an option right

or anesthesiology) finding a company with experience in your specialty may be a good idea. If billing is more complex and you often need to be consulted about questions, such as in a surgical practice, keeping the billing in the office may be the easiest route.

- **Is the billing service motivated to collect small amounts?** Many billing companies go after the "easy money" and may not have sufficient staff to collect the small balances. Ask potential billing companies if they are willing to provide a collection rate

COMMISSION DECISION Most billing services charge a percentage of the funds they collect. Do the math. If they collect what you hope they will, how much will you end up paying?

now. Many billing services allow you to use their software to make appointments and view patient accounts while they handle the billing/collection functions from their office.

- **Who manages the office?** If you are the doctor *and* the office manager you may not have the time to effectively monitor the performance of in-office billing staff.
- **Is space an issue?** Using expensive medical office space for billing staff may not be the best option if rising overhead is a concern. If you can lease just the amount of space needed to generate revenue then outsourcing may be a good option.
- **Is billing for your specialty straightforward or complex?** If the bulk of your services are office visits, or your specialty has a high volume of similar services (such as radiology

guarantee. If they do you will still need to monitor their performance but at least they are somewhat at risk for bringing money in the door.

- **How much will they charge?** Most services charge a percentage of the funds they collect. Do the math. If they collect what you hope they will, what will you end up paying? Is this more or less than you would pay your own staff to do the same job? A good billing service may cost a little more than the cost to do billing yourself, but not a whole lot more.

Before you decide to outsource your billing, let's explore what is needed to successfully perform billing activities within the practice. Consider each of the steps below to determine if you are up to the challenge, or at least willing to dedicate staff time to that challenge.

STEP 1 — DATA COLLECTION AND ENTRY

Regardless if you bill within the practice or hire a billing service you will need to collect basic demographic information on each patient such as name, address, birth date, employer, phone numbers, and who is ultimately responsible for the bill. You also need to determine if they have health insurance. If they do, you need the name and address of the company, the policy and group numbers, and a copy of the card just in case someone wrote down the information wrong. Verify that the coverage is still valid by checking online or by phone. All of these tasks are typically performed by front desk staff as part of the registration process.

This information is then either entered into the data system or sent to the billing service for entry. Once the patient is in the system a quick update of any information that changed from the last visit is all that is needed. A new patient should take about 3 to 5 minutes of effort to be entered into your system.

The effort required to enter charges will depend on the specialty and the coding performance of the physicians. If the providers select the CPT and ICD-9 codes then staff members only need to enter that information. If staff need to review notes to determine what was done then the time required and the level of staff sophistication increases dramatically. Another factor that will determine what resources are required is the number of charges per patient.

Fisher, who has worked with practices in most specialties, says "it is not the number of patients that drives the effort but the number of items on each claim. If there is an office visit, three lab studies, and an x-ray the time required to enter the data, and the possibility for errors, is much higher than a single office encounter."

STEP 2 — CLAIMS SUBMISSION

If the billing process is automated this can be accomplished with a keystroke. If the practice has a man-

ual process, someone has to print claims, stuff envelopes, and mail packages. Sending claims on paper will also delay payments by weeks.

Most practices send claims to a clearinghouse, which then sends them on to the correct payer. Typically the software used by these companies will perform a basic edit to see if all the required information is present. Missing data will result in an error report that will allow staff to quickly correct and resubmit claims.

Some insurance companies will also send an error report that shows that the person was no longer eligible for benefits, or the member number was entered wrong. Again, this is an opportunity to quickly fix the error and resend the claim without waiting weeks to receive formal notice.

STEP 3 — PAYMENT ENTRY

This is another process that may require varying degrees of effort depending on your billing software. If each payment must be hand entered and the adjustments, if any, made on the account, it will require substantially more time than if the software "autoposts" payments. This means that an electronic file from the insurance company is uploaded into the software and payments are automatically applied to the corresponding charge. Any accounts that do not match are shown on an exception report. While staff must still be careful to review any claims that were not paid, this method substantially reduces effort in a labor intensive process.

STEP 4 — ACCOUNTS RECEIVABLE

This is the most important and most difficult process in the billing cycle. Most claims will get paid so long as they clear the edits mentioned above. When claims don't get paid on their initial submission they require the attention of someone with knowledge of both insurance rules and basic coding. In most cases, any claim that remains unpaid after 30 to 45 days will never get paid unless it gets "fixed." Many billers will simply resubmit unpaid

claims. This is typically a waste of time. The correct way to address open claims is to either look at the status using online tools supplied by the insurance plan or call the automated claims inquiry 800 number. This process is slow and cumbersome, but it is the best time investment you can make in the billing process. Fisher was right when she said collecting is hard. This is what makes that work worthwhile.

ALLOCATING RESOURCES — HOW MANY PEOPLE?

If you have decided that you would like to perform basic billing functions in your office, how many people will you need? What types of skill sets? How much experience?

Angel Burnette, billing supervisor for a large primary-care practice, decided to find out just how much effort was required to perform the tasks within her department. Once this assessment was completed, she could determine how many people she would need and how to tell who was effective at their job. Having done most of the billing tasks in former jobs, she spent a day posting charges, then a day managing payments, then a day following up on open claims. Since she didn't do the

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tasks on a full-time basis, she figured that the staff who routinely did the job would be faster than she was.

"I found out that it takes about two to three minutes to enter a charge and I could enter about \$25,000 in payments in a typical day," says Burnette. "Looking at our daily workload I found that I had one FTE too many." It took some training and some time for staff to speed up their work process, but soon the department was doing better than ever with one less person.

DON'T GIVE UP The billing process can differ by specialty, by volume, by market and payer mix, and by staffing. Before you throw up your hands and head back to the exam room, there are some basic steps that can be taken to find the specific answers you need.

A rough planning tool dictates that a single efficient biller can handle two to three FTE primary-care providers, depending on the ancillary service load, while a busy surgeon will need their own biller. An orthopedic practice with x-ray and physical therapy may even need more than one biller per physician.

SELECTING SKILLS — WHAT SHOULD YOU LOOK FOR?

If you have decided that you're doing the billing in house and determined how many people you need, the final decision is the skills that you need to look for in prospective staff. Applicants that have worked for medical billing companies typically have experience in only one to two aspects of billing, perhaps data

entry or payment posting. Smaller practices need someone who has a much broader background. If the billing staff is large and the tasks segregated then the person may fit in fine. The best billers see collecting money as a personal challenge. Look for that in the interview. Both Fisher and Burnette agree that an effective biller takes it personally when a claim is not paid and will do what it takes to resolve the problem. If the applicant is just there to hit computer keys then keep looking.

SETTING YOUR BUDGET

As the billing and collecting process becomes more difficult, the value of experienced billers increases. While markets differ across the country, current wages are mostly in \$12 to \$16 an hour range for nonsupervisory staff.

Your investment in software will be anywhere from zero to \$8,000 per physician. Many software companies are making their programs available over the internet for a monthly fee of a couple of hundred dollars. The advantages to this option are no upfront investment, limited computer hardware required, and someone else who will store the data and support the program. Buying a billing program can be as low as \$1,000 or many thousands for the most sophisticated

of the options. A rule of thumb is to not overbuy. If you are new to the in-house billing process you should opt for the online option and then decide what features you need and want. Then go shopping.

Outsourced billing typically is priced on a percentage of collections basis. If your average fee is high, for example in a surgical practice, you can expect to pay less than 6 percent of what the company collects. If you are a high volume, small charge practice, such as a radiology practice, fees can be as high as 10 percent. Also look at what extras are charged. Who pays for the clearinghouse needed to submit claims (typically the billing company), patient statements (typically you), and whether you have access to the appointment module of the software without extra charges.

If you are a solo family physician and you are collecting about \$275,000 to \$300,000 per year, you are almost at the point that doing billing yourself is the same as hiring a billing service. If you can find someone willing to work part time you will save money doing it yourself at this level.

Bottom line, there is no best answer. Each practice and situation are different and those factors will determine which method is the wisest choice. What is the same, regardless of what you decide, is that you always need to monitor performance and assume that it can be done better. Nobody cares about your money more than you do. ■

Greg Mertz, MBA, FACMPE, is president and CEO of The Horizon Group, Ltd. He has more than 30 years of healthcare services management and consulting experience in varied settings, including public health, private physician practice management, and hospital feasibility and development. Recently, he has focused on assisting hospital clients in evaluating and strengthening their strategic bonds with their medical staff.