It may not be the right solution for every practice at every stage of their business. For a newer doctor, who is dealing with the challenges of building up a practice, it makes sense to outsource.

A more established practice, with the right talent on staff, it may make sense to handle the function inhouse or consider outsourcing certain functions of the revenue cycle that optimize their in-house staff’s time and overall effectiveness.

For a physician nearing retirement, it makes sense to outsource because it enables the practice to reduce staff and not fill roles due to turnover. It gives the physician flexibility to wind down the business gracefully, without impacting efficient claims processing and revenue flow.

Another dependency is how successful the practice owner/s are in managing a business operation. Not all physicians are motivated to learn these skills and frankly, it is not a normal business practice to consolidate all business operations under one individual within the practice.

Too many private practices have put their income at risk due to embezzlement because one person was allowed to control all aspects of the revenue flow. When you outsource, a good billing operation will have each function of the billing process handled by a different team or team member. Reimbursement checks should not come into the billing operation, but rather go directly into the practice’s account. Meeting periodically with your billing partner to compare your cash flow to their collections reports is a good practice and can typically help reveal mismanagement of funds at the practice.

Financial indicators that your practice may be a candidate to outsource include the average length of time it is taking your practice to get a claim processed through your carriers or your total days in AR. Specifically, a high performing practice should be processing claims around 28 days from date-of-service, at most. And depending on the specialty, your total AR dollars should be no greater than 120% of your average monthly charges.
2. WHAT ARE THE PROS AND CONS A PHYSICIAN OR PRACTICE MANAGER SHOULD BE AWARE OF?

One advantage of taking your billing outside is that you gain access to a larger staff of people than your practice could profitably support on its own, which means sick days and vacation days should not impact practice revenue flow. When dealing with a smaller, boutique biller, check the company’s staffing depth.

Another advantage to look for is whether the biller controls their software development. The industry is facing two major changes: The shift to the new ICD–10 code set and the need to evolve EHRs to the new MU 2 standards. Both are costly and time consuming efforts for any vendor, and especially vendors that are functioning on the margin. Larger billing companies, who control their own software development, have programmers on staff who should respond to the regulations and requirements in a timely fashion. Check how your biller intends to navigate these significant changes over the next year and a half. Will the biller have to change software vendors — which could be very disruptive to your practice as well as the billing service? If the biller owns a proprietary platform, do they have the resources necessary to keep up with the requisite changes and the looming deadlines?

When a practice works with an outside billing partner, if that practice believes all they have to do is “set and forget”, then that practice is setting itself up for failure. A successful business experience should evolve as a partnership between your practice and the billing operation. You own certain aspects of the process — appointment scheduling, verifying insurance, verifying accurate patient demographics, collecting co–pays or asking for outstanding balance payments at the time of check–in or check–out.

The billing company should offer integrated software tools for conducting these aspects of the process. In fact, what you should be looking to do is to co–source, not outsource. If it is not structured as a partnership, with clearly defined responsibilities on both sides, you will likely not be happy with the financial results.
3. **What are 4 signs that indicate a practice is a candidate for moving their billing and collections outside?**

1. If the practice has consolidated all financial management under the stewardship of a single individual — your practice may be at risk for embezzlement. A 2009 MGMA study uncovered that ~83% of practices surveyed had been the victim of employee theft or embezzlement.

2. Keeping up with the complexity and requirements that must be adhered to in order to file a successful claim is fast outpacing the grasp of even the most motivated office manager. Relying on a single person within a practice to navigate all the electronic field requirements — and to keep track of which carrier requires which fields — in the ever evolving 5010 form is just one example of the growing complexity of this business.

No private practice can match the technology advantages of working with a billing partner that develops its own billing platform. Such a partner is financially motivated to keep current with each carrier’s forms and filing requirements. In the case of ADP AdvancedMD, we process more than 3 million claim transactions per month through our platform in support of the thousands of private practices we work with nationwide. No private practice has that kind of volume from which to identify warning signs of rule changes at this or that carrier.

3. Many carriers are just starting to support electronic remittance technology. As they bring up these new systems, we expect to see a lot of mistakes and lost files on the carrier side. Who on your team is going to have the time and attention to tracking of each claim filed with each carrier? Do your current systems have the necessary capabilities to do this?

4. This business of billing has become as or more complex than tax filing. How many practices try to handle their own taxes? So why struggle with claims management and carrier follow up? Consider this — taxes happen once every 3 months. Billing happens daily, or at least should be happening daily, and the volume of items to manage is considerably greater. The odds are increasingly stacked against the practice that expects to manage this process by hiring a trusted family member or student fresh out of billing school.

Billing has gone professional. The skill and investment necessary to stay current and competent has become more like hiring a CPA or selecting experienced legal counsel. After all, this is a business decision that will determine your practice’s profitability and financial stability.
4. IF A PRACTICE DECIDES TO OUTSOURCE, WHAT SHOULD YOU BE LOOKING FOR IN A BILLING AND COLLECTIONS PARTNER?

Exactly that — they should be looking for a partner! The practice should be looking for a billing company that can offer them integrated technology tools — and not nickel and dime them for every feature. You want a business partner that will give your practice the tools to enable the partnership to be successful. Both sides of the partnership must be vested in achieving solid financial results.

The professional biller will have the technology and the systems in place to provide timely access to your practice information to support decision making. You want a business partner that can give you real-time access to financial reports. Ideally, you want a billing partner that is running on a SaaS technology platform — which is to say their software is running in the cloud, which easily facilitates anywhere, anytime secure access to your claims center, patient information and financial reports.

With this kind of visibility into your claims management process, it’s almost like your billing partner is sitting just down the hall from your front desk. Remember, information is the most powerful tool a practice has in planning and improving financial health.

Look for a billing partner that is going to be here next year and the year after that, one with financial stability and staying power. After all, once you make the decision to outsource and get familiar and comfortable on a set of practice-side automation tools that integrate with your billing partner’s technology systems you don’t want to have to go through that change any time soon. You want a partner that will make it through the coming MU–2 and ICD–10 transitions.

Look for revenue management partner you can trust, one with a history of managing their business to the highest standards of security, privacy and data recovery. Ask your billing service candidate to walk you through their HIPAA procedures and policies. How do they enforce PCI credit card standards? How do they protect patient data? What is their plan for data redundancy should they lose a server or disk drive?

And, as we all know, the medical industry has been flooded with regulations, requirements and change — it’s not your father’s practice anymore. Today’s practice must have stable partnerships and trusted technology in place that can evolve and change with the ever changing rules and requirements of our industry.

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Jennifer has more than 20 years experience in all aspects of revenue cycle management, having started and run a billing services business based in New York, then later moving into various support and management roles where she worked with medical practices and large healthcare organizations.