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Justifying a Billing Service

By Flo Murray

When would an outside billing service be justified instead of in-house personnel? The focus of this article is to get you to look at your current billing situation and assess if you would benefit from switching to an outside billing service.

The main reason many doctors choose to do their billing in-house is because they feel they have better control. This is certainly true if someone inside the practice truly understands billing, collecting and tracking. If that person has done it for many years, has experience with the hundreds of different scenarios you run into every day, and has the time to coordinate and focus on getting paid for all claims, then keeping the billing inside may be the right decision. If the practice is also profitable with the current in-house billing department expense, the billing should probably be done inside. A doctor's take home pay is directly related to overhead, and in-house billing expenses can be a high percentage of overhead.

If you stay with inside billing it is recommended that you have a support network of some sort: the annual H. J. Ross hotline, CCA hotline, or other doctors' billing departments that you can call in time of need. If your billing department has no outside resources to fall back on, the ability to collect on certain accounts is limited by your office person's experience.

If you think things are running smoothly in your billing department, but you never ask about any one patient's individual account, you have no clue whether things are running smoothly. When the billing manager is not accountable to anyone else (the doctor, doctor's spouse, the accountant, etc.), you depend solely on that person to make sure everything is handled timely and efficiently.

I know a doctor who thought he had a very efficient billing department, but he was unaware that his billing manager had plans to leave his employ. As she neared her last two months of commitment to the doctor, she stopped sending the billing out! To the doctor's dismay, he was unable to get paid for approximately \$10,000 in claims the managed care plan refused to pay because of missed deadlines. This costly problem

occurred because the doctor depended upon the billing manager, who was not accountable to anyone else for her work. In other cases, doctors have had billing managers for years without problems, because they take pride in what they do and would never consider leaving without helping to hire and train their replacement.

If no one double-checks your department from time to time, you really can't be sure. Even if you use an outside billing service, you do not really gain any control unless you have someone check their work as well. Though switching to an outside service will not necessarily give you better control, it can provide some of the following benefits:

1. You don't need to worry about your biller quitting and leaving you high and dry.
2. You don't need to worry about retraining if your in-house biller leaves.
3. You don't need to worry about the transition on problem accounts from one biller to the next.
4. You don't need to worry that a new biller will ask you to make an investment in the software that he or she uses.
5. You will have more space, time and energy to treat patients.
6. No one will be argue with an insurance company on the phone where patients can overhear.
7. You will gain the expertise of the billing company's many years of service to your industry, assuming you choose a billing company with this sort of experience.

8. You should see no break in your service or cash flow, as long as you choose a billing company that is dedicated to providing excellent service and has the expansion capabilities necessary to grow with your business.

9. You will save many expenses associated with inside billing.

To assess whether you will save money by switching to an outside service, you must compute the cost of doing the billing inside and compare that to the cost quoted by the outside service. Your inside costs include: payroll labor hours; payroll labor overhead; postage; paper; computer support; billing program support; telephone bills; and any other direct costs you can associate with doing the billing. You should also consider an alternate use of the billing department's space, such as having an extra massage room or renting it to an associate who works on a percentage.

Consider your own time and energy expended on hiring and replacing personnel. Consider who trains the new staff person and the time it takes a new person to get comfortable with your office and procedures. Your in-house personnel should attend seminars that keep them updated on industry changes, but that can be an added expense.

As you can see, some costs are not easy to compute mathematically. Sometimes the situation is black and white, and you can save a lot of money by going to outside billing. In other cases where expertise rather than money may be the issue, you may not see a direct savings. However, a good billing service will pay for itself with its knowledge and experience, and may be able to collect more than your own in-house staff. This is particularly true in offices where a single staff person supports the doctor. That person is expected to answer all phone calls, do all the paperwork management, and perhaps even assist in therapy occasionally. If a doctor's volume is only 30 to 50 patient visits per week, using an outside service may not be cost-justified. However, the cost of a service handling that volume of billing might be as little as \$400 per month. If the billing service has the kind of expertise you need, then justifying that expense is very easy to do, because they will easily be able to collect an average of \$400 more per month than your inexperienced in-house biller. Your in-house staff person would then have more time to help you with recalls, screenings, etc.

I have heard horror stories about billing services. There are good and bad services everywhere, just as there are good and bad employees. However, I have heard many more horror stories associated with in-house problems: drawers full of problem billings that went untouched and are now uncollectable due to insurance policy filing requirements; personal injury cases that went unpaid because no one had a tracking system for following up on the old cases; workers' compensation cases that no one in-house knew what to do with - cases that were easily collectable by someone with the proper experience.

Once you look at your billing situation, you will probably have a better sense for how things are running. You might consider bringing someone in to help assess your department. Many billing services have people who will do that for you. If they take over the billing, they should help you make a good transition. Knowing how your office runs will be the key to their helping you get your billing out in a timely and efficient manner with as little stress to the practice as possible.



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