

# TO HIRE OR NOT TO HIRE A BILLING SERVICE

*How to Make the Right Choice for Your Practice*





The business of medicine is growing more complicated every day as insurance reimbursement rates decline, operating costs go up, and administrative challenges increase. From elaborate and confusing payment systems and intricate compliance requirements to IT-related issues like security and reliability, it is becoming increasingly difficult to manage the business of your practice without losing focus on the quality of care your patients receive.

The consequences of neglecting your business operations are great. It can cause lost revenue, decreased cash flow, increased operating costs, too much time and attention spent on administrative matters, and ultimately can lower your bottom line.

*At some point, every practice has to ask...*

*Do we continue doing what we have always done?  
Or is it time to make a change in the way we operate?*

Most, if not all, practicing healthcare providers believe that medical billing is one of the most complex and crucial components of their business. As the management of medical practices evolves with the introduction of new technologies, government requirements, quality assurance measures, and financial limitations, practitioners and practice managers find themselves having to decide which operations methods will both save expenses and generate revenue. And of course, medical billing is one of those operations. Many practices ask, "Should we hire an outside billing service?"



Whether you keep your billing operations in-house or you choose to outsource, your first concern should be that your providers are documenting their services based on coding standards. The overall effectiveness of your billing operations begins and ends with billing and coding knowledge—if you don't learn how to bill and code for profit, not much else matters. Once that's covered, you're ready to assess your practice and explore which of the two most common billing scenarios benefits you the most.

## FIRST, ASSESS YOUR PRACTICE

To find out what the best choice is for your business, ask yourself these questions about your billing process, staff, physical space, and plans for the future:

1. Is your accounts receivable too high (more than 45 days)?
2. Are you experiencing an increased number of denied claims?
3. Is your net collection rate declining?
4. Are some of your charges and claims not making it to the appropriate payers?
5. Is coding and billing for your specialty especially complex?
6. Are you spending too much time on the business aspect of medicine?
7. Do you want to focus more time on patient care?
8. Are you generally frustrated with the effectiveness of the billing/business office?
9. Are you concerned that your staff or office manager has knowledge of your income?
10. Do you feel too reliant upon your office manager?
11. Do you have several employees performing tasks that could be handled by one, more-experienced biller or manager?
12. Are you having a difficult time keeping or hiring experienced billing staff?
13. Does your staff lack a certified professional coder?
14. Do you struggle to find time to check patient insurance eligibility and benefits?
15. Are you planning to expand your practice?
16. Are you facing a major capital investment in new hardware or software?
17. Are your computer support fees too high?
18. Is your computer system obsolete?
19. Are hardware, software, and IT issues disrupting the operation of your practice?
20. Are you short on space and locked in to a long-term lease agreement?
21. Do you believe that your practice's cost structure is too high?

*Now, let's look at the options.*

# #1

## Outsourcing your billing operations



**If you answered yes to most of these questions, using a billing firm is probably a good fit for your practice and will most likely increase your bottom line.** There are many benefits to hiring a billing service to manage your billing operations, as well as a few potential drawbacks.

When you outsource your medical billing, you can:

- **Focus more energy on what you do best**—practicing medicine and taking care of patients.
- **Stop hiring, managing, and training** billing staff.
- **Avoid delays** due to vacation, sick time, or staff turnover.
- **Reduce costs** associated with personnel salaries and benefits, computer hardware and software, office supplies, office space, and training.
- **Eliminate expenses**, such as annual coding and compliance education.
- **Reallocate space** that would be used for billing to generate additional revenue streams.
- **Dedicate more resources to making an efficient transition** to electronic health records.
- **Lock in a portion of operating expenses** at a set percentage of revenue.
- **Avoid purchasing** an expensive billing system.

**Outsourced billing is typically a good fit for start-up practices that are trying to keep costs low and that have unpredictable patient volumes, and for practices that don't want to manage an administrative team.** All of the day-to-day billing functions are handled offsite when your billing is outsourced. Plus, a reputable medical billing company will have a team of well-trained, certified billers versed in the nuances of medical billing from coding to patient collections.

Medical billing companies are often the best option for smaller practices simply because of the prohibitive cost of specialized medical billing tools and technologies.

Although outsourced billing companies enable practices to be less concerned with the claims process and record retention, you'll need to get used to working with people outside of your practice. Establishing good communication channels and processes will be critical to your success. In the beginning it may take a little longer to find a problem, track down the answer to a billing question, or make a process change. But, as the partnership evolves, you should be able to experience the same kind of real-time exchange of information that you would if you were in the same building.

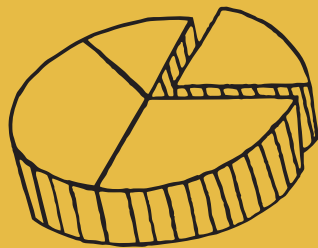
## #2 Keeping your billing operations in-house

If you answered *no* to most of these questions, your practice might benefit more from keeping billing operations in-house. In the same way that hiring a billing service has its ups and downs, so does maintaining an in-house billing staff. Some of the advantages include:

- **Having more day-to-day control** of the billing and collections process.
- **Utilizing the full capabilities** of your existing staff.
- **Recouping your practice's investment** in a billing system.

Depending on the size of your practice, the average in-house billing department consists of one or two trained billers per one to three providers. Payroll expenses aside, the start-up costs of an in-house billing department will include: equipment (such as computers and software), registration with a clearinghouse, additional space for records storage, and reference materials (such as annual coding books or courses). Other ongoing costs include photocopying when needed for paper submissions/resubmissions, stationary, postage, patient statement processing, and software and hardware support.

An in-house billing team may seem like an administrative burden and an increase in overhead, but the advantages to having your billers in-house may outweigh those factors. With an in-house billing department you can keep a close watch on your day-to-day billing operations, questions can be addressed in real time, and changes can be implemented immediately.



## Still Undecided?

How you manage your billing it isn't always a black and white decision. Here are five other factors to consider if you are still struggling to find the right answer for your practice:

### 1. Control

Having control over the billing cycle is important to many physicians and practice managers, whether billing is managed in-house or by an outside billing service. If you use an outside source for billing, will the physicians or office manager work with a designated billing specialist? Open communication and a quick response to any concerns will help the practice maintain greater control over the billing and revenue process.

With cloud-based systems, the office manager and/or physician can view the real-time status of patient accounts by simply logging on to the system in the same way they would if the system was being used by a biller onsite.

### 2. Communication

Billing and financial matters require consistent, effective communication. Choose a billing company that will respond to your needs at a moment's notice and keep you abreast of their performance by supplying you with timely and accurate reports on a consistent basis. You'll feel more in control of your revenue cycle and their full-time billing staff will get the information and answers they need to help maximize your revenue.

### 3. Performance

Performance of your billing service can be best gauged by an increase in your revenue and the speed at which you receive it. Compare the performance of the billing service by measuring these three indicators of best-in-practice industry standards:

- ▶ Days in A/R
- ▶ Net collection rate
- ▶ Percentage of A/R over 120 days

### 4. Cost

The cost of the product or service does not necessarily have to be less than the cost of managing the product or service in house. The most important factor to consider is whether or not your billing service is increasing your revenue and shortening your days in A/R, thereby helping you earn more money, faster. Because of the amount of money involved in the average medical claim, even a 5 percent improvement in collections means exponentially more to the bottom line than a 5 percent reduction in billing fees. For the average provider:

- ▶ 5% improvement in collections = \$24,000+ in additional annual revenue
- ▶ 5% reduction in billing fees = \$1,000 in annual costs

It often is more cost effective to outsource billing. Make sure that whatever service you choose charges between four and eight percent of claims paid and that the percentage charged goes down as the rate of claims paid increases.

### 5. Management style

Your management style is one of the most important factors to consider when deciding between in-house or outsourced billing. If you like to have your hands in the heart of your practice, then in-house billing is probably the best option for you. If you prefer to let go and focus solely on patient care, be sure that your billing service offers you access to the information you need to make the quality decisions that affect the profitability of your business.

**No matter the direction you choose—in-house billing or billing service partnership—your medical practice can be a great business and an exceptional place to provide healthcare services to your patients.** Just remember, as your business needs change, the decisions you make today may need to change as well. Always stay open to the possibilities and make choices that allow for flexibility in the future.



## ABOUT THE AUTHOR

Rochelle Glassman is a passionate advocate for physicians and medical practices, and she has devoted her career to helping doctors get paid.

She is the president and CEO of United Physician Services, and is a nationally recognized healthcare consultant known for her candor, tenacity, and vision.

Rochelle trained as a registered nurse in her home country of Great Britain and ran two successful medical clinics in Manchester. Relocating to California to further her career, she advanced from back office and nursing positions to top administrative and consulting roles. Especially gifted at new business development and payer contract and payment negotiations, Rochelle has generated millions of dollars in revenues for many national healthcare organizations.

## ABOUT KAREO

Kareo is committed to providing education and insights to small medical practices. The company works with in-the-trenches influencers, consultants, and Kareo customers to provide relevant tips on how to successfully manage medical practices and medical billing services.



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