Billing Service Pros and Cons
When does a billing service make sense?

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Outsourcing Billing: Pros and Cons

The Basics

1. Traditional in-house billing:
   a. One or more billers employed by the practice whose primary role in the office is to post charges, bill insurance companies, post payments, reconcile outstanding claims (managing A/R, resubmitting claims), collection/posting of patient payments.
   b. May work in the practice, from home or a mixture of both.
   c. May or may not be “incentivized” in regards to collections.

2. Billing Service:
   a. All work is offsite, and no biller is employed by the practice. Billing company assumes some or all functions of an in-house biller utilizing the billing company’s software, or may bill directly off practice’s billing system.
   b. Cost is derived by either a percent of collections or a monthly fee that is roughly tied to a percent of collections.

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In-House Billing

The Pros:
1. The Practice maintains complete control of the revenue cycle
2. Intimate knowledge of payer’s claim requirements, theoretically limiting rejection and denials
3. Reports can be run at will, in order to ascertain billing effectiveness
4. Billers are familiar with patients and employers limiting demographic and insurance errors
5. All payments are directed to the practice or their financial institution
6. Questions or concerns about billing can be addressed in “real-time” with the billing staff. Any changes can be implemented quickly
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In-House Billing

The Cons:
1. Employee expense is borne by the practice. In 2013 the national average for billing clerk total compensation was $51,000 per year
2. Depending on location qualified medical billers may be difficult to impossible to find
3. The burden and cost of training rests with the practice
4. Employee turnover can cause continuity issues and increased billing expenses
5. In general employee expense is not linked to practice income
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Billing Service

The Pros:
1. Eliminate billing expense, linking cost to performance through either a direct percentage of collections or a fee that is similar
2. Depending on the company, typically employee resources are greater (i.e. may have multiple people working account)
3. In theory, knowledge of payers is better, especially for a local billing company. Typically there is one or more certified professional coders on staff
4. In general more resources are available to investigate claim issues to ensure better financial recovery of denied and/or rejected claims
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Billing Service

The Cons:

1. By definition billing services are external and the number one issue is timely communication with the person that handles your account.
2. Most billing services use their own internal software requiring duplicate claim entry which increases the risk of transcription errors and hence denied and rejecting claims.
3. If the billing service is using their own software, the practice is blind to what is actually happening, relying on the billing service to provide reports.
4. About 50% require all insurance payments be diverted to them initially or use a lockbox.
5. Most billing services bill for multiple specialties and may not have specific pediatric experience, and may devote more resources to higher paying specialties.
6. If the billing service takes billing phone calls from parents, they may not emulate your staff’s knowledge or empathy causing issues.
7. They are not practice employees and cannot be considered as such (This is an extremely important concept).
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So what is a practice to do?
Outsourcing Billing: Pros and Cons

Based on averages around the country, the AAP, MGMA and AAMM the recommendations are surprisingly similar.
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You should consider using a billing service if:

1. Your practice size is 4 providers or less
2. You are starting a new practice of 3 providers or less from scratch
3. Your practice is in a rural part of your state and there are no medical billing professionals in your area
4. You are considering a relative, spouse or sibling with no prior experience to perform your billing
5. You think that billing is simple and does not require a great deal of knowledge
6. The only biller available to you can only work once a week….from home
7. Your billing expense is 1.3 times greater than the billing service cost based on past annual revenue
Outsourcing Billing: Pros and Cons

You may not want to consider using a billing service if:

1. Your practice size is 4 providers are more
2. Your practice is in a suburban or urban area with access to medical billing professionals
3. If the billing service uses different software than your office
4. If you have multiple medicaid plans, with each requiring very special needs
5. Your current billing measures up to the standard metrics for billing and AR
6. Really, it makes the most sense for practices that can, to maintain their own billing
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A few recommendations concerning billing services in today’s market

1. Be wary of ultra low collection percentages (2% or less)
   a. They most likely use offshore billing companies who may not have the same HIPAA rules as the US.
   b. They are using income derived from billing high-end specialties and hospitals to offset losses from billing primary care. Consider how much effort will be made to handle rejects or denials on a $100 office visit.

2. Be especially wary of billing services that require all insurance and patient monies are sent to them first.

3. Essentially if it seems too good to be true, then it’s not true.