OUTSOURCED BILLING INDICATED FOR THESE 6 CONDITIONS

Objective Criteria for a Crucial Decision

I know, I know. As a physician, you really need to focus on the clinic and providing the best care possible for your patients. That is absolutely the highest priority. So, these recurring discussions about coding and billing and how much your practice is potentially (or actually) losing can be a real drag and distraction from your main focus.

So, let's simplify the issue, and consider the one big thing: high-functioning billing for an independent practice comes down to one simple question: should we keep trying to do this ourselves, or turn it over to the outsource professionals? Behind all the data and spreadsheets and explanations and ideas and excuses, this is the fundamental issue.

There are pros and cons both ways, but the objective is to accomplish billing for your practice in a way that maximizes revenue and minimizes headaches, disruptions and cost. Easy to say, much harder to do in practice. There's no iron-clad right or wrong answer – only what's right for your practice.

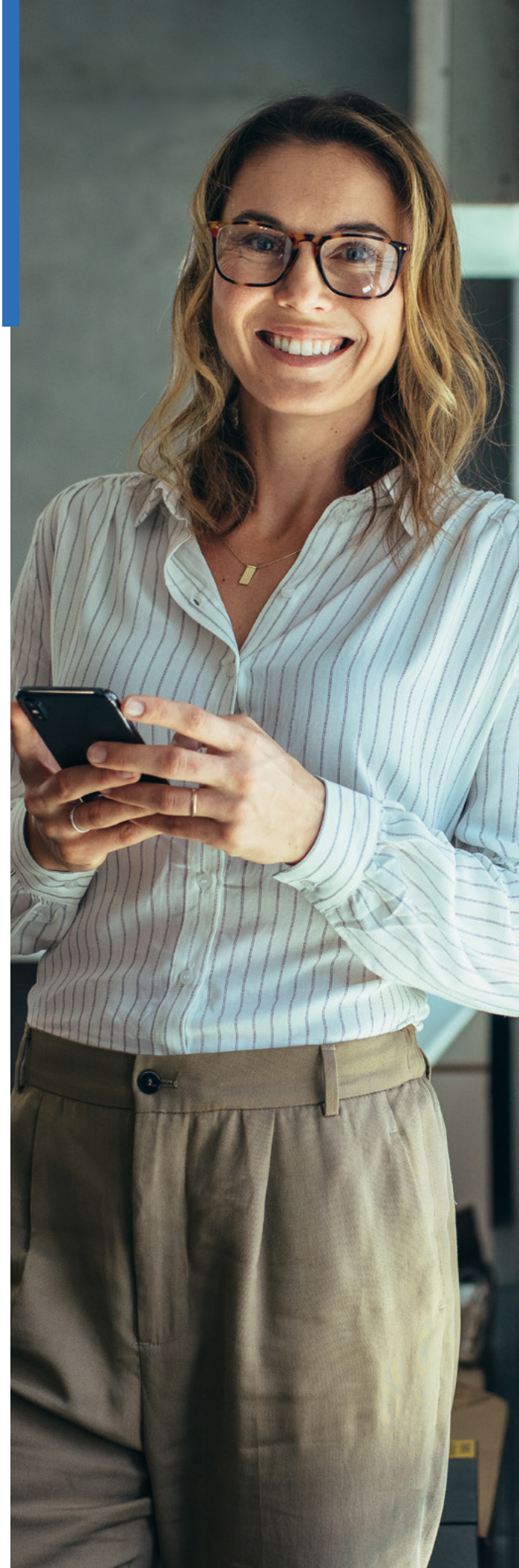
So, what's right for you?

Full disclosure: 25 years ago, we created one of the first comprehensive billing software systems for independent practices and have maintained a leading position since. We also expanded our offering to include a complete all-in-one medical office automation suite (EHR, practice management, patient engagement, billing), but billing remains a key flagship component of that system. Because of the power and success of the billing module, over the years, many outsource medical billing services have adopted it as the software platform for their clients. In essence, clients have the same benefits of this proven billing system that runs inside thousands of practices, but it's being managed and optimized for them by outside professionals.

All that to say we are completely agnostic between in-house or outsource billing. We've seen thousands of practices succeed nicely with both models. And we've seen many who struggle with one or the other when it's the wrong fit for their particular situation. The trick is to pick the one that's the best fit for you, and then pick the professionals with a proven software or service track record for delivering outstanding results.

6 conditions for which outsourcing is indicated.

To guide the in-house/outsource decision, we've condensed decades of experience in medical billing for independent practices into **six simple conditions** within an in-house billing operation that are strongly indicated for outsourcing. If four or more of these conditions are true, there is a high probability you'd be financially better off with a good outsource billing service partner.



CONDITION 1

Attracting & Retaining Top Billing Talent is Not Working

Because of the specialized, convoluted and ever-changing nature of medical billing, you can only succeed with highly talented, experienced billing pros on staff, particularly if you are specialized. This is not something that can be done at a high level by smart, eager friends, relatives, interns or even long-term employees who are otherwise inexperienced or lack a track record of training, certification, and success.

If you are having a hard time attracting and retaining that level of talent, it is a strong indicator to leave it to the professional services who can more easily maintain a pool of experienced talent with specialized skills. This is especially challenging in today's job market where attracting and retaining quality staff is an ongoing issue.

CONDITION 2

Separation of Duties is Not a Realistic Option

This is a condition overlooked by many practices that's not directly related to day-to-day billing per se but can have a devastating long-term financial impact on the practice. It directly relates to the risk of embezzlement.

The shocking reality is that fully 75% of physicians experience embezzlement during their practice lives.[1] It is likely going on as we speak if you haven't taken specific countermeasures. Total losses are non-trivial, averaging $437,000 per practice.[2] This is rarely in one shot or even one year. The embezzlement typically accumulates toward this total over years or even decades.

The most important safeguard is to create separate roles and access rights for staff involved in sensitive financial areas potentially prone to fraud. For example, separate responsibilities for who writes checks, makes deposits, manages billing and HR. If this isn't possible in your practice, and billing people are the same ones who handle/deposit the money, keep the books, write checks or manage the front desk, you have a condition that is strongly indicated for outsourcing to a professional service who keeps all these items in check for their clients.

For more details on reducing the risk of embezzlement in your practice, read the eBook:

The Elephant in the Room: There are Thieves Among Us.

CONDITION 3

Loss Ratio is Consistently Greater than 20%

Numerous studies indicate that the average internal billing department makes errors resulting in losses of 25-30% of practice income. That's on average! Those are very large numbers.

This is not a slam on billing professionals. Most of these errors are due to the highly technical, complex and constantly changing nature of medical reimbursement billing. Only the most highly skilled, knowledgeable and experienced billers can achieve the lowest loss percentages. It's the nature of our current insurance reimbursement healthcare delivery beast.

If your in-house billers are beating the averages and keeping losses below 20%, keep them happy and productive! But if loss ratios are consistently in the average to above-average range, it's a condition that is strongly indicated to move outside where loss ratios are typically much lower.

CONDITION 4

First-pass rejection rates are greater than 6%

Leading billing software includes powerful claim scrubbing technology that identifies issues prior to submission that would result in a rejection, so they can be corrected at the least costly part of the workflow. The software includes millions of government and third-party industry edits and is constantly updated by teams of experts.

Because of these capabilities, optimally running first-pass claims submission rejections are routinely less than 5%. This is also true for billing services who employ experts focused on specific specialties.

First pass rejections that consistently exceed 6% are another condition indicated for outsourcing to experienced, specialty-focused experts. Alternatively, if your ultimate decision is to keep billing in-house and rejections are running high, you will want to review your software vendor's capabilities and consider a switch to a system that performs at a higher level.

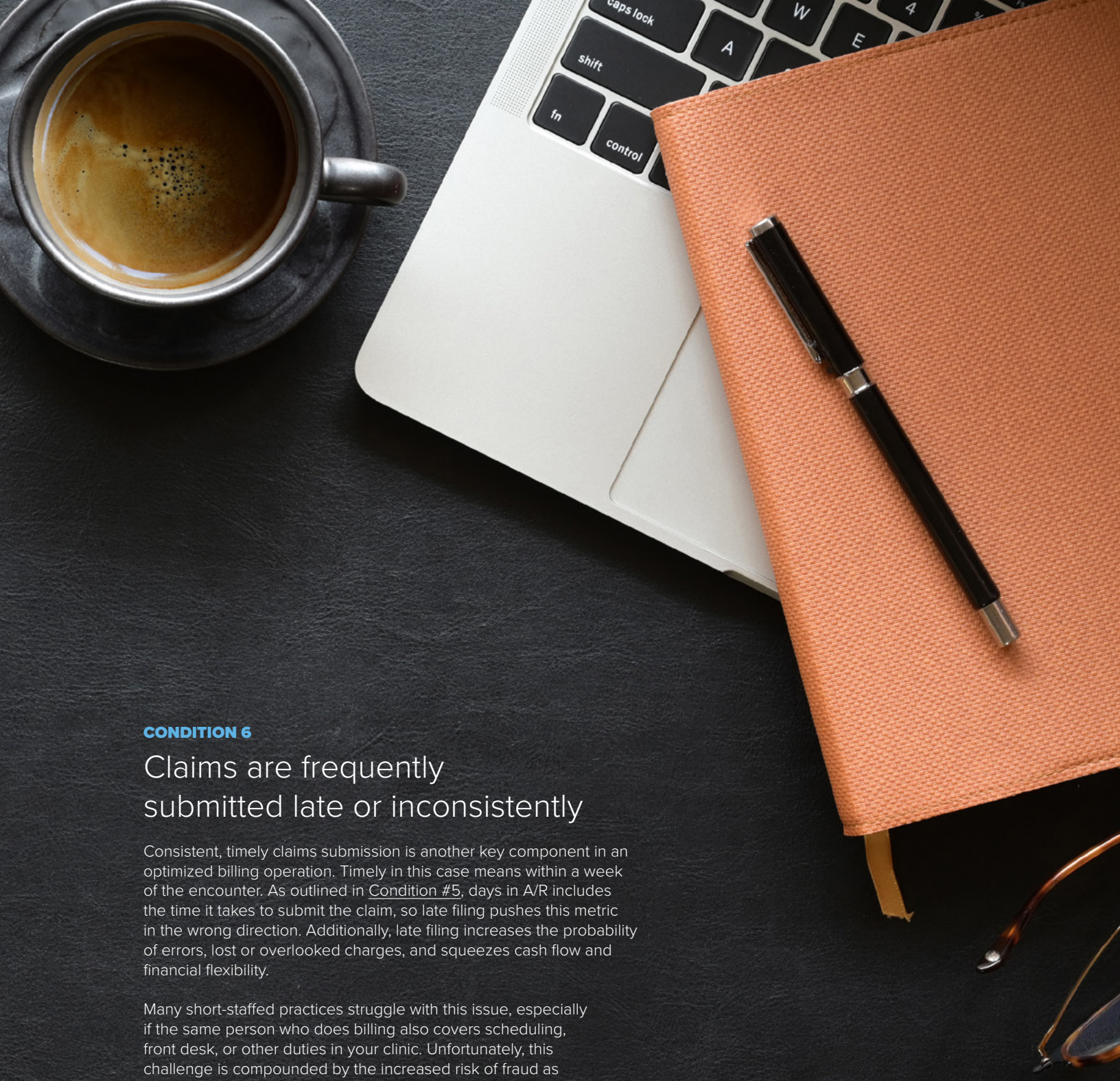
CONDITION 5

Days in A/R is consistently greater than 40

A healthy practice should have an average number of days in accounts receivable between 30 and 40. That includes the time it takes to submit claims to insurance and the time to send any balance to the patient.

Data shows that the longer it takes to submit claims and follow up on denials and rejections, the less likely you will get paid the full amount. According to the U.S. Department of Commerce, you only have a 70% chance of collecting on payments 60 days past due, and only a 30% chance of collecting once it reaches six months (180 days).

Days in A/R over 40 days consistently is another condition indicated for outsourcing.



CONDITION 6

Claims are frequently submitted late or inconsistently

Consistent, timely claims submission is another key component in an optimized billing operation. Timely in this case means within a week of the encounter. As outlined in Condition #5, days in A/R includes the time it takes to submit the claim, so late filing pushes this metric in the wrong direction. Additionally, late filing increases the probability of errors, lost or overlooked charges, and squeezes cash flow and financial flexibility.

Many short-staffed practices struggle with this issue, especially if the same person who does billing also covers scheduling, front desk, or other duties in your clinic. Unfortunately, this challenge is compounded by the increased risk of fraud as outlined in Condition #2.

Keep an eye on this metric. If claims are inconsistently filed, or are chronically late, outsourcing can effectively address this risk while simultaneously reducing fraud risk.

What About Cost?

Cost is always a question. But an in-house vs. outsourcing decision hinges first on the five conditions outlined above. For example, if outsourcing isn't a good fit for your practice, a lower-appearing cost on paper may not actually materialize, and vice versa.

For an in-depth look at key in-house vs. outsource cost considerations, refer to the eBook: In-House Billing Sucker-Punch: The Big Blow to Profits You Didn't See Coming.

NEXT STEPS

With these conditions informing your decision, the next step is to evaluate outsource billing service providers if that's the way the balance is tipping. The objective is to find a partner who understands and can address your specific challenges and is a good fit with your specialty and practice approach.

This eBook may be useful in formulating a framework for evaluating and vetting potential partners: Ask these 5 Crucial Questions to Find the Best Billing Service for Your Practice.

If keeping billing in-house is your best option currently, this is an ideal time to bring any sub-par performing areas up to their greatest capability.

About AdvancedMD

AdvancedMD provides managed billing services based on decades of billing expertise and deep technology roots that deliver outstanding results for independent practices of all sizes and specialties. We'd love to explore a potential fit with your practice billing requirements to take your revenue cycle to the next level. Schedule a demo or request a pricing quote today.

We also have a network of hundreds of independent billing service companies as customers. These companies support tens of thousands of physicians using AdvancedMD billing, practice management, EHR, and patient engagement tools.

Visit our marketplace (https://www.advancedmd.com/advancedbiller-marketplace/) to learn more and find a potential billing partner.

1. https://www.sageinvestigations.com/blog/embezzlement-in-medical-and-dental-practices-is-a-real-thing/#:~:text=In%20fact%2C%20three%20out%20of,7%25%20of%20their%20monthly%20income
2. https://www.aprio.com/do-you-have-a-medical-practice-you-may-be-the-victim-of-embezzlement/