

Revenue as a By-Product of Investment: 6 Factors to Consider When Researching Billing Companies

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In today's economy of declining reimbursement and increased regulation, physician groups nationwide have understandably begun researching their billing options in hopes of higher collections and lower billing fees. When evaluating the outsourcing or migrating of billing functions from one vendor to another, consider the following 6 factors:

1. The Bitterness of Poor Quality Lingers on Long After the Sweetness of Low Price

With the ease of electronic filing, collecting 80% of payor reimbursement is simple. It is collecting the remaining 20% that differentiates a quality biller from all others. Practices that do not invest in billing often get what they [don't] pay for. Medical billing is not the commodity some will claim. In fact, it's quite the opposite.

Unfortunately, price is often the one variable that is easier to quantify, understand and predict. While it is certainly important, lackluster performance can easily overshadow any price savings. The lowest cost service is not always the best solution; in fact, it rarely is. With lower costs comes less investment into staff, technology, and time (with respect to working the minute details of pathology/laboratory billing). Practices should take little comfort in getting the lowest fee, but rather focus on getting a high-quality service at a reasonable fee.

When negotiating with a billing company, be aware of comparing apples to oranges. Some providers have an all-inclusive approach, while some have an *a la carte* approach. Most billing services are priced on a percentage of collections method, unless prohibited by state law; however, some have a lower base rate but may charge extra for implementation, programming, credentialing, enrollment, patient statements and/or refund processing. Some billing companies even outsource a portion of their work overseas to reduce their costs. Not all billing companies offer the same services or the same pricing models. For comparative purposes, practices must take these additional items into account in their overall evaluation of pricing and service levels.

2. The Devil is in the Detail

The most important by-product of the billing process is the information an organization can extract to evaluate the performance of the billing company, monitor payor reimbursement, and understand market trends of referral sources. This information is critical to making timely and effective business decisions.

Practices should expect to receive a comprehensive monthly billing report which includes, at a minimum: referring physician trends, breakdown of volumes by procedures, AR Aging, and a summary of activity by payor and place of service. Quality reports should show monthly and year-to-date charges, payments, contractual adjustments and bad debt. Contractual adjustments should be separated from bad

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debt to allow accurate monitoring of the billing company's performance (i.e., the Net Collection Percentage should reflect what is actually collected and not what is collected in addition to bad debt) as well as detailed analysis of payor's adherence to contracted terms.

Billing companies should be able to provide custom reports for practice management needs. If you need a breakdown of each referral source and their corresponding referral patterns by CPT code, can they extract the data? Can they break your referring physician list down by inpatient, outpatient and non-hospital work volumes? Don't take their word for it. Ask for an example and document how long it takes them to respond to your request. We have spoken with several pathology practices who have CPA's manually building reports each month because their billing company can't produce the data in a readable format. What can the billing company take off of your hands?

Management reports have no benefit if the data is not reviewed regularly. It is important that practices and billing company alike can justify an increase or decrease in the practice's performance. For this purpose, Anatomic Pathology (AP) and Professional Component of Clinical Laboratory (PCCL) should be reported on separately. AP and PCCL have different benchmarks and blending the two could skew the performance on both, but more importantly, it doesn't let you focus exclusively on the more profitable AP performance.

In addition, one common area of oversight for many practices is denial management. It is a cumbersome process and, for this reason, some billing companies have chosen to save costs and not invest in proper denial management staffing and technology. Historically denial rates have been 10-15% of claims filed; the rate is now closer to 15-20%. Billing companies should have staff dedicated to monitoring, trending and following-up on denials. By closely monitoring denials, and identifying payor denial trends, billing companies can implement the proper adjustments to billing processes to help prevent future denials. Providing denial reporting allows pathology practices and laboratories the opportunity to educate the appropriate referring physician offices on issues with retrieving information needed for clean claim submission.

3. Technology Can Make It or Break It

The complexity and technology required to conduct these activities is becoming increasingly out-of-reach for most organizations, especially those who perform their billing in-house or outsource to a small, localized billing company. Without strong technical expertise in both billing and information technology (IT) billing companies run the risk of costly errors or oversights. Even with such in-house expertise, limited staffing and the risk of turnover in key personnel can devastate short-term cash flow.

A quality outfit should have the ability to receive electronic data, file electronic claims, receive electronic payments, and edit incoming data to reduce the likelihood of denial. An edits engine provides a buffer in the claims filing process, prior to the data being dumped into the billing system, that prohibits cases with missing data or incorrect data from being filed. For example, if a practice only bills the 26 modifier for a specific place of service, an edits engine would red-flag any global CPT codes that were captured for the defined place of service. These red-flags would be managed by a billing team on an individual claim-by-claim basis.

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In addition, a billing company should utilize software systems that capture data at the line-item level in order to provide meaningful reporting modalities. Antiquated systems may not support any of these functions and could become even more problematic when faced with the 2013 implementation of ICD-10.

Look for a service that provides web-based payment alternatives for patients as well as extended phone hours. More of the cost burden of healthcare services is being shifted to patients; in order to better facilitate collections from patients, billing companies must make the process user-friendly.

4. Don't Give Into the Song and Dance Just Yet - Do Your Own Research

Understand the history of the billing companies you are interested in and determine how long the companies have been in business. Strong contenders should have significant experience in the specialty of pathology/laboratory as well as a high concentration of clientele. This experience will aid significantly in the ability to achieve great results and the delivery of high-quality value-added services. Ask for references and call them; this independent opinion costs little in terms of time and effort, but is very valuable. Speak with current clients as well as those who no longer utilize the billing company; ask questions specific to reporting methodologies, timely follow-up, and staff expertise.

Credentials should never be overlooked. All CPT and ICD-9 coders should be Certified Professional Coders and any financial analysis should have the oversight of a CPA. Ensure adequate resources are in place to support your account appropriately and enough people have been dedicated to the billing functions.

Most importantly, take the time to visit one of the billing company's operation centers. This provides an opportunity to talk with staff (both billing and administrative) first hand as well as see the back-end technology support of the operation. Ask for examples of reports. If the billing company states they provide accession tracking, ask to see a recent report. When investing the time and money into switching billing companies, don't leave any stone unturned. An on-site interview is one of the most effective methods in making a good decision. Would you hire their employees to work for you?

5. What Else Is In It for You?

Evaluate the additional perks of being affiliated with the billing company. You don't necessarily need to choose the biggest company, but do consider nationwide coverage and the volume of pathology/laboratory work performed as a benefit. A nationwide network of clients opens the door for free advice from your peers and the billing company will be better prepared for a variety of obstacles your practice may face.

Successful billing companies will also be able to assist in payor contract negotiations, in-depth financial analyses, market analyses as well as other consulting-oriented tasks at no additional cost. Outside of increasing your collections, billing companies that also play the role of the business partner can offer other methods to increase revenue including helping to define market growth potential and providing discounts with industry vendors.

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6. Compliance, Quality Assurance and the Importance of Reputation

Compliance is ultimately the responsibility of the provider in the eyes of the federal government; partnering with a reputable billing company with a strong Compliance Program is of paramount importance. Ask for a copy of the Compliance Plan. The absence of one is certainly a red flag. Ask questions about the operation of the Compliance Program. Even if you are not a compliance expert, this exercise will provide valuable insight into the importance placed on Compliance by the billing company. Check the Office of Inspector General (OIG) list of excluded entities.

Last, your practice should be alerted on any new developments regarding industry regulations and standards. Inquire regarding the billing company's expertise on PECOS, HITECH, PQRI, RAC audits, etc. and how they have impacted the pathology industry specifically.

PSA is a leading provider of business services and support to pathology practices and clinical laboratories nationwide. PSA uses an integrated approach of billing services, marketing support, coding and compliance guidance and preferred pricing from industry vendors to put more money in the pockets of our clients. PSA has extensive experience in working with pathology practices nationwide and has developed this article in an effort to help practices ensure they receive the largest return on their billing investment.

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10 Questions to Ask

1. **What is included in the bid and what will be provided at an extra expense?**
 - Credentialing, implementation, refund processing and postage are just a few examples of what some billing companies charge extra for.
2. **What day of the month are reports published and how will I retrieve those reports?**
 - Monthly reports should be distributed by the 5th of every month, at the latest.
3. **How are interfaces developed and maintained?**
 - Billing companies should have an internal team dedicated to developing and testing interfaces.
4. **What edits engine is in place to help keep my claims from denying or being filed incorrectly?**
 - Before data is dumped into the billing system, an edits engine provides a buffer, prior to filing, for claims that may be missing data or have the incorrect data included.
5. **What options are available for patients to pay their bills?**
 - Online, phone, and by mail should be available. In addition, some billing companies also provide online inquiry and insurance update options to patients.
6. **What is the company's experience in pathology/laboratory billing and how many clients do they have?**
 - Many billing companies provide services for several specialties. Rather than looking at their overall client volume, find out how many they bill for specific to pathology and clinical laboratory.
7. **How many employees will staff my account?**
 - Ask to see the calculation they use to determine how many billing personnel will work your account. Compare quantity, and quality, of staff across all billing companies that are being considered.
 - At least 1 highly-qualified billing manager should oversee your account. Billing companies should also provide oversight from an administrative and audit standpoint (companies that staff CPA's should receive extra points).
8. **Can they provide me with at least 10 referrals of practices who currently utilize their services as well as practices who have recently switched to another company?**
 - It is certainly important to know what current clients think, but it's just as important, if not more important, to know why other clients left.
9. **What other services are offered outside of billing?**
 - Business savvy billing companies can provide marketing support and business support services to help increase revenue for your practice as well as save on current expenses.
10. **How will the billing company support me in regards to new industry regulations and protocol?**
 - Billing companies owe it to their clients to stay on top of recent industry developments, such as PECOS, PQRI, NPI, and HITECH, and provide updates and feedback as necessary. If you are researching small, local billing companies, keep in mind that they may not have much expertise in the pathology/laboratory industry.