

## Is It Time to Outsource My Billing?

At first glance, the idea of outsourcing the practice's billing function can seem very appealing. Doing so removes the headaches of having to recruit qualified billers and manage the billing system operations; plus it might reduce overhead. However, because the practice's income depends so heavily on billing performance, this is a very important decision that should not be taken lightly. The trade-offs should be carefully understood and evaluated.

In-house billing staff interact on a daily basis with the rest of the practice and eventually gain specialized practice knowledge that can help you address recurring issues involved in billing certain procedures and patients as well as enhance practice operations. Billing staff also tend to be very loyal to the practice and highly motivated to collect the last dollar available. The biggest disadvantage of in-house billing occur in very small practices where a long absence or resignation can potentially disrupt practice finances and the limited number of billing staff tend to be less able to deal with swings in volume and may not have the depth of technical expertise possessed by a large, specialized billing company.

On the other hand, outside billing companies operate on an arms-distance basis and may not communicate as well with your staff and physicians; they may cost more; and they may collect a lower percentage of your claims. Since a billing company's income usually is based on a percentage of the dollar claims collected, it has a strong incentive to put most of its effort into collecting the easiest and largest accounts, while quickly giving up on harder-to-collect and smaller accounts. That "creaming" strategy may maximize their profits but it tends to reduce your collections. Of course, individual billing companies may do much better, and in some rural areas finding a qualified biller is so difficult that outsourcing may be your best general alternative. The key question is who can perform this function best?

When listening to a billing company's sales pitch, think about what you are really buying. If your staff will still be required to enter charges, recognize that they will be performing the most essential step in a billing cycle. What percentage of your claims are paid without much effort by your staff vs. what share of them actually require detailed follow-up? And remember that electronic claims submissions are virtually automatic while posting payments is a routine staff function.

In interviewing potential billing companies, here are some issues to raise:

- What are the fees and how are they calculated?
- What are the estimated annual costs of this service to you based on your current claims volume? Compare that cost to your projected practice expenses for handling the function internally.
- How soon will you be made aware of denials, delays, and payment problems? Set a minimum acceptable time.
- Insist on daily, weekly, or monthly reports for tracking your accounts receivable and collection results.
- What actual collection ratios has the billing company previously achieved for practices comparable to your own? Request evidence, and compare their ratios to what you can do internally.

For a more detailed discussion of outsourcing, see "[Should You Outsource Your Practice Billing?](http://www.acponline.org/journals/news/nov99/patbill.htm)" (<http://www.acponline.org/journals/news/nov99/patbill.htm>). Also, get PMC's free-to-members "[Billing and Collections Manual](http://www.acponline.org/private/pmc/bill_collect.doc)" ([http://www.acponline.org/private/pmc/bill\\_collect.doc](http://www.acponline.org/private/pmc/bill_collect.doc)) to examine and improve your practice's reimbursement functions and process. Your practice may even wish to use the manual for staff training purposes or to help in establishing job descriptions and office policies and procedures.