

Billing Service Evaluation

As the medical industry continues to change at a rapid pace, the function of emergency medicine billing has evolved to a complex process requiring highly trained personnel and excellent continuing education for physicians to assure accurate and timely physician reimbursement. Due to the increased administrative burden associated with managed care and other third-party payer reimbursement processes, emergency medicine groups are finding it increasingly difficult to devote the necessary time to optimally manage their accounts receivable. Computer software alone cannot be counted on to reverse the present trend of dwindling cash flow. One result of this trend is that many practices across the country are focusing more attention on finding the best billing service to improve compliance management and address shrinking revenues. Finding the right billing service for your group involves a study of not only existing operations, but also expectations, requirements and qualifications of any billing service being considered.

Specialization & Credentials

Just as specialization and sub-specialization can increase quality and effectiveness in medicine, it is good to examine potential billing companies based on their degree of specialization and their professional credentials. Are the top executives Certified Professional Coders (think of this as the billing-industry equivalent of being board certified)? Does the company have leadership and oversight from experienced emergency physicians who understand your reimbursement issues and compliance concerns? Does the company have specialized expertise and focus on emergency medicine reimbursement issues?

How Much Will it Cost?

One of the first questions that comes to mind when thinking about outsourcing to a billing company is: How much will it cost? Because the level of expertise, services, and resources can vary greatly from company to company, it is inappropriate to compare them on price alone. The most meaningful basis for comparison is to evaluate the expected/actual total net revenues and compliance risk reduction of each billing company. The total net revenue is the total collections per patient visit minus any direct or indirect billing costs. The compliance risk reduction is a measure of compliance risk exposure with each entity. You may want to enlist the aid of your accountant to make your comparison as accurate as possible.

The true cost of billing must include the loss of revenue or expense from:

- undercoding evaluation and management services,
- not billing procedures appropriate to bill,
- claims not appealed,
- write-offs that could have been collected, and
- all direct and indirect billing fees.

Compliance risk can be measured by:

- physician training and education provided,
- value of compliance resource materials provided,
- compliance within payer guidelines of claims submitted to payers.

This is equally true for in-house billing as well as third party billers. Inefficient billing methods, poorly trained staff or inadequate supervision can cost a significant amount of revenue. The revenue loss takes on even greater significance in light of shrinking reimbursement schedules associated with the managed care environment. Billing effectiveness must be included in any evaluation formula, and a means by which to objectively measure billing performance should be in place prior to the execution of a billing-company agreement.

Compare Billing Companies

Based on the Net ROI (Return On Investment)

After calculating the cost of collection (external and internal billing cost) and reviewing the effectiveness of your present billing entity, it is now possible to address the issue of pricing based on the level of service being provided. A practice may experience a substantial increase in net revenue even though the billing cost as a percentage of collections is higher. The obvious question is: "How can I have more net cash if I am paying a higher fee?" The answer lies in doing a better job and collecting a larger amount of the total appropriate revenue.

An analogy: One stock broker charges a 1% fee and generates a 10% return on your portfolio (9% net ROI); another charges a 3% fee and generates a 25% return (22% net ROI). The relevant numbers for comparison are 9% and 22%, respectively, for the net return generated by these brokers. Comparing them only on a cost-basis would lead to a bad investment decision.

Ask prospective billing companies for a reimbursement analysis that shows the anticipated net Return On Investment using your group's historical data and their service and fee structure (details below).

Spectrum of Service Provided

Various levels of service are available from third-party billing entities. It is important to be sure you are comparing "apples to apples" in the breadth and depth of services provided and relate these to the fee charged by the billing company. For example, some billing companies charge additional fees for postage or other elements of the billing process. Thus, you need to understand any add-on fees and include these when comparing the total fees of each billing company. Also, you should compare how much insurance follow-up will be done on your accounts by each company to be certain that one company doesn't simply "skim" by focusing on easier to collect dollars while largely ignoring the more difficult to collect dollars. Finally, make a list of your important needs and expectations on issues such as physician training and feedback, billing reports, and payor contracting assistance to determine which billing company best meets these needs and expectations.

Add the Value of Non-revenue Services and Objective Quality Indicators

Collecting your money is only one function of a good billing company. The company may also offer valuable compliance and training services that should be factored into your decision. For example, one compliance violation can result in fines up to \$25,000 and result in your removal from the Medicare program. You are accountable for compliance violations even if the billing company does your coding. Some companies provide physician training in reimbursement and compliance-coding issues, as well as programs to help your group avoid costly fines. Quality, defined by objective criteria such as the company's percentage of "clean claims," also has tremendous bearing on your cash flow and your bottom line. (A clean claim can be defined as a complete and accurate claim submitted in a timely manner to the appropriate payer.)

Pricing

It is important to evaluate your billing company based on value rather than price, because the price you pay is less important than what you get in return. The question to ask is, "What will our bottom-line collections and compliance risk be, after paying for your billing services?" Not all billing companies price their services in the same manner. Some of the more common pricing scenarios are:

- Per Claim Basis
- Cost Plus
- Monthly Flat Fee
- Percentage of Receipts Collected
- Blended Rate (Combination)

With so many pricing models and variables, it is essential for valid comparisons to ask each prospective billing company for a reimbursement analysis as described below.

Ask Prospective Billing Companies for a Reimbursement Performance Analysis

To evaluate the cost/value equation meaningfully, ask prospective billing companies to submit a Reimbursement Performance Analysis. This analysis uses your group's recent historical financial data to calculate a bottom-line forecast of the revenues you can expect to collect using a given company, based on their fee structure and service profile. A good analysis will factor in all relevant variables, including your payer mix, acuity levels, fee schedule, patient and procedure volume, insurance carrier fee contracts and other variables. A good analysis will also provide revenue expectations for recommended changes.

Measuring Success

The billing industry exhibits varying measurements for success. One widely used but misleading measurement is the collection percentage. This is an unreliable number when used in isolation, because so many variables are at play such as the group's payer mix, fee schedule, and acuity profile. The most meaningful measurement standard is the actual payment received per patient visit. This measurement allows you to compare the results of different billing companies without misleading influences such as an inappropriately low fee schedule. (The way to achieve a 100% collection rate is to lower your fee schedule to the rate the lowest payer will reimburse each service.)

Emergency Medicine Billing Company Evaluation

This document helps you compare billing companies before selecting a partner for your group's billing needs. Place a checkmark in the column of the company that exhibits superiority for each attribute and incorporate the results in your decision.

	Company A	Company B
Does this company specialize in the unique reimbursement needs of emergency medicine professionals?		

Payback/ROI. Ask how this billing company measures results. Insist on clear and meaningful measurements.		
Has the company offered a comprehensive Reimbursement Performance Analysis to show its projected bottom-line ROI for your group, based on your group's own historical data?		
What is the billing company's expected payment-per-patient ?		
Pricing structure. Are you confident in the company's pricing structure? Does it discourage "skimming" that can result in lost revenue, or upcoding, which results in compliance violations?		
Quality. What is the company's percentage of "clean claims" ?		
Are all employees bonded against theft?		
Does the company have Errors & Omissions Insurance ?		
Is the company's Information System and computer software compatible with your needs?		
Does the company provide all of the relevant reports you need to effectively manage your group's revenue?		
Does the company provide superior Emergency Medicine reimbursement training and resources to physicians?		
Does the company offer a compliance program to help your group adhere to regulations and avoid costly fines?		
Innovation. Was a thorough Needs Assessment undertaken? Does the company exhibit flexibility to meet the needs of your group?		
Cash Flow. Does the company optimize cash flow and minimize time lag between patient encounter and billing?		
Audit services. Does the billing company perform an audit of your group's charts prior to engagement?		
Consultation. Does the company partner with you to help you manage your revenues and compliance risk?		
Are the billing company's top officers exceptionally qualified and highly accessible to help you with group reimbursement concerns?		

Are the top executives and coding staff members Certified Professional Coders ? Does the company have leadership and oversight from experienced emergency medicine physicians who understand your reimbursement issues and compliance concerns?		
Payor Contracting Assistance. Does the company provide assistance in evaluating and managing your contracts with payers?		

If your answer is "no" to any of these questions, you owe it to yourself to discover how PMB can put you and your group on the path to optimized reimbursement performance. Call Linda Pearce at (260) 407-8003, or send us an e-mail today. It could be the most profitable move you'll ever make.