

WHICH BILLING MODEL IS THE BEST FIT FOR YOUR PRACTICE?

3 Main Outsourcing Models

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[Less than 20 percent](#) of physician practices outsource their billing. MGMA survey results show that large numbers of the other 80 percent of practices are performing sub-optimally and leaving money on the table or waiting too long to collect it. This, combined with the fact that [only 5.66 percent](#) of MGMA “Better Performing Practices” use outsourced billing, seems to suggest that many practices could be better served by either outsourcing some of their revenue cycle functions, or by doing a better job of how they go about outsourcing their RCM functions.

Why Outsource?

The rationale for outsourcing acknowledges an environment of increasing complexity. It is unlikely that practice staff are experts with up to date knowledge in every aspect of revenue cycle management. Even if they do possess a higher level of expertise, revenue cycle activities often receive spotty attention due to more pressing daily demands. Moving billing and collections outside of the practice allows these activities to receive the uninterrupted, focused attention that your practice’s cash flow deserves.

Key considerations for practices:

- The cost of maintaining billing and collections in house

The average practice with in house billing and collections utilizes one or two billers per one to three providers. [Typical costs](#) associated with in-house billing include payroll, equipment, records storage space, and clearinghouse fees. Reference materials such as coding resources or seminars can carry significant costs, and, despite good intentions, it may prove challenging to get employees to make additional efforts to keep their skills up to date outside of normal work hours.

- Current performance on KPIs such as accounts receivable days and collections percentages

The crux of the problem of whether to outsource is performance. There is no doubt that a lot of practices keep their billing and collections in house because they are reluctant to give up control over an activity with serious cash flow implications. An underlying assumption is that no one external to the practice will give it the same level of care and attention. Practices should take a hard, objective look at their actual performance on revenue cycle KPIs relative to benchmarks.

Mediocre or worse performance may indicate that outsourcing could yield improvements to collections and cash flow. Additionally, external billing and collections companies are often paid a percentage of actual collections, which helps align the billing company's interests with the practice's interests.

➤ Employee turnover

High turnover among billing and collections staff is common and costly. Practices with substantial employee turnover, especially in the 15 to 20 percent range or higher, may benefit financially from moving these functions outside of the practice.

The current healthcare environment is conducive to moving billing and collections services outside the practice, due to increasing complexity, multiple payers with different rules, and competing expenditures for technology. [“Billing” is not simply billing](#). One can bill and not get paid. Revenue cycle management encompasses the interdependent components of eligibility, coding, charge entry, correct payment posting, and claims follow up.

The 3 Main Outsourcing Models

Practices can choose among three models for outsourcing billing and collections services: 1) pure outsourcing, 2) bundled EHR/PM plus billing services, and 3) a hybrid model.

1) Pure Outsourcing

Pure outsourcing offers the benefits of decreased fixed costs and overhead associated with in house billing, and allows practice staff to focus on patients in the office while reducing incoming calls related to account questions. This can improve practice efficiency and service. Billing companies, by nature of working with a higher volume of claims than individual practices, may have stronger relationships with payers, resulting in faster payment. Hours of availability to resolve patient inquiries may be extended beyond normal practice hours as well.

Risks with this model include loss of control of claim activity, billing reports which are not useful or don't paint a clear picture of billing company performance, or the risk that the vendor's system doesn't work with the practice's EHR system. The main drivers of a decision to outsource are a reduction in accounts receivable and an increase in revenue and improved

cash flow. Choosing the right vendor is critical with a straight outsourcing model, as some vendors may have a tendency to focus on high volume, less skilled work rather than complicated appeals. Practices may not receive personalized service with this “assembly line” approach, which carries another major risk: the distance between billers and your practice may result in a lack of knowledge about the practice, which could lead to incorrect coding and claims.

2) Bundled EHR/PM plus billing services

While practices using the bundled EHR/PM plus billing services model enjoy a single point of contact with consolidated services, as well as decreased fixed costs (with the exception of incompatible EHR and PM systems), the same risks inherent in the pure outsourcing model still apply. Lack of practice-specific knowledge and personalization are still missing in this model.

The biggest risk of the bundled EHR/PM plus billing services model is the inflexible vendor relationship. EHR vendors have already failed the industry from a support and performance perspective so adding billing services is like a “double down” but this time we’re including the cash-flow of the practice. Further, if the practice decides to change software or billing service partners they learn it has to be an “all-or-nothing” move which in most cases is unaffordable resulting in long-term mediocre operational performance.

3) Hybrid billing service

A better but lesser known third model combines the best of both worlds: the personalization and practice-specific benefits of in house billing paired with the efficiencies, specialization, and cost savings of outsourcing. This hybrid option allows practices to enjoy all the benefits while eliminating common risks and complaints associated with the other two models. Hybrid billing services are rapidly growing with physician practices across the country.

Hybrid billing services’ highly skilled teams allow medical practices to benefit from a consistent workforce of certified professional coders and billers without the costs associated with supervision, recruitment, and employment. Clients of hybrid billing services are not bound by contracts or held hostage by cancellation fees. They have the freedom to pick best-of-breed EHR and PM applications, because hybrid billing services support ANY software platform. The freedom and flexibility offered by this business model creates a competitive advantage for client practices looking to stay nimble and flexible.

HealthCell is a leading hybrid billing service offering next generation revenue cycle management services for practices and hospitals nationwide. With over 100 employees, certified by the AAPC and AIHC-ASSN, and active experience with over 20 different EHR/PM/Billing software systems, HealthCell delivers tailored best-of-breed services that keep clients flexible and nimble to thrive through change.

In addition to working with the EMR and PM software of your practice's choosing, HealthCell is able to offer partial service, end to end service, as well as support for one time special projects. To discuss your practice's unique needs and how HealthCell can improve profitability while providing first class service, call 877-472-1320, email hello@HealthCell.com, or fill out the online inquiry form.

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