

HOW TO SELECT A BILLING SERVICE

- Are you a candidate?
- What are you spending now?
- Questions to ask...

Dermatology Billing
Associates

A Billing Service Exclusively for Dermatologists

 **West Coast
Dermatology
Billers, LLC**

WHAT IS A BILLING SERVICE?

- A billing service is a company that generally handles claim filing to various insurance companies for provider and/or supplier offices. There is usually a per-claim charge fee or a percentage-of-total-claim-amount charge to the provider.
- Some billing services will collect paper claims from the provider/supplier location and forward the claims electronically to the carrier from their host computer systems. Other billing services supply the provider with billing software and/or a computer terminal for claims entry and submission to the billing service host computer which then forwards the claims to the appropriate insurance company.
- There are less than a thousand billing services nationally. Like any other service you are shopping for, you have specific criteria or requirements that are needed for your particular office.

ARE YOU A CANDIDATE?

Many physicians are concerned about losing control if they use an outside billing service when the reality of the situation is they have no control now.

Only your monthly accounting reports tell you what your practice is making. It does not, however, tell you what you're losing by inappropriate coding, failure to use modifiers causing denials, and lack of substantive follow-up. With an outside service, you are more informed and have a better handle on your collection activities.

And with a professional billing service, you only pay for the money you collect. Your present staff gets paid whether money comes in or not. Our staff has a direct incentive to get paid for all services billed. If we don't...we don't get paid!

How much control do you have now?

Ask yourself the following questions:

1. How much does it cost to do billing in my office?
2. What is the quality of the billing performed in my office?
 - Percentage of errors monthly
 - Percentage of adjustments to payments
 - Frequency of patient billings (weekly, monthly) and is the billing performed regularly
 - Are reviews done on denied charges and when?
3. What is your Accounts Receivables (A/R)?
 - Does your entire A/R total more than two months of your practice income?
 - Is more than 25% of your A/R over 90 days?

When was the last time you had someone look at the quality of your staff's work? If your office manager spends most of his/her time doing billing, then you should get an outsider to look at the above issues. If your office manager is not involved in the day-to-day billing activities, answers to the above questions should be ascertained before the new year commences.

Be careful of accounting statements that show your accounts are 95% to 99%. As professional consultants, we frequently see accounting summaries which show a fabulous collection ratio yet the A/R is out-of-control, incorrect write-offs are prolific and patients haven't been billed in months. After all, if your bank deposits show you deposited \$59,000.00, billed \$85,000.00 and adjusted \$21,000.00, your collection ratio would be 92%. What if \$8,000.00 of that was incorrectly adjusted or represented write-offs that weren't necessary? That would mean a practice loss of almost \$100,000.00 in lost revenues! Numbers can be deceiving. I prefer to see what actually is occurring rather than statistics and percentages.

Who is evaluating the quality of the billing? Has anyone looked at the billing activities recently?

WHAT ARE YOU SPENDING NOW?

Take a couple of minute and do the following worksheet. Do this on a MONTHLY basis...

1. Total hours for billing staff x (times) average hourly wage

<i>Total Hours per Month</i>			<i>Average Hourly wage</i>		<i>Total</i>
<input type="text"/>	X	<input type="text"/>	=	<input type="text"/>	

Example: If you have 2 full time staff who do nothing but billing and you pay them an average of \$12.00 per hour you would calculate:

$$2 \times 40 \text{ hours per week} \times 4 \text{ weeks} \times \$12.00 = \$3840.00$$

2. Benefits, vacation, payroll taxes, sick pay, etc. for those staff. This cost is usually 20% of the annual salary.

<i>Total Wages</i>		<i>Avg. Percent</i>		<i>Total</i>
<input type="text"/>	X	<input type="text"/>	=	<input type="text"/>

$$\text{Example: } \$3840.00 \times 0.20 = \$768.00$$

3. Supervisory time dedicated to billing activities. Many office managers spend 80% of his/her total work time on billing and billing related activities.

<i>Total Hours per Month</i>		<i>Average Hourly wage</i>		<i>Total</i>
<input type="text"/>	X	<input type="text"/>	X .80	= <input type="text"/>

$$\text{Example: } 160 \text{ hours per month} \times \$20.00 \text{ per hour} = \$3200.00 \times 80 \% = \$2560.00$$

(Total hours worked times average hourly wage equals monthly salary or if you know the annual salary, simply divide by 12. Multiply times 80% and this gives cost of supervisory staff with relation to billing activities.)

4. Benefits, vacation, payroll taxes, sick pay, etc. for supervisory staff. This cost is usually 20% of the annual salary.

<i>Total Wages</i>		<i>Avg. Percent</i>		<i>Total</i>
<input type="text"/>	X	<input type="text"/>	=	<input type="text"/>

$$\text{Example: } \$2560.00 \times 0.20 = \$512.00$$

5. Computer hardware, software purchases, hardware and software upgrades and support and supplies. This includes amortization and depreciation on existing equipment.

(Your accountant may need to help you with this figure.)

- a. Billing system software support
- b. Billing system hardware support
- c. Billing system software upgrades and custom programming
- d. Computer upgrades and maintenance (PCs, monitors, keyboards, mice, memory)
- e. Network and firewall maintenance

**Total
Expenditure**

Example: \$1500.00 (average per month)

6. Forms, paper, envelopes, reference books, etc. (Be sure to include HCFA-1500 claim forms, patient statements, envelopes, and subscriptions to billing newsletters.)

**Total
Expenditure**

Example: \$500.00 (per month)

7. Cost of using a claims clearinghouse

**Total
Expenditure**

Example: \$337.50 (750 claims per month at \$0.45 each)

8. Cost of electronic patient statement service, if used. If not, estimate the cost of sending monthly statements which should include postage, statements, envelopes and staff time.

**Total
Expenditure**

Example: \$97.50 (150 statements per month at \$0.65 each)

9. **Cost of postage.** (Be sure to include the cost of renting/leasing the postage meter.)

**Total
Expenditure**

Example: \$200.00

10. **Cost of phone and internet.** (Be sure to include long distance, basic service, phone system lease, T1-lines, #800 numbers, etc.)

**Total
Expenditure**

Example: \$425.00 (\$200.00 phone lease payment, \$125.00 per month for basic service, and \$100 per month in long distance)

11. **Cost of copier.** (This includes the copier lease or finance charges, maintenance, and paper.)

**Total
Expenditure**

Example: \$275.00 (\$200.00 per month lease, 2500 copies per month at \$0.02 each for maintenance, and \$25.00 for paper)

12. **Cost of ancillary equipment**

- a. Scanners
- b. PDAs or tablet PCs
- c. Laser printers or claim printers
- d. Maintenance contracts and repairs on above items
- d. Supplies (toner, ribbons, batteries, etc.)

Example: \$500.00 per month averaged

**Total
Expenditure**

13. **Cost of office space.** (Estimate the percentage of office space dedicated to billing.)

**Total
Expenditure**

Example: \$400.00 (\$5,000 per month rent with 8% dedicated to billing)

Divide your total expenses by the monthly gross revenues (how much you deposit into the bank)

Total Monthly Gross Revenue

Example: \$72,000.00 (estimated deposits based upon 40 patients per day x 5 days per week x 48 weeks per year x \$90.00 collected per claim on average)

Total Expenses
(total of 1 to 13 from
the previous page)

÷

Total Monthly Gross Revenue

=

Cost of Billing

Example: \$11,915.00 divided by \$72,000.00 = .1655, multiplied by 100 = cost of collections

Cost of Billing

X

100

=

Percent

Example: 16.5 % is the cost of collections in your practice.

Second year increase costs

You must realize that your expense to not remain fixed. Staff demand raises, postage increases, rent may increase, electricity goes up, etc.

Take the totals in numbers 1 through 13 and multiple those by 8%.

Example: The next year your costs could rise to 17.9%.

The benefit of using a billing service is that your costs for the remainder of the contract will not increase, while your expenditures for in-house billing most certainly will rise.

What do these figures mean?

Once you know this figure and know the quality of the work performed by your staff, you have two additional questions you must ask:

- How can I get the cost down?
- Would it be more cost effective to outsource the activity to a billing service? Professional billing services can do billing for 7% to 10% of your net collections. (The national average is 8.3%.)

QUESTIONS TO ASK WHEN SELECTING A BILLING SERVICE...

Is your billing service a COMPLIANCE company?

The Office of the Inspector General (OIG) has issued Medicare Compliance guidelines for physicians and third-party billers (billing services). Medicare Compliance is no longer a threat, it's a reality. The intent is for physicians and staff to increase accountability and reduce fraud. Be sure that the billing service you select is already a Medicare compliant organization.

Cost

Does the service charge a per claim fee or do they charge a percentage of what is collected?

Because cost options differ, it is important to look at the amount you are typically charged per claim and your overall claims volumes so you understand the total cost to your practice.

Most billing companies will charge you based one of these two methods. Using the worksheet on the above pages, you can easily figure out your costs to bill in-house. Can a billing company do it for less? In most cases, yes.

Insurance Companies

You may have to file claims to a variety of insurance companies and want to have them filed consistently whenever possible. You should ensure the billing service takes preventive measures to protect the confidentiality of both patient and provider data used in the submission of your claims.

Which insurance companies does the service submit bills to?

Can the claims be submitted to these insurance companies in the manner I choose (i.e., paper or electronically)? Is there a difference in the charges between paper and electronic submission?

Convenience

As with any service, convenience is certainly a consideration that applies to a billing service.

How will the claims be transported/submitted from the doctor's office to the billing service? (e.g., Do I need to send completed paper claims to the billing service or is this done electronically? If I bill paper claims, will the billing service make arrangements to pick them up?)

Does the billing service expect me to complete the claim form in its entirety or will they take the patient's claim information and complete the claim form for you?

Completeness and Accuracy of Claims

Ensuring that your claims are submitted as accurately and error-free as possible is a virtual guarantee of the quickest payment possible. However, use of a billing service does not relieve a provider of the accountability to ensure the appropriateness of the services billed.

Will I be able to include specific types of records/documentation required by each insurance company or carrier for claims processing? (crossovers, MSP, medical necessity for chiropractic/podiatry/ambulance services, etc.)

What edits does the billing service have installed in their claim submission software? Are all Medicare B front end edits installed in their electronic module?

Convenience

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Contractual Arrangements

What types of agreements/paperwork need to be executed between the provider and billing service?

Are there any agreements/paperwork required between me and the insurance companies? (e.g., an Electronic Data Interchange [EDI] agreement is required by Medicare Part B of Florida for your protection.)

Timeliness

Yes, it's true. Not all billing services submit claims immediately upon receipt from their clients. Since some insurance carriers, including Medicare, make payment based on the date a claim was received, this criterion is an important factor due to its impact on receipt of your payments.

How soon will the claim be filed to the insurance companies after being submitted to the billing service?

Can a claim which is rejected due to front end edits or denied by an insurance company be refilled electronically? If so, is there a charge for this service?

Record Retention

If you need to know what is happening during each step of the claims processing cycle, you need to ask the following questions:

Will I receive a claims summary generated prior to transmission showing all claims being submitted?

Will I receive a confirmation message outlining exactly how many claims, the dollar amount, type of claims and date received by the insurance company?

Availability of Other Electronic Services

Since the future lies on the electronic superhighway, you'll need to know the following:

Does the billing service offer other electronic services such as:

- Electronic Remittance Notification (ERN), which allows you to receive information on processed claims which can be used to automatically update your patient records.
- Electronic Claim Status (ECS), which allows you to obtain the status of claims which are at least 14 days old, but have not yet finalized (instead of making telephone status inquiries).
- Electronic Rejects, which allows you to receive information about claims rejected by Medicare's front end edits.