How To Evaluate A Billing Company

Five Critical Factors
Physicians feel caught between declining reimbursement and increasing costs from more complex regulations, higher employee costs, and more sophisticated technology. As a result, more and more groups are considering hiring a new billing service, whether for the first time or to replace an existing company.

Based on the experience of practices and departments that have recently chosen a new billing company, there are five important criteria to consider.

1. PERFORMANCE VS. PRICE

As in most areas, billing services tend to reflect “you get what you pay for.” It is relatively easy to set up and operate a billing company that does the simple tasks. It is quite another matter to run a billing service that achieves high levels of net collections, month in and month out. Most physicians know that it is relatively straightforward to collect the seventy-five to eighty-five percent of claims that are paid the first time. But collecting the other fifteen to twenty-five percent is a different matter. A company that doesn’t highlight its denial management, follow-up and A/R management should raise red flags. With the continued growth of high deductible health plans, you should also ask about patient collection procedures and results. And the best companies will also be able to describe how they routinely monitor and correct underpayments.

If a practice or department just focuses on the price, many of these factors may be overlooked. Price is an easier variable to compare than the ones associated with performance. However, a lower price may reflect a company that has less investment in technology, training, and repeatable processes. The lower price may also reflect a company that outsources much of its work, or a company with lower service levels. It is particularly important to understand that if “company A” collects three, five or ten percent more than “company B”, then Company A is the right choice even if their price is higher. And differences of this magnitude are more common than not.

Most billing companies price using a “percent of net collections” approach, except where state laws don’t allow it. But sometimes an “apples to apples” comparison is hard to make because one company quotes an all-inclusive fee versus another company with a menu of pricing elements, such as credentialing, interfaces, implementation, patient statements and refund processing. Ask the company with the menu items to provide quantified estimates for each item so you can create the correct comparison.

AT A GLANCE:

Your billing company should:

1. Deliver consistently strong collections (cash) performance
2. Have current financial data available online any time
3. Demonstrate robust technology capabilities
4. Have deep professional credentials in your specialty
5. Show strong compliance focus
2. REPORTING AND DASHBOARDS

The billing process generates data and information that represent the financial and operational lifeblood of your practice and department. Therefore, it is essential that you have complete access to any and all information, at any time. Today’s leading companies offer their clients a “dashboard” showing practice performance at a glance plus the ability to “drilldown” into details as needed.

You should ask to see the billing company’s standard monthly reporting package. In addition to “charges, adjustments and payments”, it should include summaries by payor, by location, and by physician. Plus procedure volumes, A/R aging, and acuity. More detailed reports should include denial patterns, payor payment patterns versus contractual terms, bad debt, and refunds.

A capable billing company can also provide customized reports and data. Perhaps your accountant needs certain data at the end of each month. Ask for a sample of how that data would be provided. Ideally, it will be in Excel or a similar format easy to analyze and import into other applications. Also ask to see examples of reports and analyses performed by the billing company for other clients. Account managers with some billing companies are skilled analysts able to identify issues and communicate them clearly. In many cases, this represents a significant savings and benefit to their clients.

You must be comfortable that the company you choose can and will provide exactly the information needed to make timely and effective business decisions.

3. TECHNOLOGY INVESTMENT

The technology needed to operate an effective billing company has become exceedingly complex over the past few years and promises to become even more daunting in the very near future. In 2012, billing companies had to implement the ANSI 5010 transaction standards. Some companies made this transition almost seamless for their clients. others struggled. And today more than 2 years later as many as 25% of systems (and some billing companies) still use clearing houses to convert 4010!

Now, the entire industry is migrating to ICD-10, the set of 68,000 codes that will replace the current ICD-9 code set of 13,000 diagnosis codes. This represents a massive change for physicians and for every technology used by billing companies.

It is expected that this unprecedented combination of technology forces will cause many smaller or weaker billing companies to struggle and eventually go out of business. Only the billing companies with a combination of scale and technology skills are likely to survive this transition.

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1 American National Standards Institute Accredited Standards Committee
These are AnSi ASC1 X12 format electronic health care transactions that include functions like claims, eligibility inquiries, and remittance advices.
Of course, the core billing technology used by a billing company must be robust in its own right. The company should be experienced with front-end interfaces of all types, whether from a hospital ADT or ECC system, RIS, PACS, LIS, or EMR. Leading companies use computer-assisted coding to speed the coding process. Next are the front end edits that result in fewer claims being rejected. Ask for the company’s first pass clean claims rate. The company must have expertise with electronic transactions of all types, including ERAs (electronic remittance advice) which speed the process. Denial management technology is essential for rapid resolution of denials and under-payments. And the company should have a track record of PQRS reporting and payments for its clients.

Does the company offer online payment options for patients in addition to traditional phone and mail payment? The entire process of patient collections, including statements, follow-up, and procedures for dealing with collections agencies is supported by robust technology in leading companies.

4. CREDENTIALS

Learning the background of the companies you are evaluating will determine if their claims match real-world experience. Knowing how long the company has been in business and their experience in your specialty is a start. When you’ve created a short list of companies, ask for references and call them. Be sure to ask about collections and A/R results, service, and reporting. Plus any other items of particular importance to you.

Of course, there are other credentials to evaluate. Are the coders certified? (typically “CPC”, certified professional coder). Who is the account management team that you will deal with? Do they have background in your specialty? What kind of analysis do they typically provide? Are there enough account management resources to satisfy your needs?

A site visit can be very helpful in making a final decision. You can meet the staff, ask questions and inspect daily operations and technology.

5. COMPLIANCE

In the eyes of federal and state regulations, regulatory compliance is ultimately your responsibility. However, a professional billing company with a robust compliance plan is a huge asset. And some companies even offer compliance training and other compliance services to their clients.

As part of your evaluation, ask for a copy of the company’s compliance plan and compliance structure. If there isn’t a strong Compliance Officer or a formal Compliance Plan, rule the company out. In today’s world, with more and more audits, including RAC audits, you must have a billing company that lives and breathes compliance.
You can also check the Office of Inspector General (OIG) list of excluded entities and the HHS website for reported PHI breaches².

A billing company with a strong compliance focus will help inform you of changes in industry regulations and, in the event that you require it, help deal with payor audits. Best of all, a company with strong compliance focus means that audits and other payor reviews pose little or no risk for your practice and department.