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On the topic:
Outsourcing Your Billing - Is it for you?

Lisa Maciejewski-West, CMC, CMIS, CMOM, MCS-P
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Outsourcing your Billing - Is it for You?

Presented by: Lisa Maciejewski-West
President, Gold Star Medical Business Services

The United States spent $3,205.6 billion on health care in 2015*. (Another way to look at that is $3.2 TRILLION DOLLARS)

- 15.7% or $502.8 BILLION in Physician Services (20% of all healthcare spending)
- U.S. economy devoted 17.8 percent in 2015 to health care spending. That represents almost 18% of the Gross National Product.
- It is estimated that only 70% of all claims submitted are paid**. That leaves over $150 BILLION DOLLARS in unpaid claims!


**SOURCE: AMA Health Insurer's Report Card 2016
The AMA Report Card gives detailed demographics on Insurance Carrier’s Performance record, as well as, statistics on numbers of claims processed, turn around time, denial rates, top reasons for denials, etc.

### REPORT CARD: Most Common Claim Denials

<table>
<thead>
<tr>
<th>Metric 11</th>
<th>Percentage of claim lines denied</th>
<th>AETNA</th>
<th>ANTHEM/BCBS</th>
<th>CIGNA</th>
<th>HCSC</th>
<th>HUMANA</th>
<th>REGENCE</th>
<th>UHC</th>
<th>MEDICARE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>4.00%</td>
<td>5.07%</td>
<td>1.39%</td>
<td>3.06%</td>
<td>1.97%</td>
<td>1.38%</td>
<td>1.71%</td>
<td>3.78%</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Metric 12</th>
<th>Reason codes (Claim Adjustment Reason Codes [CARC])**</th>
<th>AETNA</th>
<th>ANTHEM/BCBS</th>
<th>CIGNA</th>
<th>HCSC</th>
<th>HUMANA</th>
<th>REGENCE</th>
<th>UHC</th>
<th>MEDICARE</th>
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<tr>
<td></td>
<td></td>
<td>66</td>
<td>50</td>
<td>66</td>
<td>74</td>
<td>66</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Metric 13</th>
<th>Remark codes (Remittance Advice Remark Codes [RARC])**</th>
<th>AETNA</th>
<th>ANTHEM/BCBS</th>
<th>CIGNA</th>
<th>HCSC</th>
<th>HUMANA</th>
<th>REGENCE</th>
<th>UHC</th>
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<td>74</td>
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</tbody>
</table>
Non-covered charge(s).

AETNA 35.15%
ANTHEM/BCBS 10.8%
CIGNA 41.93%
HCSC 21.54%
UHC 12.05%

This service/equipment/drug is not covered under the patient’s current benefit plan

ANTHEM/BCBS 23.84%
Claim/service lacks information or has submission/billing error(s) which is needed for adjudication.

ANTHEM/BCBS 20.03%
HCSC (Healthcare Service Corp) 39.77%
HUMANA 16.4%
REGENE 33.33%
UHC 34.35%
MEDICARE 24.57%

Why is it that only 70% of all claims nationwide get paid?*

- Improper Coding (CPT, ICD10, Modifiers)
- Incomplete/Incorrect Claim Submission Procedures
- Lack of training/knowledge on interpreting EOBs
- Lack of training/knowledge of how to conduct effective appeals
- No consistent system to track and follow up on unpaid or improperly paid claims (the billing is the easy part)
- Staff has no time for follow up – all they can get to is the billing and posting
- Failure to collect balance of claim from patient (copay, coinsurance, deductible, non-covered services)
- Failure to pre-authorize services when necessary

LEAVING MONEY ON THE TABLE?

• Are you leaving up to 30% (or more) of your money on the table?

• How can outsourcing your billing help?

WHAT CAN AN OUTSOURCE BILLING COMPANY DO?

➢ BILLING OPERATIONS THAT CAN BE outsourced
  ➢ Insurance Verifications
  ➢ Coding/Charge Entry
  ➢ Pay Posting
  ➢ Claims Submission
  ➢ Following up on Unpaid Claims
  ➢ Tracking Claims
  ➢ AR/Denial Management
  ➢ Appeals and Reconsideration/Redeterminations
  ➢ Patient Statements/Collections of Remaining Balance
HOW DOES A BILLING COMPANY GET PAID?

- **PAID ON A PERCENTAGE OF COLLECTIONS (MOST COMMON)**
  - Rates can vary from anywhere between 4-10%, depending on services provided. 6-8% is median
  - PROS: They get paid based on their performance
  - PROS: Usually offer comprehensive services
  - CONS: Some billing companies will “upcode” services in order to receive higher reimbursement.
  - CONS: Billing companies that offer super low percentages may not perform well on the “back side” of claims follow up and AR Management. They are also generally located “off shore” (not in the United States). They will have a sales and corporate base in the US, but operations are overseas.
  - CONS: Billing companies that collect only on the insurance payments may not perform well for you in the early part of the year, with ever rising deductibles.

- **PAID BY CLAIMS SUBMITTED (Per Claim Fee or Flat Rate)**
  - PROS: Can be economical, anywhere from $50+/month for flat rate to $2-4/claim (average)
  - CONS: Once the claims are submitted, there is no financial incentive for follow up.
  - CONS: Per-Claim Fee may require “bulk” up front payment to get the lowest cost.

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COST OF BILLING IN-HOUSE*

May 2016 National Industry-Specific Occupational Employment and Wage Estimates
NAICS 621100 - Offices of Physicians

*SOURCE: US Bureau of Labor and Statistics
https://www.bls.gov/oes/current/naics621100.htm

<table>
<thead>
<tr>
<th>NAICS code</th>
<th>Occupation title (click on the occupation title to view an occupational profile)</th>
<th>Group</th>
<th>Employment</th>
<th>Employment RSE</th>
<th>Percent of total employment</th>
<th>Median hourly wage</th>
<th>Mean hourly wage</th>
<th>Annual mean wage</th>
<th>Mean wage RSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>43-0000</td>
<td>Office and Administrative Support Occupations</td>
<td>major</td>
<td>798,320</td>
<td>0.6%</td>
<td>31.71%</td>
<td>$15.88</td>
<td>$17.06</td>
<td>$35,480</td>
<td>0.3%</td>
</tr>
<tr>
<td>43-1011</td>
<td>First-Line Supervisors of Office and Administrative Support Workers</td>
<td>detail</td>
<td>67,340</td>
<td>1.4%</td>
<td>2.68%</td>
<td>$15.48</td>
<td>$16.55</td>
<td>$35,230</td>
<td>0.5%</td>
</tr>
<tr>
<td>43-3011</td>
<td>Bill and Account Collectors</td>
<td>detail</td>
<td>14,420</td>
<td>3.4%</td>
<td>0.57%</td>
<td>$17.46</td>
<td>$18.18</td>
<td>$37,220</td>
<td>0.8%</td>
</tr>
<tr>
<td>43-3021</td>
<td>Billing and Posting Clerks</td>
<td>detail</td>
<td>94,080</td>
<td>1.3%</td>
<td>1.74%</td>
<td>$17.19</td>
<td>$17.74</td>
<td>$36,890</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
## COST ANALYSIS  IN-HOUSE vs OUTSOURCE BILLING

<table>
<thead>
<tr>
<th>IN HOUSE BILLING (Tangibles)</th>
<th>OUTSOURCE BILLING (Tangibles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary of your Billing Staff</td>
<td>Cost of Service</td>
</tr>
<tr>
<td>Cost of Benefits (PTO, Vacation, Insurance, Uniform Allowance, etc)</td>
<td>Simple way to estimate cost is to run practice stats on the billing profiles/case types you want to turn over, calculate # of claims submitted that month (from your clearinghouse) for “per claim fee” service or total collections for percentage fee service. If you are eliminating a position, subtract the staff costs for an in-house biller from the estimated costs of the billing service.</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td></td>
</tr>
<tr>
<td>Unemployment Taxes</td>
<td></td>
</tr>
<tr>
<td>Payroll Preparation Fees</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IN HOUSE BILLING (Intangibles)</th>
<th>OUTSOURCE BILLING (Intangibles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of staff turnover (average 1.5x annual salary*)</td>
<td>Cost of software/clearinghouse if using your own program</td>
</tr>
<tr>
<td>Skill Level of Employee</td>
<td>Possible penalties for early termination of service</td>
</tr>
<tr>
<td>Professional Certifications/continuing Education</td>
<td>Miscellaneous IT costs</td>
</tr>
<tr>
<td>Dedicated Position</td>
<td>Miscellaneous Equipment Costs (Scanner, Fax, etc)</td>
</tr>
</tbody>
</table>

*Source: COST OF EMPLOYEE TURNOVER by William G. Bliss, Bliss & Associates Consulting

## HOW DOES IT ALL WORK?

### METHOD 1:

- Send all info out to billing company (daily charges, payments, EOB’s, etc.)
- Billing company enters all info, and works out of their proprietary software.
- Billing company should provide you with access to the software for reports and stats, or send you daily or weekly reports on claims submitted, money collected, AR, etc.
- **PROS:** No need to maintain any software in-house, avoid software licensing and update fees. No clearinghouse fees.
- **CONS:** Loss of control of your accounts
  - What happens to the accounts if you discontinue the service?
  - How do you know what to collect from the patient?
  - Do you have good communication with your biller or billing company?
HOW DOES IT ALL WORK?

METHOD 2:
- Billing Company works with the software you currently have in your office
- You authorize Billing Company remote access to your software program
- If you have a cloud based system, you provide billing company with login credentials

PROS: Maintain Complete Control of your Accounts
- You can monitor their performance daily
- If you discontinue the service, your accounts stay with you

CONS: Logistics and Cost
- Server based software will require you to give Billing Company dedicated remote access to a computer, sometimes hardware upgrades are necessary
- If your internet or computers go down, billers can’t work
- You will have to maintain the cost of the software license and clearinghouse fees
- May have a learning and cost curve as the biller learns how to use the software

SECURITY ISSUES
- Working with a Billing Service/Company creates some risk of HIPAA and Compliance Violations. Most common are:
  - Failure to obtain a Business Associate Agreement
  - Using unsecured email and/or fax
  - Non-HIPAA compliant file sharing (ie: Dropbox/Google Docs)
  - Billing company selling off accounts without proper disclosure to client
  - Billing company outsourcing their services to an independent offshore company
  - Billing company with no compliance training or compliance program
  - Billing company upcoding services without your authorization
I WANT TO OUTSOURCE, BUT HOW DO I CHOOSE?

➢ It is important to find a Billing Company that will meet your needs. Cost should not be the only factor. Before you start your search, make sure you have a clear idea of what you want out of your Billing Service. Write it down, so you can systematically interview the company based on your needs. Things to consider:
  ➢ Do you want to turn EVERYTHING over, or just a portion of your accounts, ie: Medicare/Medicaid only?
  ➢ What duties do you want the Billing Company to perform? See slide: WHAT CAN AN OUTSOURCE BILLING COMPANY DO?
  ➢ What level of accountability do you want? (Daily/weekly/monthly stats, regular phone conferences, etc)
  ➢ What is your budget/how much are you willing to spend?

QUESTIONS YOU SHOULD ASK WHEN INTERVIEWING A BILLING COMPANY

▪ How long have you been in business?
▪ How do you work with your clients? Do you use your own software, or can you use ours?
  ▪ If the billing company is willing to use your software: Do you have experience using... (Kareo, Advanced MD, E-Clinical Works, etc)
  ▪ Do you charge by percentage/flat fee/per claim? What are the charges?
  ▪ Are there any start up or recurring monthly costs?
  ▪ Do you require a long term agreement?
▪ What services do you provide for the fee you charge? (Make sure you have your list of requirements so all of your questions will be addressed)
QUESTIONS YOU SHOULD ASK WHEN INTERVIEWING A BILLING COMPANY

- Do I need any special equipment? (Scanner/fax, etc)
- Do you/your billers have experience in (my specialty) coding and billing?
- Do you assign one person to my account, or do I have to go through a customer service unit?
- May I arrange to speak to one of your billers?
- What kind of staff support will you need from us?
- How does my office communicate with the biller, and vice versa? *(Give example: If patient is in the office and wants to know how much they owe, how do we reach you?)*

QUESTIONS YOU SHOULD ASK WHEN INTERVIEWING A BILLING COMPANY

- Is your company based in the USA? *If YES, ask*
  - Are your Billers and Billing Assistants located in the USA?
  - Do you have experience servicing clients in my State?
  - Do you offer ongoing coding and billing education to your billers?
  - Are your billers trained in HIPAA compliance? Will they notify us if we are in violation of HIPAA?
  - Are you familiar with the OIG Guidelines of Compliance Requirements for Billing Companies?
  - How do you fulfill those requirements?
  - Are you willing to provide me with references?
QUESTIONS?

- Contact Lisa Maciejewski-West at Gold Star Medical Business Services
  - Phone: Toll free 866-942-5655
  - Email: goldstarmedical@msn.com
  - Visit website: www.goldstarmedical.net
  - Facebook: www.facebook.com/goldstarmedical
  - Twitter: @goldstarmed

- Resource: BILLING SERVICE COMPLIANCE REQUIREMENTS
  
  https://oig.hhs.gov/fraud/docs/complianceguidance/thirdparty.pdf