

## **Avoid Billing Service Nightmares**

### **Issues to consider before partnering with independent and hospital-based billing services**

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In addition to the compliance and security issues highlighted in part 1 of this series (["Avoid Billing Service Nightmares,"](#) *AAOS Now*, February 2014), an evaluation of operations, experience, and costs is essential to selecting the right partner for the provision of billing services. This is true whether the practice is considering outsourcing billing and collections or sorting through a productivity-based hospital employment deal in which the hospital would take over practice billing. In either case, it's important to get answers and information before making a move.

Orthopaedic practices that are considering outsourcing billing and collections should recognize that all billing companies are not created equal. Some may be mom-and-pop outfits (literally operating out of the living room with dial-up Internet service); others may be publicly traded companies. Although size does not matter, experience, professionalism, regulatory compliance, and technical capacity do.

Practices should identify four to six companies and send each a request for proposal (RFP) so that the same evaluation criteria can be used in decision making. Using an RFP process can help identify and eliminate companies that do not have the staffing, skills, or knowledge base to win the billing contract.

The RFP should provide a brief description of the practice, the practice's website address, and a response deadline. The following information should be part of every RFP.



*Tame your billing service nightmares by reviewing the responses to a request for proposal before turning over responsibility to an independent or hospital-based service.  
Courtesy of Thinkstock*

### **Company profile**

Request a brief history of the billing service company, including the following:

- company name and any previous names used
- year founded and number of consecutive years in business
- website address
- number of physicians/practices currently engaged
- number of orthopaedic surgeons and any subspecialty experience
- client list
- at least three physician references with contact information

### **Human resources and organization**

Information about the business and its employees is key. The following questions should be part of the RFP:

- How many certified coders are on staff? Certified coders indicate the company's commitment to compliance and coding accuracy.
- What is the average experience level of the employees, and how are employees organized? Functions and separations of responsibilities for checks and balances are just as important for an outsourced billing service as they would be if your practice was doing the billing and

collections.

- What is the annual employee turnover percentage?
- Who will be assigned to your account? How many staff are there? What's their experience in billing and collecting for orthopaedic surgery?
- Will there be one account manager for your practice or will you call different individuals based on the nature of the question or issue? How often does the billing service typically meet with clients—by phone or in person? What business days and hours are they available?
- What sort of training does the staff undergo? How often? If a hospital-based billing service is being considered and compensation depends on collections, confirm that the staff has sufficient training for coding, billing, and collections for practices (not just hospitals).
- Are all of the employees bonded? Does the company carry liability coverage? How much? Bonding and liability coverage protect a billing service and its clients from embezzlement and other improper actions by employees. The billing service should bond its account-handling employees and carry liability insurance. Ask the practice's insurance broker to assess bonding costs and make sure the practice bond covers an outside billing service.
- How does the billing service compensate its employees—hourly, salary, piece rate, and/or incentive-based? Compensation methods create incentives. A piece rate, if not properly applied, might encourage employees to send bills regardless of accuracy or low balance. Incentive bonuses can be effective motivators, but must be aligned with legal and ethical reimbursement. Poorly designed incentive compensation plans can lead employees to work harder on some accounts than on others or can promote busy work rather than accuracy.

### **Accounts receivable and unpaid claims**

Billing services should have documented accounts receivable (A/R) management procedures and policies; as part of the proposal process, insist on seeing copies to find out how the company handles the follow-up process for unpaid, underpaid, and rejected claims. Some billing services do not start follow-up until after 45 days have passed, which can be too late.

Request copies of protocols and procedures for aged A/R for insurance claims, patient accounts, credit balances, refunds, and adjustments. For refunds, check the fund source and the approval process. For adjustments, ask for a list of all of the adjustment types and who is authorized to make adjustments.

### **Reports**

A billing service should be able to provide useful, user-friendly monthly and quarterly summary reports. During the proposal process, ask for samples of these. The reports should be available electronically and include the following key revenue cycle indicators:

- net collections ratio
- days in A/R
- percentage of A/R greater than 90 days

- payer mix by charges and by payments
- adjustments and credit balances

## **Technology**

Technology is so closely tied to billing and collections these days that many practice management software companies are expanding into billing services. Large, reputable billing services can be in a better position to keep up with system upgrades and tech support than some practices. On the other hand, some smaller billing services cannot keep up, and their practice clients suffer the consequences.

The RFP can help determine how tech savvy each billing service is. Ask which revenue cycle management software is used and if it is compatible with the practice's practice management software. Beware the "there's an interface available" answer because this may require a hefty additional charge. Make sure the service provides the practice with secure, remote access to accounts and reports and that a high percentage of claims and remittances are sent/received electronically.

Find out about additional software, hardware, and practice staff training that will be necessary for the transition and maintenance. Ask which claims editing software is used and request a list of other adjuvant software systems and their functions.

## **Service orientation**

From a patient's perspective, a billing service is an extension of the practice. During the proposal process, inquire about each service's accessibility and service orientation. Is there a single phone number assigned for patient inquiries? Is that line answered by a human being or an automated menu? Is it answered by the service itself or a call center? Is the call center in the United States or abroad? What are the days and hours for patient calls? What are response time standards for follow-up to patient inquiries and messages?

## **Cost**

Most billing services charge based on a percentage of collections, which is the most straightforward and easily reconciled method. Do not engage a billing service that charges based on a percentage of charges. Costs for billing services that charge by claim or transaction may be difficult to compare to other companies and the allocation of charges will need to be clearly defined. As part of the proposal, each billing service should provide a detailed description and delineation for calculating client charges on both a one-time and an ongoing basis.

Also ask about the costs for software, hardware, interface, training, courier service, connectivity, telephony, and service initiation. Often billing services will include volume and value components to their charge calculations. Orthopaedic surgery has fewer claims with higher dollar values, so the percentage of collections charged to an orthopaedic practice may be less than that for an internal medicine practice, which has more claims with lower dollar values. Some billing services charge a flat rate. Regardless of the charge methodology, get as many details as possible during the proposal process.

## References

Ask for physician references from three of each billing service's client list—and call each one.

These concepts apply to both a third-party billing service and a hospital-based billing service as part of an employment agreement. Combined with the risk and security issues raised in Part I, they provide a good framework for evaluation. A complete checklist for evaluating billing services—as well as links to more information—can be found below.

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**Editor's Note:** *This article is the second in a two-part series about how to work with outsourced billing services. The first article appeared in the February 2014 issue of AAOS Now.*

### **Additional Information:**

[Avoid Billing Service Nightmares, Part 1](#)

[Billing Service Evaluation Checklist](#)

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<http://www.aaos.org/news/aaosnow/apr14/managing3.asp>

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