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12 Qualities to Look For When Outsourcing Billing & Collections

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ASC Coding, Billing, and Collections

When surgery center administrators have decided to outsource billing and collections services — whether on a temporary basis or full-time — there are a few key qualities they should look for to ensure the company will be a good match. Here, industry experts discuss what administrators should look for in an outsourcing company.

1. HIPAA Compliance. Any time you are looking to outsource surgery center services, you must make sure the outsourcing company is HIPAA compliant. "A practice manager wants to make sure that a particular vendor commits to safeguarding protected health information under HIPAA guidelines," says Stephanie Donovan, Faculty Chair, Health Programs at Peirce College in Philadelphia. Should an ASC contract with an outsourcing company, then by the nature of this relationship the outsourcing company become a covered entity under HIPAA because the vendor uses documentation in the medical record to assign diagnostic and procedural codes on behalf of the ASC.

Administrators should look at the company's current operations to assess HIPAA compliance and even inquire with the vendor to learn about staff education around protecting privacy and security of the protected health information. If their surgery center has electronic patient records, administrators can grant vendors access to those records, but the vendor's network must be secure.

"If their networks aren't secure, it puts the practice in a position where they could be held liable for a HIPAA breach," says Ms. Donovan. "You also want to make sure they aren't using information from the records for other purposes beyond coding and billing."

2. Enough staff to support your needs. Claims should be processed quickly and accurately to capture the most reimbursement for your surgery center. One of the advantages of outsourcing the billing responsibilities is the vendor's ability to provide enough staff for quick claims turnaround and cover staff members who are sick or on vacation. If the vendor's staff isn't large enough to handle your surgery center's needs, that's a red flag.

"There might be a vendor that is over promising and under delivering," says Kelly Grier, vice president of business operations for ASD Management. "In that case, your administrator will end up managing the accounts receivable that the vendor was supposed to manage, and you're still paying them 5 percent."

In addition to knowing the number of staff members available to handle your account, figure out how many other clients the company has. "It's important to know the number of clients they have and the volume of cases they
3. Staff turnover rates. Capturing the most reimbursement on your claims takes a high level of expertise and ideally experienced billers and coders would be working on your accounts. To ensure the experience and expertise is there, check to make sure the vendor’s staff turnover rates are low.

“Always want to know the turnover in their staffing,” says Ms. Grier. “If they are constantly rehiring, there is a problem. When they are constantly rehiring, your work isn’t getting done.”

4. A la carte services are available. Don’t get pigeon-holed into a contract that isn’t ideal for you just because the vendor doesn’t offer a la carte services. “If they want the contract for three to six months and require us to use them for all the billing, collections and coding services, I won’t use that company,” says Ms. Grier. “I usually use outsourcing companies for a quick fix when there is trouble with a surgery center or transition of in-house billing responsibilities. Once I’m able to re-staff the center, the vendor goes away.”

For example, Ms. Grier will work with a surgery center to update their practice management system. Often times, the AFR has been neglected and a new process must be implemented. While she gets the new process up and running, she hires a vendor to clean up old claims and manage collections until her new staff is able to take over.

5. Progress reports. Your vendor should be able to generate progress reports based on your stipulations so you can track whether they are making a difference to your revenue cycle. “If you are working with an outsourcing company, be clear with your expectations,” says Ms. Grier. “I expect a progress report every week. I ask about what the company did, progress associated with their work, problems they found and what they are doing to fix those problems.”

When you outsource billing and collections, you lose control of AFR. Progress reports can help you retrieve some of that control over your practice functions. “I want to grade the company every week on how well they are doing,” says Ms. Grier. “Paying someone 4 percent of your income is a significant amount of money and you want to make sure they are doing their work.”

Ms. Donovan also suggests tracking how many cases physicians are seeing, how long it takes to process claims and submit them to insurance companies as well as the time elapsed before receiving payment. “Administrators can see if there are any improvements realized after one to three months of service,” she says. “Use simple productivity metrics or financial metrics to measure their effectiveness. They may be bringing in more revenue than in the past because their coding is more accurate.”

On the progress reports, pay attention the date of service. “I’ll see the money coming in with the current date of service, I know I’m only looking at the clean claims,” says Ms. Grier. “You can tell based on the date of service what you are being paid for. If it’s only the clean claims, the dirty claims begin to age and you aren’t getting that money in. If that’s the case, you can assume no one is working the dirty claims on your account.”

6. Domestic location. Some vendors have their headquarters and customer service personnel overseas, which can be frustrating for surgery centers and patients who have questions about their bills. “I make sure any vendor I use is housed domestically and not abroad,” says Ms. Grier. “When a patient wants to speak with someone about their bill, they want someone who is clear to understand. If the company is in the United States and our patients call, their needs are met and we have quality control over the experience.”

7. Coder certification. Vendors should supply coding staff certified in ASC coding. “It’s important that all the coders are certified in ASC or hospital coding because a certified physician coder isn’t going to know your modifiers and outliers that are required to get a facility fee paid,” says Ms. Grier.

Along with certification you should look for experience. “When you find out the vendor has several years of combined experience among its employees, turning over your billing and collections department to them should give you a piece of mind,” says Ms. Grier. “You are putting your surgery center in good hands.”

Many companies advertise their coders are credentialed. Coding credentials denote specialized training and education in the selection and application of the codes. “There’s also a continuing education component of credential maintenance,” says Ms. Donovan. “For example, the CCS-P (certified coding specialist physician-based), a coding credential one can earn through AHIMA requires CEU reporting on a two-year cycle.”

8. Competitive rates. You want to make sure your billing and collections vendor is experienced and doing the best job possible for you, but you also want to sign a contract with fair rates. “I wouldn’t hire anyone who wanted more than 4 percent of collections because then it starts getting into paying all your profit to someone else,” says Ms. Grier. “If you can find someone who offers a la carte, coding or billing for a month, you want to have the option for hourly services versus the collection fee. If you have a collector and you want to pay them just for billing, pay them hourly for sending out the claims.”

Look for the different options available and find a vendor who is willing to accept 4 percent or less, or hourly wages. “You want a versatile vendor who is going to see your needs and work for you,” says Ms. Grier.

Outsourcing the billing services can be expensive, but in many situations shouldn’t be prohibitive. “The perception that outsourcing is more expensive than in-house billing is not necessarily valid,” says Andrew Schraper, editor of
Money Crashers. “When you add up the costs of billing staff and IT support, often the price difference is negligible. Also, in many cases, an effective billing company can do a better job of collecting on accounts.”

9. Happy clients. When you are considering a new outsourcing company, check their references. Find out who they have worked with in the past and make sure their customers are satisfied. “Ask the vendor for a reference list and check to make sure their clients are happy with their services,” says Ms. Grier.

Think beyond the provided list as well. If a company is providing the reference list, they have selected practices that will speak highly of their services. Google the company as well to see what other practices are saying online for both positive and negative thoughts on the company, says Ms. Jimenez. “The biggest complaint I hear is surgery center administrators feel they aren’t getting the attention they need for accounts being worked on and they don’t get straight answers when something is wrong,” she says. “Knowing how their services are from others who use them is beneficial.”

The vendors should have a reputation within the specific ASC community as well. “You want to look for someone who has specific ASC billing expertise,” says Kevin McDonald, vice president of SourceMedical. “You would want to look for references and a positive track record.”

If the company has a positive track record, it means clients are satisfied with its customer service. “A qualified medical billing company for an ASC must exhibit solid customer service, expertise with compliance, and have prior experience with ambulatory surgery center billing,” says Mr. Schrage. “A strong history of effective cash collecting is also a plus.”

10. Willingness to put skin in the game. When you draw up the contract with your vendor, make sure the vendor has vested interest in the success of your center. “They should contract for a percentage of your collection,” says Michael Pankey, RN, administrator of Ambulatory Surgery Center of Spartanburg (S.C.). “If the company can show a steady stream of collections, you may also want to incorporate bonuses into the contract if they exceed 120 percent.”

The opposite is also true; if the vendor doesn’t perform, you’ll want built-in penalties if possible. “Sometimes vendors aren’t willing to sign a contract with penalties built in,” says Mr. Pankey. “I run a 90 day spreadsheet and look at what the expected revenue was for a month versus what the collections were. I give the vendor three months to work with us and see where they are. I keep track of the percentages and anything below 80 percent I’m upset with; anything above 100 I’m happy with.”

11. Transparency. Since the vendor will be responsible for an important business function at your surgery center, they should be transparent about their actions. It’s easy to promote transparency if they have electronic access to your system so you can check on their progress at any point.

“I think it’s important that if you are outsourcing, the company knows you are watching them,” says Mr. Pankey. “They should have access to your system so they can post and run reports. Our vendor bills and posts to our system and on any given day I can run an AR report.”

12. Consider what your center needs. Surgery centers are very different and a variety of business models exist to fulfill these different needs. “There are many types of billing companies; smaller, local companies can provide services with a personalized touch, while larger companies usually have more resources, but come at a much higher price,” says Mr. Schrage. “If cost is the main issue, offshore billing companies are available.”

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Industry experts discuss different situations when either outsourcing billing services or creating an in-house billing department makes more sense for surgery centers.

Outsource billing services

1. **High volume centers.** In some situations, it makes sense for high volume surgery centers to outsource billing
services because you don't want to fall behind on collections. "If you are a high volume surgery center and you constantly have dirty claims and you aren't making headway on your accounts receivable, it's usually a direct effect of your staff," says Kelly Grier, vice president of business operations for ASD Management.

Michael Pankey, RN, administrator of Ambulatory Surgery Center of Spartanburg (S.C.), runs an outpatient surgery center where physicians have about 10,000 patient visits per year. "The larger a center gets, the more beneficial outsourcing becomes because the more people your vendor can put on your account," he says.

2. If you can't find knowledgeable billing staff. It's often difficult, especially in small markets, for surgery centers to find experienced billing and collections staff. Coders and billing staff must be familiar with the ASC arena as well as the payors in your region. "It is very hard to find staff members that understand the ASC billing guidelines and are knowledgeable about payors in the area as well as facility collecting," says Ms. Grier. "If you can't get the right people who are experienced enough, you should outsource it."

Outsourcing the billing services could alleviate the administrative burden for centers where experienced coders aren't available. "The coding and billing process is not something that should be taken lightly," says Stephanie Donovan, Faculty Chair, Health Programs at Peirce College in Philadelphia. "It supports the revenue cycle and directly relates to the financial health of a surgery center or physician practice. Outsourcing an administrative function — especially if those tasked with this particular function don't have a background or education in coding — is beneficial."

3. When the facility doesn't have a big business office. Many surgery centers were built with a focus on the clinical operations, leaving little space for business office functions. If the surgery center doesn't have room in the floor plan for a billing department, it might make more sense to outsource that responsibility. "There are some surgery centers that weren't built to accommodate in-house billing services, so they have to direct those services out," says Ms. Grier.

Mr. Pankey's surgery center wasn't built for an in-house billing department, and it became clear the surgery center couldn't support those services. "If you are strapped for space in your surgery center, especially in your business office, it makes sense to outsource the billing," says Mr. Pankey.

4. During a billing systems update. If you are changing health information systems or going through personnel changes in the billing department, consider outsourcing collections for a short time until all the changes have taken place.

"If someone is on leave, I would outsource the billing instead of over working the remaining staff because quality would suffer," says Ms. Grier. "ASCs are staffed very lean and mean, so you carry five or six hats already in the billing office. If a biller or collector is going to be out, the other players in the office already have other responsibilities so it's a quick fix to outsource the position so the other staff can keep up with their jobs."

5. When you have lots of staff turnover. If you have trouble maintaining staff in your billing department, consider outsourcing that function. A great deal of time and resources is spent on each new hire, and if you aren't able to keep coders for long, it may not be a worthwhile service to have in-house. "There is a cost associated with hiring, rehiring and training billing staff," says Kevin McDonald, vice president of SourceMedical. "In many places, there is a large turnover of billing staff these days and the cost can be substantial."

In-house billing
6. **Low volume centers.** Outsourcing billing and collections services is expensive and for some low volume surgery centers, it doesn't make sense to send out claims. Instead, an in-house billing department will suffice, if the right people are in charge. "The surgery centers who are low volume or single specialty aren't good candidates for outsourcing their billing department because it can be pricy," says Ms. Grier.

One or two room surgery centers may also find it less expensive to maintain an in-house billing department.

7. **When there is an experienced pool of coders available.** When you have people available in your area who are experienced with billing and coding in the ASC arena, and you are the only surgery center in the market, creating an in-house department could be beneficial.

"In smaller practices, the coding function may be delegated to someone with a lengthy employment history who lacks formal coding education including continuing education. This staffing model does not reflect best practice," says Ms. Donovan. "The coder must assign the code that accurately reflects the services rendered and maximizes reimbursement in a legitimate and lawful way. If the coder doesn't fully understand coding conventions and guidelines, they may apply codes that don't fully capture the services rendered. This could mean underpayment for the practice”

When coders with this knowledge are available, they can be incorporated into an in-house billing department.

8. **If there is a commitment to continuing education.** One of the most important aspects to housing a billing department is the commitment to coder education. "Someone in the practice should be identified as a coding and billing champion with the full support of the physicians," says Ms. Donovan. "It could be one credentialed individual who understands the value of education in the coding and billing process. This person should be encouraged to continue education onsite. If the practice manager or physicians aren't committed to staff education, then outsourcing is a more attractive option.”

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