What is a medical billing service?

A medical billing service helps physician practices save time and increase profitability by reducing billing expenses and increasing revenues. Billing companies can ease paperwork requirements, staffing concerns, space requirements and other expenses, as well as the intense stress created by the health insurance claims billing process.

A good medical billing service allows physician practices to concentrate on their patients—not on the financial issues of practice management—while increasing the bottom line. These services offer a way for physicians and other providers of medical services to outsource their back office.

A billing service provides the opportunity for medical practices to outsource their billing, accounts receivable and collection activities. The basic services provided by a billing service include patient demographic entry, charge entry, payment posting, claims submission, accounts receivable (A/R) follow-up and patient billing. When interviewing a medical billing service, be sure it offers the activities your practice wants and needs to outsource in order to remain financially viable.

Medical billing services may provide:

Billing functions

- Scheduling software
- Patient demographic registration data entry
- Office charge data entry
- Hospital charge data entry including surgical charges
- Diagnostic coding [*International Classification of Disease–9th Edition–Clinical Modification* (ICD-9-CM)]
- Electronic and paper submission of claims to third-party payers
- Medical and surgical procedural coding [*Current Procedural Terminology* (CPT™)]*
- Evaluation and management coding through chart abstraction (CPT)

Accounts receivable functions

- Receipt of all practice monies and processing of deposits
- Payment posting
- Follow-up on outstanding accounts receivable

*CPT is a registered trademark of the American Medical Association.

Collection functions

- Patient billing statements
- Appeals of underpayments by third-party payers
- Month-end management reporting

Consulting functions

- Management consulting services
- Practice management services

How do medical billing services charge for their services?

Traditionally, medical billing services have charged their clients based on a percentage of receipts, ie, the billing service is paid only when it is successful in collecting for the physician practice. If the billing service is not successful in the collection process, the service is not paid. However, some states do not permit percentage billing by medical billing services, forcing them to charge physician practices flat monthly fees. These fees, usually based on the average income of the practice, generally are close to the fees a billing service may charge on a percentage basis. Other billing services charge a flat fee for each claim submitted, regardless of the success in the collection process. Billing services with this kind of charge structure may not have much buy-in to the success of each claim since they are being paid to submit claims, not to get them paid. Physician practices need to recognize that these different charge structures may affect the quality of service the billing service provides.

Questions to ask before contracting with a medical billing service

Before hiring a billing service, it is essential to ask the right questions to determine if the service will be right for your practice. Look for a service that is trustworthy, compliant, knowledgeable and reputable. Always obtain client references and check them thoroughly.

The reverse side of this document contains some questions to ask when investigating medical billing services.

Answers to these questions will create a picture of the experience, credentials, quality, assertiveness, compliance orientation and climate of the billing service. This information will allow you to compare billing services and determine which best suits your practice's needs.

Questions to ask a medical billing service

Credentials

- How long has the billing service been in business and is it a member of one of the leading professional billing organizations providing ongoing education and guidance?

- Does the billing service's management hold a certification from a professional billing organization and does the staff consist of experienced certified coders?

- What resources (ie, Internet, coding resources and continuing education) does the billing service provide for its staff?

- How many physician practice clients does the billing service have?

- Does the service bill for physician practices similar in size to your own?

- What medical specialties does the service bill for and how long have they billed for each specialty?

Compliance—policy and procedures

- Does the service have a written compliance plan and is it available for review?

- What checks and balances are in place to protect the privacy of information and ensure that the claims billings are sent correctly in compliance with the Health Insurance Portability and Accountability Act (HIPAA)?

- What kind of access will you have to the service's compliance officer?

- What is the service's protocol for changing CPT or ICD-9-CM codes on the claim form if errors are discovered?

- Does the service use batch controls to assist in minimizing and detecting errors in data entry and other areas?

- Does the billing service carry professional liability insurance? If so, how much?

- Are all the employees working from a central office or does the service use any home-based employees?

- How does the service pay its employees—hourly, salary, piece-rate or incentive-based?

Operations and training

- Does the billing service use the Internet for connectivity with the physician practice, as well as for claims submission to health plans, other third-party payers and intermediaries such as clearinghouses?

- Do the claims payments go to the billing service or to the practice for processing?

- Does the billing service electronically process and submit claims?
  - Directly to Medicare or through a clearinghouse?
  - Directly to third-party payers? Or is an intermediary, such as a clearinghouse, employed?

- Does the billing service help the practice with forms, superbill design, office processes, etc, to help with data collection and flow?

- What kind of training will the billing service provide for your staff?

Costs

- If the fee is percentage-based, is it based on receipts or charges? Charges are not a guarantee of payment and are often more than health plan and third-party payer fee schedules as well as the eventual reimbursed amounts.

- How are refunds treated? Are they netted out of receipts? If not, the practice is paying the billing service on money not truly received.

- Does the billing service charge a start-up fee?

- Does the service have a contract and how long is the term of that contract? For a billing service that does not charge a start-up fee, it is not unusual to find a two-year contract.

Accounts receivable and claim follow-up

- What kind of formalized accounts receivable follow-up procedures and protocols does the billing service have?

- How often and when does the service follow up on health plan and other third-party payer accounts?

- How does the billing service identify "silent Preferred Provider Organizations (PPOs)" and what does it do about it when one is identified?

- What is the billing service's appeals process and success rate?

Financial reporting

- What kind of month-end reporting does the billing service provide? Is the billing software a source of key management reporting for the practice?

- Can the billing service provide reports to the physician practice to determine physician compensation levels?

- If the practice is capitated, can the billing service report on capitated service utilization?

- What software does the billing service use?
  - Can the practice access data at its office (connect to the billing system)? If so, at what cost and how is the connection made (eg, Internet, a direct connection, etc)?
  - Can reports be run by the practice? What operations will the practice staff be allowed to perform on the system and how will they be trained?

For additional information go to the American Medical Association Private Sector Advocacy Web site at **www.ama-assn.org/go/psa.**