

Know-How



Be choosy

Selecting a billing service

Are you considering making a transition from an in-house billing department to a billing service? Or are you thinking of replacing your current billing service? Either way, the process requires many hours of work — including research, phone and face-to-face interviews. While there are management considerations such as the conversion process, downtime during the transition and follow-up on aged accounts receivable, this article focuses on the interview process.

For those of you considering changing companies, the process begins with reviewing your current contract. Pay particular attention to clauses addressing:

- Inadequate notice;
- Ownership of data and its format;
- Automatic contract extensions;
- Written notice requirements;
- Termination options;
- Continuation beyond termination date; and
- Potential penalties.

These contractual areas also are key for practices wanting to change billing services with the same company.

Evaluate at least three companies

One of the best ways to start searching for a billing service is by asking for recommendations from other practice managers. Initially, decide if you want an in-state company or if you are open to an out-of-state firm. Then obtain the names of at least three companies.

Do your research systematically. Ask questions about the company's background, billing processes, payment posting and follow-up procedures, data entry, reports, costs, computer and software, collections and references.

The billing service checklist at right can help you in the interview process. You can use it in face-to-face meetings or over the telephone. Let the billing company know that you will require approximately 45 minutes for the interview. Generally, the company will schedule you with a senior person. Familiarize yourself with the checklist because you will find that one answer will often flow to another question.

After you have gathered information, narrow your choice to two billing companies. If you do not have two good companies to choose between, continue your search until you do.

On-site visit for deeper information

Next, visit the two companies. Even though the checklist provides you with a list of questions and areas to research, it's only one step in the search process. During the face-to-face interview, ask a couple of checklist questions again — preferably to someone who did not provide the initial answers. Are the answers similar to the ones you received previously on the telephone?

At the on-site meeting, ask to meet some of the staff who will work on your account. Ask a staff person to briefly describe his/her job. Get a feel for the company and the workflow. Does the company atmosphere seem to agree with your answers on the checklist? Are you satisfied with the quality of the staff? Do you believe the company can deliver what it promises?

Then, check references. Make your final decision by combining the facts that you

A billing service checklist can help you in the interview process.

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Expanding knowledge for the practice administrator

gathered with your subjective impression of the company.

After making your choice, review the contract carefully before signing. For those who are replacing a billing service, take out your former contract — at this point you probably know it by heart. Highlight the clauses that you wished were worded differently. Then compare your revised contract to the new contract. In some cases, you may not like a clause but will find that it is an

industry standard. Regardless, there is no harm in asking for changes. Keep in mind that now is the time to negotiate.

Finally, have your lawyer review the contract before you sign it. 

notes

Capko J. What to consider when choosing a billing service. *Fam Pract Manag*, March 1999:15-16.

Harris S. How to handle a billing service arrangement. *Am Med News* 2000;43(24):12.

Billing service checklist

General questions

- How many years have you been in business?
- Have you been in business under any other name? If yes, what name?
- Do you have a compliance plan in place?
- Do you have the necessary Health Insurance Portability and Accountability Act of 1996 regulations in place?
- Has your company ever been investigated in a fraud or abuse case? If yes, what was the outcome?
- Have you provided billing services for a practice that has been investigated in a fraud or abuse case? If yes, what was the outcome?
- What is your in-house audit system?
- Do you have periodic audits done by an outside firm?
- Is there a current auditor's report or summary available?
- How many certified coders are on staff?
- What type of training do you provide your staff?
- How often is training done?
- What is your hiring and background-check policy?
- Do you carry errors and omissions insurance?

- Do you offer bookkeeping services?
- How many clients do you have with our specialty?

Billing questions

- What insurance companies do you bill electronically?
- Are insurance payments posted electronically? If yes, from what companies?
- Are there any exceptions to billing electronically?
- How is information transmitted back and forth between the practice and billing service? Is the information sent on paper, disk or electronically?
- How is the work load distributed? Is one person responsible for an account, or do several people work on it?
- Are there any billing processes that your company does not supply?
- Do you handle all billing-related and ancillary documentation to insurance companies and private-pay patients? If no, what is not handled?
- What is your procedure for deposits — lock boxes or other?
- How often do you submit claims to insurance companies?

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Billing service checklist

(continued)

- How often do you send statements to patients?
- Who is responsible for CPT* coding? HCPCS** coding? ICD-9*** coding?
- What is the process/policy for handling problems such as incomplete billing information?
- How are electronic rejections handled?
- How are charges batched? Are charges confirmed against a service log?
- How do you verify and audit data entries?
- From the time you receive the data, how much time do you need to process the claim?
- Who has ownership of the data if the contract is terminated?

Reports questions

- What types of standard reports do you provide?
- Can you provide customized reports?
- Can an aged report be completed by “billing date” and “date of service”?
- Can the practice access the computer terminal to perform queries, update records, schedule appointments, generate demand reports, demand statements and superbills?
- Can one report (same page, tabular style) be generated showing a patient’s name, insurance provider, charge, payment, adjustment and balance?
- Can you provide a report showing the names, amounts and reasons for bad-debt write-offs and full adjustments?

Payment posting/ follow-up questions

- How are returned claims and statements handled, and who is responsible for them?
- Are payments posted line by line or by the total amount of the claim?
- How are zero payments (deductibles) posted?
- How are denied claims posted and tracked?
- How are rejections tracked and resolved?
- How often are reports run for credit balances?
- How do you handle credit balances?
- Do you prepare a report for abandoned property?
- Who reviews the reports and makes the decisions regarding bad debt, write-offs, etc.? What are the standards you follow?
- Is there a threshold below which a balance is not billed?
- Are small balances kept on the books or are they written off?

Costs questions

- How do you determine your fees?
- If payment is by percentage, is it determined by the amount billed or by the amount collected?
- Is there an additional charge for paper claims?
- Is there an extra cost for adding a new physician to the system?
- Do you handle physician credentialing?
- What is the conversion process and the costs involved?
- Approximately how long will the conversion process take?
- Do you provide a conversion schedule?

Data entry questions

- What is your data entry process?
- Is there a required format for encounter forms?
- What types of forms and data is the practice required to submit to you? Can you provide a sample of the types of forms the practice needs to complete?

- Do you handle any old accounts receivable from the previous billing company?
- Does the practice generally require additional staff to handle the conversion?

Computers/Software questions

- What is the security system and who has access?
- Do you have regularly scheduled virus checks?
- When is the system backed up and where are the back-ups stored (on-site or off-site)?
- How are yearly computer system updates handled for CPT, HCPCS and ICD-9 codes?
- Can the software track a patient's demographics?
- How would the system handle the following situation? A patient changes insurance companies, and there are outstanding balances on Plan A and new charges on Plan B.
- Can the system handle two primary insurances and differentiate which needs to be billed by date of service?
- Is the practice required to pay for a software license?
- Does the practice have to pay for any software or hardware updates or maintenance?
- Is the practice required to pay for any hardware? If so, does the practice retain the license and hardware if the agreement ends?
- Do you use the latest version of the billing software?

Collections questions

- Do you have a separate department that handles collections?
- Can reports be generated showing the patient's name, the provider of the services, insurance company, charges and reason for insurance rejection?

- What is the collection procedure for private-pay patients?
- Do you call patients with a past-due balance?
- If the practice does not provide the service with information in a timely manner, is the account written off as a bad debt or as an insurance adjustment?
- How do you document services provided but not billable due to timeliness?
- Is there a charge to document services not billable to the insurance company or patient?
- Can you provide a sample of collection letters used?
- What process is followed to turn an account over to collections?
- If an account is turned over to a collection agency, are the "regular rate" fees subtracted from the amount due to you when payment is collected?

References questions

- Has the billing service carried out its commitment?
- Was the conversion process handled smoothly?
- Have you encountered any hidden costs or surprises?
- Does the customer service department meet your needs?
- How helpful is the company to your individual needs?
- What, if any, problems have you experienced?
- Does the company stay up to date on industry changes?
- Would you recommend the service?

*Common procedural terminology

**HCFA Common Procedure Coding System

***International Classification of Diseases — 9th Revision