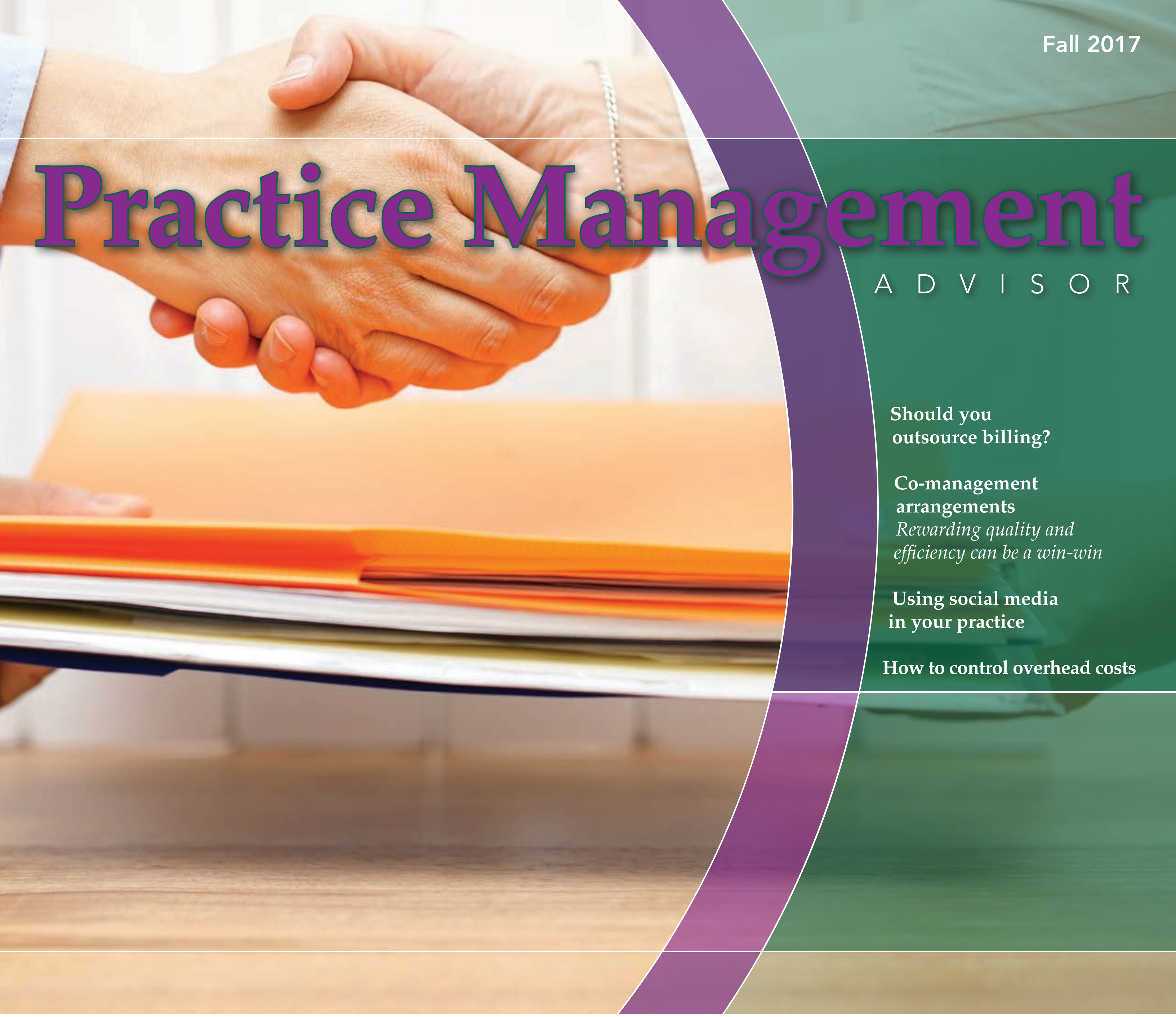

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Practice Management

ADVISOR

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Should you outsource billing?

Whether to handle your billing in-house or hire an outside billing company is an important decision with significant implications for your practice's long-term financial health. It's a good idea to look at all the pros and cons to ensure your decision is the right one.

Compare the costs

Typically, a billing company takes a 6% to 9% commission on all money they handle. In other words, if your practice sees $1 million in business annually, the billing company would take $60,000 to $90,000 of that amount.

Bringing billing in-house can reduce these costs to around 3% of your take — or $30,000 out of $1 million in business. So this might seem to be a straightforward decision: Save $30,000 to $60,000 annually by keeping billing in-house. But it's not that simple. One hard truth is that, unless you have, or someone on your management team has, a fundamental understanding of coding, billing and collecting — and a willingness to stay up to date on the systemic changes that will likely be necessary over time — it's better to outsource. The additional cost can be more than offset by the additional revenue that the billing company's expertise will help generate.

Look at the potential drawbacks

Billing companies generally charge a setup fee that ranges from $500 to $3,000. This acts as a disincentive for physicians interested in jumping to a competing billing company, because they'll have to cough up the fee again.

> *Obviously, you need to trust a billing company to be transparent concerning its control over your funds.*

In addition, billing companies usually use a contract that locks the practice into a specific contractual period. The contract generally specifies that you can break it only if you're not happy with the company's services and can prove the company isn't meeting industry standards. This can be challenging, because industry standards aren't well established or easy to prove.

Many billing companies set up a system where checks are sent directly to them instead of to the physician. The billing company then parcels out the money after it draws its fees. Obviously, you need to trust a billing company to be transparent concerning its control over your funds. If trust is lacking, it can complicate the relationship.

The most common complaint about billing companies is that they sometimes fail to chase the money. Because they are paid on

10 considerations when hiring a billing company

1. Determine whether the billing company is familiar with your specialty. Some agencies specialize.
2. Ask if you have to buy software that integrates with the billing company, and take these costs into consideration. Ask about software installation, troubleshooting and upgrades.
3. Find out whether the company will have access to your accounts and whether you'll be able to access and review the accounts as they stand with the billing company.
4. Decide the parameters of the billing company's role. Your contract has to specify the details concerning submitting claims and collection processes.
5. Set a method for keeping track of what the billing company is doing. Ask if you can audit your own records, whether by request or via an online access system.
6. Get a sense of the billing company's procedures and billing protocols. Insist on an action plan for steps to take when a claim is 30, 60, 90 and 120 days old.
7. Find out what the billing company's average days in receivables is. This tells you how long the average claim goes before it gets paid and is an indicator of the company's ability to collect claims.
8. Fully understand the billing company's contractual termination requirements.
9. Determine whether the company outsources services or performs everything in-house.
10. Ask if the billing company's staff are certified coders/billers, whether they have continuing education practices, and how they stay current on changes in billing and coding.

a percentage, their time and energy tend to go into handling bigger customers and claims.

Consider the possible benefits

Handling billing yourself can be complicated — and the requirements are constantly changing. Keeping billing in-house requires you to hire at least one person possessing the pertinent skill set. You or that person (or both) would need to be educated on billing and then stay current with billing procedures, coding changes and modifiers. Regularly obtaining continuing education on billing practices is critical.

A good, professional billing company can streamline your billing processes — and, if it's a company you trust, this can eliminate a lot of headaches. Billing isn't taught in medical school, and it's not something you can easily pick up — besides, there's too much at stake to wing it. You need to balance the expense of hiring a billing company with the costs of training and employing people to perform in-house billing. If you hire a company, be sure to sign a HIPAA business associate agreement.

Stay aware of the issues

Regardless of your billing decision, as a physician, you always have billing responsibilities. You have to ensure that what's in the chart and sent off to the billing company is accurate. And if a patient calls with a billing problem, you're still the one who is ultimately responsible for resolving the matter.

Co-management arrangements

Rewarding quality and efficiency can be a win-win

When physicians and other medical providers improve the efficiency and quality of their services, everyone benefits. So how can you ensure these benefits become tangible — and generate real incentives to encourage your practice to continue to improve over time?

One way is to use the system of clinical co-management to implement a rewards structure for participants. To make co-management work for your practice, you must understand its ins and outs.

Co-management arrangements

Co-management typically comes in two forms. In the first arrangement, a hospital contracts with a physician group or several groups to take responsibility for clinical and operational management of a hospital-related facility (such as a satellite primary care clinic) or service line (such as ophthalmology).

Any relationship with a hospital must achieve goals set by both the physicians and the hospital. If only one party benefits, the relationship will be short-lived. It's also important for the hospital to realize that every action in pursuit of market share and mission fulfillment has an economic impact on its physicians.

In the second arrangement, a separate legal entity — owned by physicians or groups of physicians, or jointly by the physicians and the hospital — is created to provide some of the same services as the hospital itself provides.

Typically, the parties create a compensation agreement that involves a base payment commensurate with the fair market value of the management services provided, plus an incentive fee tied to efficiency and quality objectives. Both parties should seek independent valuations by

experienced appraisers to determine the fair market value of the two compensation components.

Control issues

Co-management may be attractive to physicians who want to integrate more closely with a hospital while maintaining their independent practices and not becoming employees of the hospital. With such a close-knit working relationship, the parties must trust each other completely.

The hospital must accept that it will surrender some control over its operations. The physicians, in turn, must understand that they'll take on substantial managerial and leadership responsibilities within the hospital.

In addition, governance of the separate organization or the operations management (whichever model is chosen) is critical to the success of the arrangement. If it's a true partnership of physicians and hospital, granting substantial authority to the doctors, their participation should equal or exceed the hospital's. This will likely present no problem with for-profit hospitals. Tax-exempt hospitals, however, may insist on 50-50 equity arrangements and reserve powers to protect their charitable missions.

Relevant laws

When a hospital and a group of independent physicians collaborate, a number of legal questions emerge. For example, the antikickback law may be violated if the co-management agreement induces physicians to refer patients to the hospital. The Stark law requires that compensation in agreements between a hospital and physicians not be tied to the value or volume of referrals for "designated services."

A co-management arrangement can take advantage of several available Stark exceptions, however. Ask your CPA and a health care attorney for more information.

The Civil Monetary Penalty statute also must be considered. It prohibits a hospital from making payments to physicians as inducement to reduce or limit services. So, co-management deals should avoid incentive fees based on achieving cost reductions.

Last, 501(c)(3) hospitals can't use a co-management arrangement to confer private inurement, private benefit or excess benefits to the physicians.

Best advice

Deciding whether a co-management arrangement is right for your practice and, if so, determining the best co-management structure for your practice — and what the legal implications are — can be difficult. You'll need the advice of knowledgeable professionals such as health care advisors and attorneys. But in the right circumstances, a co-management arrangement can be a win-win. ◗

Using social media in your practice

By now, everyone should have at least a passing familiarity with social media, even in the unlikely event they don't participate. Loosely defined, social media comprises Internet-based platforms that allow people to create, share or exchange information in virtual communities or networks. There are pros and cons to using social media in your medical practice.

Why should you try it?

The best-known platforms today are probably Facebook, Twitter, Pinterest, Instagram, YouTube, Snapchat and LinkedIn. Each has a different approach and different user demographics.

For physicians, the primary reason to use social media, from a professional perspective, is for marketing purposes — because these platforms are where many people are. For instance, a medical practice can use social media to:

- Reach out to new patients,
- Develop and increase brand awareness for new and existing patients,
- Develop patient loyalty and a positive referral base, and
- Improve patient retention.

It's also important to stay up to date with the platforms currently in use. Facebook and Twitter dominate currently, but does anyone remember AOL chat rooms, Myspace or even Google Plus? Using a platform that no one else is using won't help you market your practice. Identify which platforms your patients use, create a practice-related group and invite them to join. But don't overextend your presence — choose a few platforms, not all of them.

It might be a good idea to advertise your practice's availability. Build patient relationships in a HIPAA-compliant fashion, and provide updates about services and promotions. Both Facebook and Twitter have paid advertising options on their platforms. It can be difficult to evaluate their effectiveness, but it's usually possible to target your audience and limit costs by placing a cap on the ad after a certain number of clicks.

Why should you *not* try it?

There are plenty of good reasons not to use social media. For one thing, it can be difficult to evaluate your return on investment, because determining whether a social media presence actually brings in new patients or helps retain existing ones is hard to ascertain.

In addition, if you don't follow best practices, potential violations of HIPAA could be legally dangerous. Further, if you express any opinions, you run the risk of irritating or offending existing or potential new patients. Social media is overflowing with people interested in being offended or picking a fight, and it's all too easy to say something you'll regret.

What are best practices?

It's a good idea to assign one person in your practice the role of monitoring your social media presence. Here are some tips:

Set guidelines and stick to them. Let HIPAA be the core of those guidelines.

Have a good reason. Social media isn't Mt. Everest — you don't need to climb it just because it's there. Use it for a well-thought-out reason, whether to engage with patients or to market your practice.

Be professional. Develop a social media presence and persona that represents your professional self. Don't get into politics or religion, for example.

Pay attention to security settings. This will limit who can see your posts and keep Internet "trolls" from hijacking them.

Use it regularly. Sporadic use is not effective.

Link to content. This content can be your own or other content of interest you're permitted to use.

Be brief. Twitter requires it, but if you're interested in long-form writing, go to your blog or a website and link to it. Posting on social media should be similar to chatting at a cocktail party, not giving a college lecture.

Don't provide medical advice. It's worth repeating that you should never, under any circumstances, provide specific medical advice on social media.

Is it worth your time?

Like most things related to marketing, it's important to pay attention to what works and what doesn't. If social media starts to become a chore that takes more time than it returns in benefits, seek other marketing strategies.

Clearly, your first responsibility is to the health of your patients — and the success of your medical practice. Social media is simply one more tool to explore for enhancing patient relationships and growing your practice.

How to control overhead costs

You can't control costs if you don't know what they are. And many medical practices don't have enough granularity in their budgets to determine what's really going on — let alone where to start making cuts if needed.

Cost breakdown

First, take a much harder look at your practice's profit/loss (P/L) statement and budget, and then fill in the details. For example, "salary" alone isn't detailed enough. Your budget should break out salary into more categories — including staff benefits, staff salaries, payroll taxes, education expenses and overtime. Then compare these costs to national benchmarks for your practice's specialty areas. That allows you to pinpoint potential areas for cuts.

Look carefully at your large expenses, such as:

Malpractice insurance. Some insurance carriers offer discounts if practices attend a risk management course. Shop around.

Advertising. Good advertising is tied to measurable metrics so you can evaluate return on investment (ROI). When you do this analysis, you'll know what works and will be able to decrease or eliminate the advertising that isn't working.

Supplies. Evaluate your inventory to ensure it's sufficient — and efficient for your practice. Negotiate for better deals with competing vendors, and verify that billable supplies are reimbursed correctly.

Phone service. Phone companies are often willing to negotiate better prices to get or keep your business. Consider Voice over Internet Protocol (VoIP) options and bundled phone and Internet services. Analyze phone bills for trends and usage patterns.

Other services. Medical practices hire a variety of services, from cleaning to information technology.

It's possible some services can be handled efficiently in-house.

Equipment. Upgrades, repairs or replacements, and usage itself can cause you to rethink whether to lease or buy equipment. Your accountant can help you analyze the numbers to make the best decision.

Facilities

Finally, ask some key questions to determine whether you can cut back on facility costs. Does the size of your space fit your needs, or do you have a bigger-than-necessary space for ego reasons? Are exam rooms being used to capacity?

Do you have unused storage space? If you have a satellite office, is it making money or losing money? Take a hard look at all of these areas and reduce costs where possible.

Benchmark drawbacks

When comparing your own practice to national benchmarks, remember that one characteristic of benchmarks is that they report average or median values — and may vary depending on the geographic area. You should want your practice to be the "best of class," not average.

These numbers are useful for measuring your practice's success, but are they the most important factor? The most important factor should be patient satisfaction — and the long-term financial health of your practice.

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