

# Practice Management

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 **DAENEN HENDERSON**  
& COMPANY, LLC  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

[www.dhc-cpas.com](http://www.dhc-cpas.com)

3818 Bayou Rapides Road  
Alexandria, Louisiana 71303

(318) 445-4585 ■ 1-800-738-6800 ■ FAX (318) 442-1138

# Should you outsource your billing?

Deciding whether to handle billing in-house or hire an outside billing company is an important decision for any medical practice. While it's true that not all physicians or their staffs have the experience, training and temperament to handle billing internally, it's important to understand that a billing company typically takes 6% to 9% of the monies they handle. This article takes a look at the drawbacks — and benefits — of outsourcing billing.

## What are the drawbacks?

In addition to the percentage fees on all billings, most billing companies charge a set-up fee ranging from \$500 to \$3,000 — or more. One purpose of the fee is to discourage medical practices from transferring to a competing billing company and having to pay the fee again.

In addition, a billing company contract typically locks your practice into a specific time period. In the event you become dissatisfied with the company's services during that time, it will be hard to break the contract because you'll have to prove the company wasn't measuring up to

industry standards that aren't necessarily well established or stringent. Also, many billing companies outsource their work overseas. Troubleshooting may require spending time on international phone calls at your expense.

*If you outsource your billing,  
check references and ensure  
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within your specialty.*

If your billing company requires payments to be sent directly to the company, instead of to your practice, it may cause your practice to lose control over your funds — even before deciding whether the billing company performs up to your expectations. And it's important to keep in mind that each medical specialty has its own billing quirks and nuanced coding. So, if you outsource your billing, check references and ensure it has experience within your specialty.



Finally, the most common complaint about billing services is that they don't chase the money. Because they're paid on a percentage basis, they tend to focus their energy and resources on handling bigger customers and bigger claims. In other words, there's a tendency to chase low-hanging fruit instead of more challenging claims.

### What are the benefits?

Billing is complicated, and, given the increasing complexity in the health care field, it probably won't get any simpler going forward. For your practice to handle billing internally, you would require at least one skilled, well-qualified individual on your team to stay up to date with billing procedures, attend seminars regularly and keep up on coding changes and modifiers.

Further, billing isn't a learn-on-the-job endeavor — nor is it taught in medical school. The learning curve is significant — and for new physician practices, there's already an overwhelming number of things to learn. To simplify practice management, you'll likely need to hire an experienced billing service.

Outsourced billing can free up team members to focus on responsibilities more connected to your core mission of providing medical services. This, in itself, can create savings. In addition, many billing companies' coders and billers are professionally certified and know how to streamline your practice's billing processes. Having a professional, high-quality billing service that you can trust may eliminate numerous headaches and worries.

### What makes sense for you?

It's a good idea to periodically compare the cost of using a billing company to the costs of having internal staff handle it — including an estimate of how much additional revenue the billing company may be able to capture vs. in-house billing. Because the decision is integral to both your practice's bottom line and your personal control of the practice, it can be an emotional issue. But the truth is, not all physicians or their staffs have the experience, training and temperament to handle billing internally. The critical decision of whether to outsource billing should be sound and well researched to ensure your practice thrives over time. ▶

## 4 key metrics

One way to help a medical practice decide between in-house or outsourced billing is to answer the following question: What are the four most important reports in your revenue cycle management? If you're unable to answer this question, you probably need to outsource billing.

Those four key metrics are:

**1. Days in accounts receivable (A/R).** How long does it take to get your average claim paid? Most practices should fall below 50 days to get a claim paid. If your days in A/R number is greater than 50, you have a possible bottleneck somewhere in the system. The formula for days in A/R is: (total A/R divided by gross annual charges) × 360.

**2. A/R report.** Most billing software places outstanding revenue in divided time buckets. National benchmarks that you can measure against are:

Percentage of claims	Days in A/R
52.5%	0-30
16.8%	30-60
7.5%	60-90
5.5%	90-120
17.7%	120+

(Source: Medical Group Management Association)

**3. Claim rejection rate.** This refers to claims that have been rejected immediately by the clearinghouse on the front end. It may be because of simple demographic errors, claim data errors or a missing diagnosis, among other things. Claim rejection rates should normally be lower than 4%.

**4. Denial rates.** Claim denials have been accepted by the clearinghouse but have been denied by the insurance company. Claim rejection rates should be below 8%. It's important to note that 50% to 60% of all denials are never worked to adjudication, so basically turn into lost revenue.

# 7 steps to handle a down economy

The COVID-19 pandemic has had many ramifications. One of these has been a down economy that has affected many sectors of our society — including medical practices. Physicians have felt the effects as patients have lost jobs and health insurance, have been reluctant to visit doctors' offices because of fear of infection and have shifted to saving instead of spending. You may need some specific strategies to weather the storm.

## Take active measures

Medical practices should take the following steps to help them handle the downturn:

**1. Have a marketing mentality.** Just as consumers scale back spending in a down economy, many businesses, including medical practices, may consider scaling back their marketing expenses. But in general, it's the wrong time to scale back marketing. The best approach is to fine-tune your marketing strategy, focusing on providing positive messaging to existing patients while reaching out to new ones. Remind your patients that you're here for them and that taking care of their health and wellness is an essential need — not an indulgence or something to postpone.

**2. Decide not to lose a patient to a competitor.** Ensure patients have access to you and your practice, that you're providing top-notch care in a safe environment and that you've made it as easy as possible for them to make an appointment in a timely fashion.

**3. Set your practice apart.** Target your marketing to inform potential and current patients about the overall experience you're providing. In a consumer society, people look for the best deals and convenience, but they're also attuned to how their experiences make them feel. Pay attention to the element of patient experience and ensure you're offering the best care possible. Get to know what your patients value most about their health care.

**4. Be value-added.** There are numerous ways to interpret the term "value-added," including going the extra mile for patients. But another concrete way of adding value is to reinvent your practice to be as comprehensive as possible. In other words, it may not be enough to simply focus on a patient's chief complaint. Within the context of appropriate care, conduct a full exam to look for problems or issues that might be "subclinical," in the sense that the patient may not be aware of them. In addition to increasing patient visit value for your practice, this is beneficial to the patients as well.

**5. Emphasize patient satisfaction.** This, of course, encompasses providing the highest level of care possible and finding out what your patients value. So much of it comes down to customer service. People might want faster and cheaper, but when they come to a physician's office, they want to get better faster. They want to be seen on time. They want you to listen to them and provide the services they need while demonstrating an understanding of their problems.

**6. Focus on patient customer service.** Communication between doctor and patient is an important physician competency. Patient satisfaction is linked to good physician-patient communication. The most obvious aspect of this is bedside manner, but you need to be attuned to all your practice's communications — and ensure they reinforce how you want your practice to be perceived by the patient.

**7. Make sure your accounts receivable are under control.** Although this should seem obvious — whether in a boom or a bust economy — make sure you're getting paid what you're owed. Accounts receivable (A/R) involves the outstanding monies owed to your practice and is also a measure of how long claims are overdue. Claims over 90 days should be less than 20% of your total A/R. Days in A/R is the average number of days it takes to collect the payments due to the practice. A high-performing medical practice's



billing is typically 30 days or less in A/R. The average is 40 to 50 days, and 60 days is below average.

### Heal your practice

Hopefully, the pandemic will fade and the economy will begin to recover. It's also possible that, as

patients get used to the new protocols dictated by the pandemic, this will lead to permanent changes in the way you deliver care. In the meantime, taking steps toward a lean, efficient practice that is focused on a superlative patient experience can help you come out on top regardless of circumstances. ▶

## A good business plan can help your practice thrive

There's a reason that physicians typically don't have MBAs. For most physicians, business is far from your primary function — healing is your business. But whether you're obtaining loans to expand your practice or simply setting up operations, generating a business plan makes sense. And with the current economic uncertainty brought about by COVID-19, it's even more important. A good plan will enable you and your colleagues to operate a successful medical practice based on proven methods, freeing you to provide the excellent health care your patients deserve.

### Make it work

The key elements of a good business plan are:

**Business description.** Essentially, this is your medical practice's mission statement. It could consist of a single sentence, such as: "To run a single-practitioner family medicine practice." Or: "To run a single-practitioner orthopedic surgery practice focusing on sports and athletic medicine."

But those examples are rather bare bones. It's a good idea to include more details on your intended practice structure — for example, whether you plan to have a partner and whom you expect your target patient population to be. Include your CV or a paragraph with a few more details on how you expect to fulfill your mission.

**Marketing plan.** Marketing is often a never-ending aspect of running a business, though it carries even more weight when you're starting up your practice. Plan on developing a website and being on social media. Link to professional networking sites like LinkedIn. Make sure you connect with and visit — in person if possible and virtually if not — local physicians and introduce yourself as a potential referral doctor. Based on your practice's focus, you may even want to visit nursing homes or community events (again, making sure you're observing proper COVID-19 safety protocols) — wherever your targeted group of patients might be.

In addition, ask any hospital with which you're affiliated to help you market your practice. Pharmaceutical vendors and/or representatives also often assist with marketing efforts.

**Financial budgets.** A start-up medical practice needs a budget for the business and the physician needs one for his or her household. Generally, new practices require about six months of working capital for both the business and the household.

The household budget includes how much money you need to live on for six months, including rent or mortgage, taxes, insurance and food. Be generous with yourself, because it's better to estimate on the high end and have more than you need rather than less.



The business budget is more complicated and requires you to make decisions about your practice. For example, if you plan to perform surgery, you'll obviously need a surgery suite. This will require a larger space and a bigger budget that includes equipment and staff. After you decide the appropriate number of staff, you'll need to determine how much to pay them and what kind of benefits you'll offer.

A specialized consultant can help with many of these decisions. A pro forma budget covering expenses and income for the first year makes sense — but so does having one that projects funds for two to five years.

**Staffing strategy.** Management includes you, of course, but the biggest part of your job is to see patients. You'll likely need someone to

manage your office. Thinking this through will help define your practice, which also will affect your budget. Some questions to ask are:

- ▶ Will you hire an office manager or administrator or act as your own — at least at first?
- ▶ Will you have one or more nurses?
- ▶ Will you have physician assistants or nurse practitioners, and how many?
- ▶ Will some staff be part-time, or will they all be full-time?

Your decisions will affect pay and budget. And you'll likely need to revisit these questions over time as your practice grows.

### Make it happen

In these uncertain times, many medical practices are struggling to maintain profitability and at the same time ensure they can respond to patients' changing needs. A professional financial advisor can help you set up or periodically restructure your business plan to reflect your evolving medical practice. ▶

## Make the most of patient-facing technology

Loosely speaking, there are two types of practice infrastructure. The first type is obvious — your office building, examination rooms and even patient workflow. But another type of infrastructure is *patient-facing technology*, or the technology that your new or current patients first encounter when dealing with your practice. Mostly, this refers to your phone system, website and patient portal.

The importance of these technologies shouldn't be underestimated.

### The phone system

Some phone systems can be enormously expensive. But there are plenty of low-cost, highly sophisticated systems, often as part of an outside service. Service is key, because the patient's ability

to call and be immediately transferred to the appropriate professional is enormously important.

Do you know what a patient hears when they call your office? Call in and actually listen to the message. Is it robotic? Is it gloomy or upbeat, cold or welcoming? Is it a reflection of how you want your patients to feel about your practice? The phone system is often the last thing physicians upgrade in their practice, but it's typically the first thing a patient uses.

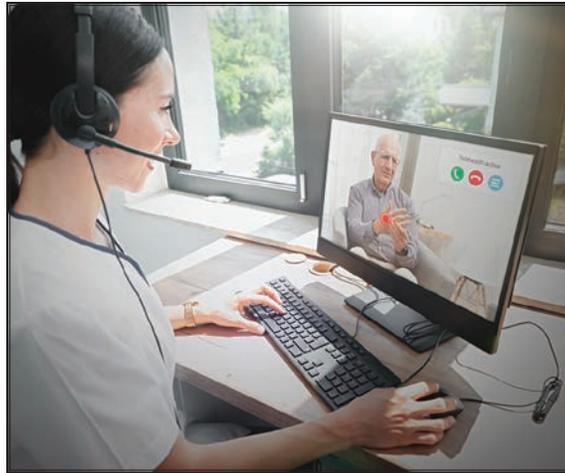
### The website

Think about how your website looks. Does it make your office appear modern? Does it provide information in a streamlined format? It's important to:

- ▶ Make sure your website is professional and updated regularly,
- ▶ Use best practices, be clear and easy to use, follow HIPAA regulations and be accessible under Americans with Disabilities Act (ADA) requirements,
- ▶ Use quality photographs of you and your staff that show you as both competent and approachable, including photos of physicians and staff interacting with potential patients,
- ▶ Be mobile friendly,
- ▶ Make sure essential information is easy to find, and
- ▶ Add online forms to streamline check-ins.

*Ask any hospital with which you're affiliated to help you market your practice.*

Given the current trends toward telemedicine during the pandemic and going forward, consider having videoconferencing capabilities built into your website if you don't already have them or, at the very least, promote your practice's telehealth capabilities.



### The patient portal

From the perspective of the medical practice, a patient portal has three components:

1. To advertise for new patients,
2. To communicate with existing patients and increase engagement, and
3. To provide information patients need to make healthy changes.

Features vary greatly from one patient portal to another, but may include the ability to:

- ▶ Securely view and print part of the patient's medical record,
- ▶ Exchange secure email with health care providers and staff,
- ▶ Request prescription refills,
- ▶ Schedule nonurgent appointments,
- ▶ Check patient benefits and coverage,
- ▶ Update patient contact information,
- ▶ Make payments, and
- ▶ Download or complete intake forms.

### Perception is everything

Each of these pieces of patient-facing infrastructure should project professionalism. Using these technologies can help you control all aspects of how your practice is perceived and create many potential ways patients can interface with you. ▶

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