Outsourcing Physician Billing

Outsourcing physician billing is key to optimum financial performance.

The business of healthcare is changing. The complexity of managing the revenue cycle has never been greater than in today’s healthcare environment. From the economic impact on an organization’s bottom line, to the continued advancement of healthcare reform, management of the revenue cycle will have a dramatic impact on providers’ financial health.

To remain solvent and competitive in today’s economically challenging and rapidly evolving environment, providers must focus on their core strengths and consider outsourcing non-core business operations to more economically efficient solutions — external vendors. Among the most rapidly advancing internal operations are business processes surrounding physician billing. Unless a provider considers these to be its core strengths in caring for patients, it often makes more economic sense to outsource these operations to specialists. Why not have experts apply their tools for your practice.

**Opportunities for Best Practices via Business Process Outsourcing (BPO)**

BPO vendors offer numerous, but in particular two primary, potential advantages over internal support. First, they have efficiencies of scale that are inherently more economical. Second, they are experts and can more quickly solve less common challenges. An over-arching factor favoring outsourcing is opportunity cost; the savings earned by efficient outsourcing can be invested back into profitable internal operations. As a “bonus”, the vendor will have access to data from other healthcare organizations and can offer benchmarking services to drive internal efficiency. For example, a BPO vendor may compare the coding efficiency of a client to comparable facilities to see if errors are leading to suboptimal billing. Outsourcing can lighten the burden of liability on the provider by distancing the provider from the effects of errors or malfeasance that may occur in the operations of a vendor.
The traditional benefits of outsourcing business processes are:

- Cost savings
- Improved process quality
- Access to expertise
- Rapid innovation to adopt “best practice” processes
- Increased process capacity in periods of high volume transactions
- Permitted focus on the healthcare provider’s core strengths
- Ability to scale the operations for growth initiatives

Choosing a BPO Vendor

Physicians and executives must exercise care in selecting outsourcing providers since there needs to be a close match between the vendor’s services and the practice’s needs. Physicians will want to be sure the vendor understands their business and the impacts and nuances of obtaining reimbursement.

Factors to consider when choosing a BPO vendor include:

- The vendor’s success record
- The vendor’s ability to scale to support client growth initiatives
- Key performance indicators used to measure performance
- Physician alignment strategies
- Experience in billing for organizations of similar size and specialty
- The vendor’s approach to compliance

Another key factor in choosing an outsourcing vendor is their approach to denials. It is not uncommon for vendors to claim that they have low denial rates, but you must do your due diligence to ensure that the vendor is not just writing off a percentage to improve their performance metrics. Additionally, find out how they are using the information they have to create action to prevent denials.

Additional consideration must be taken into how the relationship will be managed. BPO vendors may be off site, but that just means that oversight is even more important. Questions to ask are who in the organization will manage the vendor and how?

Today’s current economic factors are, in some cases, crippling providers. Throw in reform and without question a transformation of the current model is needed. Although outsourcing has long been utilized in other industries, and to a much larger extent, it will be leveraged more as a key part of an organization’s strategy and overall financial health because providers are challenged to maintain thin margins while focusing on improvements in the provision of quality care.

Some information from this article was obtained from Creating the Foundation for Financial Health in 21st Century Healthcare Provision, a white paper from Frost & Sullivan commissioned by SPI Healthcare.