



8

**REASONS**  
**to consider**  
Outsourcing Your  
Medical Billing





Small and independent practices have a lot of things to worry about, but at the top of everyone's list is billing.

Medical billing can be confusing and frustrating, and it requires significant resources to ensure that it is done right. For small practices with limited resources, this can be a financial drain.

Outsourcing medical billing for small and independent practices can provide several benefits, but it's not always going to be the right answer. If you have wondered whether you should be outsourcing, this guide will highlight all the reasons that small practices should be outsourcing and the advantages it gives you on the operational side. Use it to determine if it's the right solution for your clinic.

## Reason 1 Improve Your Cash Flow

Practices that excel at collecting maximum billed charges are not always large physician groups or those with massive billing departments. The best way to get paid for the clinical services you provide is to get claims submitted with little to no lag, and to make sure that they are clean (without errors).

When practices struggle to get paid for submitted

claims, it's difficult or impossible to meet financial obligations like payroll, supplies purchases, and overhead costs.

Outsourcing your billing to a company that can capture charges immediately (in real-time) can ensure that claims are processed without delay and without errors, both of which can speed up the time it takes to collect

and provide a more even cash flow for your clinic. It also ensures that you capture all the appropriate charges for the services you provide, increasing the amount that you are able to collect with each patient encounter and never missing out on revenue as a result of undercoding.

## Reason 2

# Never Miss Claims Deadlines

Every payer has a specific timeline of how long you have to file a claim. Missing a deadline means your claim will be rejected and leaves you with only two options: bill the patient for the entire amount, or don't collect any of the revenue.

The first option is likely to create serious customer service issues for patients who are expecting insurance to cover some or all of their costs for care and get hit with a surprise bill later. A missed deadline is your fault, and most practices don't want to bill a patient for several hundred—or even several thousand—dollars because you didn't file a claim on time.

To avoid the embarrassment of billing a patient for the full amount, many practices go with option two, which is to just write off the amount as 'bad debt' and not collect anything at all. If this becomes a common practice you will struggle to maintain sustainable long-term financial growth.



## Reason 3

# Avoid Claims Denials & Rejections

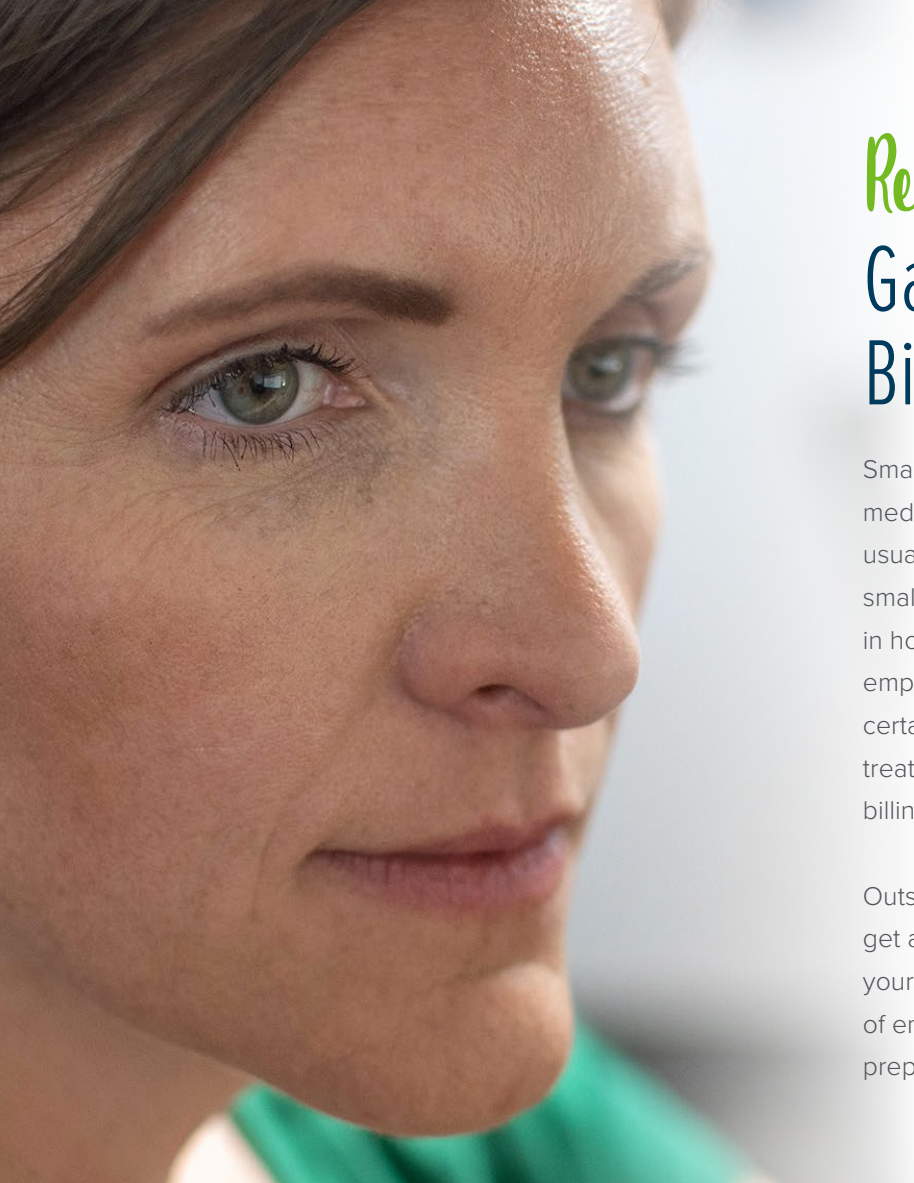
Claims denials are one of the main culprits of clinical cash flow concerns for healthcare organizations.<sup>1</sup> A denied or rejected claim must be reworked to find the problem, then corrected and resubmitted. It takes a significant amount of time and effort from your billing staff, and it all has to be done in a narrow timeframe set by the insurance payer. For all of those reasons, millions of dollars in revenue are never collected<sup>2</sup> because practices don't have the time, resources, or expertise to rework and resubmit denied and rejected claims.

Outsourced billing can eliminate some of the most common errors that cause claims denials<sup>3</sup>, including:

- Lack of insurance verification (patient's coverage expired or changed)
- Duplicate claim submissions

- Expired claim deadlines
- Incorrect patient demographic information or typos in your submission
- Inaccurate billing codes
- Lack of coordination with benefits (for example, private insurance and worker's compensation)
- Billing separately for bundled payment services
- Lack of proper documentation to determine medical necessity
- Missing prior authorization

The fewer mistakes your claims have, the sooner you get paid and the less likely you will need to rework and resubmit them to get reimbursement. An outsourced billing partner that focuses entirely on billing can ensure that your claims are ready for submission before they go out.



## Reason 4

# Gain Valuable Billing Expertise

Small and independent practices generally hire one medical coding and billing manager. That person can usually handle the workload of a single physician or a small group of providers, but a single person is limited in how much coding experience they have. Your internal employee may not be properly trained with billing in certain medical specialties or for certain conditions and treatments and will struggle or commit errors if unique billing situations arise.

Outsourcing to a medical billing service means you get a broader range of experience and expertise in your coders. The company can pull from a large pool of employees to find someone who is qualified and prepared to meet all your needs.

## Reason 5

# Eliminate Employee Turnover & Training

In every industry employee turnover is costly but losing a highly qualified medical billing and coding specialist can be especially difficult. The time you spend hiring new coding professionals, training them, licensing them and getting them up to speed with your practice can cost your

practice a lot, especially if you have only one or two coders on staff.

Medical coders also need to meet continuing education requirements<sup>4</sup> by participating in a specific number of continuing education units (CEUs). The total number required varies

based on the accrediting body<sup>5</sup> and the number of certifications<sup>6</sup>, but it can add up to as much as a week or more of (40+ hours) every year or two. That's time that your coder is not able to work on their job, and potential for missed practice revenue.



## Reason 6 Focus on Launching Your New Practice

Physicians and office managers working to establish a new practice have a lot to think about, from establishing operational workflows to hiring new staff and marketing to bring in patients. Billing and coding is a complex and difficult aspect that you must get right in order to get paid, so if you don't have the time to devote to ensuring the highest level of accuracy, it's probably best to outsource to a partner that does have the time (and the experience).

## Reason 7 Get More Financial Transparency

It might seem counterintuitive that outsourcing a key component of your practice could actually provide more transparency, but with the right medical billing partner it can. Keeping up with clinic finances requires running reports, reviewing them, analyzing the results, and identifying areas of improvement. Office managers and administrators who are also tasked with hiring, operational workflows, staff management, purchasing, and other important business continuity tasks might not have enough time to devote to financial analysis and reporting.

When you outsource your medical billing, all of those financial reporting tasks will be handled by your partner. They will run regular reports to show you key financial metrics<sup>7</sup> like:

**Revenue per patient** – how much you collect from each patient appointment on average.

**First-pass resolution rate** – the percentage of claims that are paid after the first submission (and do not require reworking or resubmission).

**Days in A/R** – average number of days it takes to collect payment for billed charges.

**Accounts receivable by age** – total outstanding A/R, categorized into 'buckets' based on the date of submission (30 days, 60 days, 90 days, 120+ days).

**Net collections ratio** – total billed charges you collect based on payers' allowed amount.

**A/R per FTE physician** – comparison of each physician's collection ratio as part of your overall practice; for small group practices this can help you identify partners who have poor coding, delays in submitting claims, or lack of attention to important billing paperwork that slows down payment.

An outsourced medical billing company can help you analyze and understand the information in your reports with benchmarks and references based on specialty or geographic area. They can also recommend areas of improvement based on the data from your practice.

## Reason 8 Keep Operational Costs Low

Having an internal medical billing department requires a significant investment in resources, including hiring and training your staff, and keeping them up to date on the latest changes to CPT codes (there were 329 changes in 2021 alone<sup>8</sup>). You also have to invest in technology and provide office space for them to work. These costs can add up for a small practice with just one physician or a handful of providers.

Outsourced medical billing allows you to get the expertise and experience without all the costs of hiring, training, and housing internal staff. With all the changes and increasing complexity in the healthcare system, it also expands your access to specialists who have a deeper understanding of your specific medical specialty and can provide better services than a billing and coding generalist you might be able to hire on your own.



# Improve Your Small Practice Medical Billing & Earn More by Outsourcing

Ready to improve your collection rates and practice income?

Talk to AdvancedMD today to learn about our outsourced medical billing services and network of independent billing service companies to see how easy it can be.

## References

<sup>1</sup> <https://info.besler.com/hubfs/HIMSS%20Revenue%20Cycle%20Management%20Research%20FINAL%20SECURE.pdf>

<sup>2</sup> <https://www.hfma.org/topics/hfm/2018/september/61778.html>

<sup>3</sup> <https://www.medicaleconomics.com/view/top-13-reasons-claim-denials>

<sup>4</sup> <https://www.aapc.com/medical-coding-education/>

<sup>5</sup> <https://www.americanmedicalbillingassociation.com/pre-approved-ceu-list>

<sup>6</sup> <http://www.mb-guide.org/medical-coding-ceus.html>

<sup>7</sup> <https://www.aafp.org/family-physician/practice-and-career/managing-your-practice/practice-finances.html>

<sup>8</sup> <https://www.ama-assn.org/press-center/press-releases/ama-releases-2021-cpt-code-set>

<sup>9</sup> <https://info.besler.com/hubfs/HIMSS%20Revenue%20Cycle%20Management%20Research%20FINAL%20SECURE.pdf>

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