

Using Outsourcing Effectively

By **Margie Satinsky**

You know how medicine works. You provide patient care in the areas in which you are trained and board certified, and you refer patients to your colleagues when they need care that you can't provide.

The same principle applies to practice management. As the job of managing a medical practice increases in complexity, it makes sense to determine what's best done internally and what might be outsourced to an external professional with expertise that you lack.

Let's talk about two topics: what functions are often outsourced and how to select a consultant or vendor. Practices commonly outsource the functions of managed care, billing and collections, information technology support, human resources and compliance.

Managed Care

An external consultant with managed care experience can help you review contracts that you have in place and verify your current rates of reimbursement. You should already know that insurers don't knock on the door offering higher rates; you have to ask for better reimbursement and justify your request with documentation of quality or other features.

Experienced consultants know how each plan pays (e.g., percentage of Medicare Resource Based Relative Value Scale – RBRVS – and/or proprietary fee schedule) and can negotiate increases in your reimbursement. They can review contract language and other plan materials to ensure there are no hidden bombshells. They can also guide you in developing systems for comparing expected with

actual reimbursement; the numbers don't always match.

If you outsource some or all of your managed care work, ask potential consultants about their experience in North Carolina. Many consultants prefer to work on all of your managed care contracts simultaneously, rather than one at a time. We prefer that approach, as it provides a broad picture of the entire landscape, offering opportunities for leverage.

Select a consultant who will let go of the reins, teaching someone in your practice what to do in the future so you can eventually do the work yourself. Most consultants charge a fixed rate for a specific number of contract re-negotiations or an hourly rate. An incentive-based consulting fee that is tied to increases in reimbursement is theoretically appealing but difficult to implement, because most practices are not informed on the current reimbursement by code and by plan.

Billing and Collections

Obtaining managed care contracts that offer favorable reimbursement doesn't guarantee that the entire revenue cycle management process in your office will work smoothly. The methodology by which you capture patient demographic information, verify insurance coverage, code, submit claims, monitor denials and collect all impact the revenue that you ultimately receive.

Staffing issues also can have a negative impact on your bottom line. For example, if you have frequent staff turnover, your accounts receivable statistics may not meet industry standards, and you may fall behind

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in your collections. Outsourcing billing and collections could be an attractive solution.

When you talk with vendors that provide billing and collections services, ask about company ownership, structure, history and long-term goals. Seek examples of results with current clients.

Given your financial situation, what one-time savings and long-term results are projected for your practice? How does the vendor service new accounts, and who will be your service representative? Will the vendor clean up accounts that are older than 90 days and, if so, will there be an extra charge for the service? Is the vendor available and willing to meet regularly with your practice so that you can identify and correct operational issues?

Most billing and collections vendors charge a percentage of revenue collected or a flat monthly fee. Be sure to ask about start-up costs, such as license fees, hardware and network connections. Finally, ask what software the vendor uses. If you have already purchased an integrated practice management/electronic health records system from a vendor that offers outsourced billing and collections at an additional charge, it may make sense to purchase that additional service from the same vendor rather than choosing a different vendor that uses different software.

Information Technology

Successful practice management in the 21st century depends on your ability to select and use a practice management

system, electronic health record system and an interactive website linked to a patient portal.

Many small practices lack the internal expertise to select and maintain information technology (IT) applications. My own IT support vendor ranks closely behind my family in importance. When my system is having problems, my family drops to second place!

Check the experience and stability of the support vendor that you select. How does the vendor recruit and train staff, and are they certified? How does the IT support vendor charge for services (hourly or monthly rate, special “after hours” rate), and what’s the method for prioritizing requests for assistance?

Human Resources

Your employees are your most important assets. Recruiting, hiring, firing, supervising, training, performing regular evaluations, making sure you comply with state and federal law, reviewing your benefit package and upgrading your salary scales are some of the tasks that you should be doing on a regular basis.

You have three options for outsourcing. You can ask an external consultant to do one or more of these tasks. You can also ask a single vendor to help with multiple human resource tasks in what is called business process outsourcing (BPO).

You can also partner with a professional employer organization (PEO). With the PEO option, your employees are actually on the payroll of the PEO and you “lease” them back.

Compliance

If managed care ranks first as the aspect of practice management that physicians hate, compliance ranks a close second. Believe it or not, some practices don’t pay any attention to compliance at all, putting

themselves at great risk.

You should have a formal compliance plan that addresses Medicare and Medicaid issues, and you should also be compliant with other relevant rules and regulations such as OSHA, CLIA and HIPAA Privacy and Security. With respect to HIPAA, the Omnibus Final Rule that went into effect in 2013 changed some of the original requirements, so make sure you are up to date.

The best resource for creating a compliance plan is an attorney who is

experienced in that aspect of medical practice management. Consultants other than legal counsel can help you with operational issues, such as policies and procedures. Most attorneys and other consultants charge an hourly rate.

Remember, you don’t have to do everything internally. If the increasing complexity of medical practice management feels overwhelming, investigate the outsourcing option, keeping in mind that your external partners will work best with internal support and guidance.

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