



To Outsource or Not to Outsource That is the Question?

With the present climate of reduced medical reimbursement from third party insurance companies and increasing pressure for healthcare providers to reduce costs, it just might make perfect sense to outsource your radiology billing and AR to an outside billing service such as RADMAX.

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The Outsourcing Dilemma

Billing outsourcing for specialties like radiology groups (professional charges) are commonplace these days, but for hospital based radiology departments (technical charges), the idea is almost taboo considering most hospitals have control issues when it comes to their technical charges. This is unfortunate, because a lot of hospital based radiology departments could definitely benefit from the expertise offered by such companies as RADMAX that specializes in radiology billing and AR management. Here we explore some of the factors to weigh when considering billing outsourcing (note: not all of them are cost related) and hopefully help you decide—when does it make sense to use an outside billing service?

Expertise and Availability

It is no secret that radiology billing can be complex and there needs to be an understanding of the billing codes, as well as the treatment, to properly bill and be paid for services. If your billing is handled by a centralized hospital billing department that does not understand radiology, chances are certain bundled procedures are not getting appealed (paid) and modifiers are not being properly applied. To make things worse, most hospitals pay their billing personnel on the lower side of the pay scale, which encourages high employee turnover rates, which translates to billing inconsistencies. *The better-trained staff move on to other jobs or are promoted to other positions within the hospital.*

Finding qualified billing personnel can also be difficult! You may live in rural areas where skilled billing personnel are scarce or just the opposite—reside in an area with a lot of hospitals and clinics that are all competing for the same talent. “Either way, finding and retaining qualified people can be difficult.” The talent pool issue also extends to management.

Many radiology imaging centers are finding that top people with management skills in radiology (that have an understanding of radiology billing) are rare (and expensive) and management is key to how well any billing department ultimately performs (leadership)!

Overhead

Overhead is a major concern many times in the determination to outsource billing including compensation of billing employees and their related healthcare benefits and retirement plan costs. Other factors include complying with labor laws, worker’s comp issues, the Americans with Disabilities Act, the Family Medical Leave Act, occupational safety, and more! There is also the burden of possible employee related lawsuits and other issues that loom in the background making management of employees each year more difficult. That does not mean that billing services like RADMAX do not have to deal with these very issues also, because they do. The benefit to the client is that you get to “offload” these issues to the billing service, and effectively lessen your headache (hassle) of management.

What about computer hardware and software expenses? Even for radiology, which is considered a high tech department, keeping up with computer technology issues can be difficult and expensive. By outsourcing your radiology billing, you save money by eliminating the billing component of your software, and again “offload” that expense to the billing service. Outside billing services have the same technology issues and it important to do your research and make sure that they are keeping up with technology also. There has been a trend among some billing services in recent years to use ASP’s (Application Server Providers) or what amounts to *renting space* on someone else’s server (seamless operation where billing service employees dial into an off-site server to access their billing software). This may or may not be an

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issue for some people, but in any case, the client should be aware of where their patient data is located and what type of arrangement the billing service has with the ASP. Using an ASP is not necessarily a bad thing because the ASP provider may be better able to keep their computer hardware up-to-date, but this may also limit the billing service from doing any customization or easily tweaking the system and may also complicate other areas like security and compliance issues.

Compliance, HIPAA, and Other Issues

Compliance is a big topic at most healthcare related seminars these days and a working compliance plan can be a safeguard in the event of an audit. Even though a compliance plan cannot be off-loaded on the billing service (both the client and billing service need their own compliance plans), the billing service should be able to give their clients important feedback and reports that show the client any issues or problems that need attention. This may extend to include assistance with coding issues (training) and appropriate physician documentation.

It is important to know where a billing service stands as far as HIPAA (Health Insurance Portability and Accountability Act) and if their billing software is HIPAA compliant (as with compliance issues, HIPAA cannot be totally off-loaded to a billing service). While hospital based radiology departments have the luxury of tapping into shared resources concerning HIPAA administration, stand-alone (freestanding center) imaging centers and physician practices are responsible for implementing changes in their policies and procedures to meet HIPAA guidelines. If there is no available talent in that organization to administer HIPAA, this type of service will usually need to be outsourced (i.e. consultant) and can be costly to implement.

Another area of concern is the implementation of a contingency plan (disaster recovery) in the event of emergencies such as hardware or software failures. This should include daily backups of all databases and file servers and securing backup tapes off-site. Most important is actually testing the disaster recovery plan periodically. You need to safeguard your data by making sure every step is taken to insure its safety. Unfortunately, this is an area where many operations fall short (both radiol-

ogy centers and billing services)! *Any billing service should be able to explain their disaster plan and what steps will be taken in the event of failure.*

Direct Costs

Most people consider the direct cost associated with their employees as the number one factor in the decision whether or not to use a billing service, but cost is a relative issue and needs to be included with the other considerations mentioned in this article. Listed below are some examples to help you determine the direct costs associated with a typical in-house billing department. NOTE: For those of you who are looking to breakout costs and are a hospital based radiology facility, do not be surprised if it is hard (or next to impossible) to get a report that *clearly* isolates your true monthly/yearly billing costs from other hospital department services.

Examples of Direct Costs for Internal Billing Department:

- Salaries
- Overtime
- Social Security (taxes)
- Group life
- Group health
- Retirement plan
- Dental insurance
- Office supplies
- Billing software license costs per seat
- Computer cost (including printers)
- Copiers, high speed printers, fax machines, telephone equipment, etc.
- Furniture (cubicles, desks, etc.)
- Telephone/fax charges
- Electronic claims submission (i.e. ProxiMed) costs per claim
- Lease space costs
- Present billing facility utilities
- House keeping services
- Liability insurance
- Educational items (coding manuals, newsletters, etc.)
- Training (seminars, online classes, etc.)
- Hospital system fees associated with individual employees

- Collections agency (outsourced bad debt)
- Management salaries (OFFSET) related to managing billing personnel
- Misc. expenses

Billing Service Fees

Finally yet importantly, you also need to consider the cost of the billing service itself. Most billing services today charge a percentage of the collections received (i.e. insurance payments) while some still charge a set fee or a “per claim” amount (which gives no incentive to the billing service to appeal denied claims). It should also be noted that billing services are companies who are in business to make a profit (just as any business). They have quality staff to hire and bills to pay just like other businesses. “They should be competitively priced—not cheap!” If you are looking for *bargain basement* prices from a billing service—beware, you get what you pay for which may only be the equivalent of getting your claims mailed out and your payments posted with little emphasis on claims follow-up and coding issues. *The end result—lost revenue each month!*

Conclusion

In today’s healthcare world of reduced medical reimbursement from third party insurance companies and increasing pressure on healthcare providers to reduce costs, when does it make sense to outsource your billing to an outside billing service that specializes in radiology? This type of answer requires a thorough analysis and other considerations not even mentioned in this handout (every situation has unique circumstances)—*there are pros and cons to both sides and you need to carefully weigh both.* Many people mistakenly look at just employee directly related costs (i.e. salaries, benefits, taxes) when considering if they should outsource their billing or not, but the decision is much more complex and just factoring in direct employee costs will not give you the big picture! Sometimes it may appear on the surface to be more expensive to outsource your billing, but if you look deeper at issues like billing inconsistencies or poorly trained billing staff, the result could be lost revenue that is hard to define (amount), but should be factored into your decision.

Reference: Patricia Krokem, *Radiology Billing: In-House or Outsourcing?*, RBMA Bulletin, California, 2001.