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Is there a fox in your billing henhouse?

By John Stiles, AuntMinnie.com contributing writer

June 29, 2017 -- "Don't let the fox guard the henhouse" is an idiom used to point out to somebody that his or her action could invite disaster. If you assign someone a duty and, in doing so, that person is put into a situation that can be exploited, then, much like a fox looking over nesting hens, the person is tempted to take advantage of the situation, regardless of his or her moral compass.

Subtly, the same thing can happen with one of your most valuable assets: the revenue stream of your entire practice.

Most of us choose to surround ourselves with people we believe we can trust. And perhaps many times we can. But with so much at stake, it's important that we ask ourselves a few questions:

1. Does my present billing structure possess the necessary safeguards, independence, and objectivity to minimize the risks of potential misallocation of funds, unintended lost revenue, or outright embezzlement?
2. Is there a culture of transparency, responsiveness, and fact-based responses to inquiries I/we make regarding our billing activities?
3. Do I/we have the necessary reporting that creates accountability and easy ways to monitor performance at a high level?

If the answer to any of these questions isn't a confident and resounding "yes," then you have already determined that you are carrying an unnecessary level of risk.

The nuances of establishing appropriate billing structures (item 1) and defining and implementing an effective culture (item 2) need to be customized to your individual group size and situation. This makes the third item, establishing the necessary reports to receive and review in a timely and consistent manner, a great place to start.

There are a few practical reporting mechanisms that can immediately begin to help you protect your income and practice. If you already recognize you're at risk, then taking a step to engage external, independent, and objective advice will be well worth your investment. In the meantime, here are a few suggestions to help you get reports in your hands to begin taking back control of your revenue.

Perform weekly balancing reports

All of your receipts and associated posting data should be entered and reconciled daily. To monitor and confirm that this is being performed correctly, you should be receiving a weekly summary that



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reconciles every penny you received to every penny that is posted into your billing system.

The reality in today's electronic transfers of both money and supporting data is that they are often separated. This means that you may receive funds before the explanation supporting those funds is received. It can also mean that you receive postable data before the electronic deposit actually hits your bank account.

Because these timing issues can be frequent and significant in amount, it is critical that a documented process exists to reconcile this information and confirm that every penny is accounted for and everything remains perpetually in balance. This can be as simple as a bare bones basic report that is essential to the credibility and integrity of your billing processes and system.

Document collection reports

In spite of your billing process requesting payment -- politely and repeatedly -- from your patients, it may become necessary to transfer a small amount of your accounts to a collection agency for more assertive collection activity. (The ideal range for hospital-based physicians is generally 3% to 6%.)

Documenting this activity in a report has two primary purposes:

1. To ensure your billing process is not turning over too much money to the collection agency
2. To provide information that supports that your accounts receivable balances are being worked actively and consistently

If your billing process is not efficient and effective, it can result in money that "should" be collected by the billing process actually being collected by the collection agency. In addition to the irritation this can bring to patients, the percentage charged by the collection agency is often four to five times the percentage a billing company charges for its services. This can be costing your practice a fortune.

The collection report itself should contain the following:

- The dollar amount being turned over to the collection agency for the month
- A trailing summary of each monthly amount turned over for at least 13 months
- A calculation reflecting the percentage relationship between the amount turned over and the monthly charges of the practice

With these metrics before you each month, trends -- positive or negative -- are easy to detect and address. Unfortunately, in many billing operations, actively working patient accounts that have outstanding balances is often a lower priority due to their time-consuming nature. Therefore, it is essential to monitor the dollar amounts and percentage of your practice being transferred to your collection agency.

If your billing agency is also your collection agency, by virtue of structure, they are advantaged to allow dollars to flow to the collection agency, whereby they can earn more money for themselves. The fox appears once again.

Validate refund reports

Sometimes both patients and payors pay on the same account, resulting in a credit balance. These amounts are required to be returned to either the patient or the payor. As a result, refunds should be monitored closely, and you need a report that either you or your accountant can validate routinely.

In this way, you can be more assured that refund patterns are legitimate and the refund percentages are consistent. If a high refund amount or a change in pattern emerges, then validating the legitimacy

of those refunds and confirming the appropriate supporting documentation is a wise check and balance.

Because refunds are one of the few ways that actual money is being transferred from your practice to others, they are also more vulnerable to fraud and embezzlement, making this report even more critical to monitor.

Conduct compliance reports

In addition to a set of standard reports to monitor basic metrics, there is another approach that is simple to initiate and covers a number of revealing items -- conducting compliance reports.

The goal of this process is to test the accuracy and compliance of your billing process from time to time. Perhaps consider it an acid test of your billing process:

- Randomly select a list of patient encounters from about three months prior.
- Include 25 to 100 based on your size and the scope of your compliance intent.
- If you have provided some new services or are aware of certain services now being reimbursed, you may want to include these.
- Secure a copy of the original interpretation report which serves as the patient medical record from which your billing process can justifiably submit claims.
- Ask your billing process to provide a report with the detail you need to follow the activity on each patient's account. This would generally include the following:
 - Patient's name
 - Account number
 - Date of service
 - Date of claim(s) filed
 - CPT code(s) applied
 - ICD-10 code(s) applied
 - Name of governmental and/or commercial payor(s)
 - Payment dates and amounts from payors
 - Payment dates and amounts from patients
 - Adjustment dates and amounts
 - Any denial messages; include dates received and actions taken
 - Amounts (if any) turned over to your collection agency
 - Outstanding balance(s)

By allowing a three-month lag, almost all of the accounts should have a zero balance. For the few with a balance remaining, the detail provided should be a road map justifying why the account is still open with a balance remaining.

This allows you to test and/or validate multiple metrics and processes as part of one activity. The more obvious ones are whether the correct CPT and ICD-10 codes were applied and a quick pulse of how each account responded in the billing process. But this subset of data will provide a wealth of information to the trained billing professional, much like an image or specimen reveals enormous medical data to a radiologist or pathologist, respectively.

If you're not getting the timely and accurate reports you need, it may be time to consider a new medical billing partner. Download our free white paper at healthpromedical.com/answers for the 20

most important questions to ask when searching for a billing partner.

In summary, it is imperative that you or someone you trust is monitoring your billing process. Further, you should have access to a minimum set of basic reports to easily monitor the basics of your practice's finances. By doing so, you have taken a huge step in creating distance between any unknown foxes and your henhouse.

We all want to trust those we've chosen to oversee these services. At the same time, we need to heed the wisdom from the Russian proverb that President Ronald Reagan made so famous: "Trust, but verify."

Assembling a solid set of recurring reports and a process to review them is an excellent first step in accomplishing this objective.

John Stiles is a principal at HealthPro Medical Billing in Lima, OH, as well as the company's compliance officer and director of information services. A former insurance actuary with more than 30 years of experience in medical billing and physician practice management, John joined HealthPro in 1981 and is active in the Radiology Business Management Association (RBMA), Healthcare Billing and Management Association (HBMA), and Medical Group Management Association (MGMA).

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