Outsourcing Your Billing: How Will It Affect Staffing, Overhead, and Compliance? Part I

Any transition to outsourced billing must make financial sense.

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This article is the first of two parts.

There is no right or wrong answer to the question of outsourcing billing. There are, however, many questions that you and your senior management team must consider in making the decision. You are familiar with the standard pros and cons, and presumably you are reading this article so that you can get a better grasp of the human and compliance issues you may face if you implement business process outsourcing.

Direct and Indirect Overhead Costs

Naturally, your first step in comparing in-house to outsourced billing is financial. Direct costs are relatively easy to look at. Clearly, you will have a direct outbound expense to any ex- ter- nal billing group. The most common method of charging for billing services is on a percentage basis. This can make monthly budgeting challenging, but

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the overall direct costs are predictable based on volume. Quiet versus busy months can result in large fluctuations in your monthly invoice from the outsourced service provider, so you must be prepared for that eventuality.

Outsourcing presumably will reduce your overhead expenses through some combination of reduced payroll and other expenses. Be realistic when you calculate what this reduction might amount to. Outsourcing your billing does not mean that no internal employees will be involved in your practice's billings; your internal billing overhead does not fall to zero. At a minimum, you will need to manage your outsourced provider. This might be accomplished by a member of your current staff, or you may need a new hire. In a large facility, you may still require a full-fledged billing department, having outsourced only coding.

Consider carefully what tasks will still require you to have an employee. Who will be negotiating payers' contracts? Who will be responsible for gathering billing data and supplying it to the outsourced billing company?

Remember that freeing up 500 square feet of office space by elimi-

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nating your billing department does not mean your rent or heat expense goes down. The space still needs to be paid for, and you may have design or renovation expenses.

Indirect cost may be trickier to calculate. Will you have to deal with severance pay? In addition to any policy you might choose to follow, there may be legal requirements based on length of employment or other factors. This varies by state and by governing legislation.

Will the change in the number of your employees have a positive or negative impact on any health insurance or "group"-based benefits that you currently offer? If you are planning to retrain some existing employees so they can move into new positions, you will probably have training or equipment costs.

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Effect on Employees in Your Current Billing Department

The odds are that one or more of your current employees will be let go. This has consequences and can affect the attitude of remaining employees throughout your organization. For example, existing employees may become more willing to entertain outside job offers than they are right now.

Employees who will remain after you have outsourced your billing must see and believe that this was a tough decision and that you cared enough to make the transition as painless as possible for the people who are no longer with you. Transparency throughout the process can help.

Culture Shift

With internal billing, every part of your practice operation and all of your patient–provider interactions stem from the culture of the practice. Where an outsourced billing service's employee interacts with a patient, however, that interaction will reflect the training and culture of the outsourced provider. Recognize that outsourcing your billing will change the dynamic—not just of your billing system, but of the way your providers interact with the challenges of billing within the practice.

Remember too, that there is a huge difference between walking back to discuss a billing question with a long-term employee and discussing the same question with an outsourced agent you have never met. Personal relationships take time to build.

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Managing the Transition

Changing to an outsourced solution is going to be harder than you think and harder than the outside vendor suggests. There are typically three preparation stages during which your existing billing team will interact with the new outsourced solution.

• Knowledge gathering: Your new provider works with your existing employees and management to understand the flow of information, sub-processes, and required activities.

• Optimization: Both parties should be seeking efficiencies and process improvements. This part of the transition process is aimed at implementing best practices.

• Systems planning: What reporting will be provided? How will performance be monitored? What deliverables are expected?

Candidly, the members of your existing billing team will have little to no incentive to assisting in making the transition run smoothly. This is not a question of ill will. It's simple human nature. It may be beneficial to consider providing significant advance notice and a "transition contract" to one or more of your current employees. In other words, you might choose to "value" and offer to pay for their expertise in executing the transition to an outsourced billing solution.

Depending on how much of your system is going to be outsourced, it may be that there is no one in the practice who has the right skill set to execute some of the transition. You may need to hire temporary expertise—for example, to program and install new computer systems.

Post launch, you will need to dedicate time and resources to assessing the service provider's performance and its compliance with your service agreement.

The Bottom Line

Any transition to outsourced billing must make financial sense. This kind of change is not to be undertaken lightly. It's expensive to change your mind. Be sure to consider and plan for all the factors. **PM**

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