7 Deadly Sins of Percentage Billing

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If you've been thinking about outsourcing your billing and revenue cycle management (RCM) operation, you should take some time to compare companies that offer "fixed fee" versus percentage billing. While percentage billing seems to be the standard in the industry, are these companies really looking out for your interests? Or are they billing fast and furiously for the easy money, just to make their piece of the pie bigger. With over 80% of your claims being paid with little to no effort, these important questions need to be answered.

That's why you need to understand the seven deadly sins of percentage billing before leaping into a contract with any RCM company that has direct influence over your practice's profitability and . It's the line every child tells their parents when they get into trouble. "Well everyone else was doing it!" and the response was, "If they Jumped off a Cliff would you do that too."

1

Does the billing company that you are considering practice illegal fee splitting within your state? If so you should know that the practice of percentage billing, is a non-compliant act in the eyes of OIG and CMS, and is illegal in some states when accompanied with other services including coding, Payment/ deposit management and document control to name a few. And to make matters worse, if your practice is found in collusion, all parties involved can be fined and prosecuted.

2

Are you sure their coding is in compliance? When a provider is not choosing the correct level of service or diagnosis, there is a greater possibility that the medical record will not match the coding. In other words many percentage billing companies don't have the technical knowledge to match up complex medical records resulting in unrecognized compliance issues— and denials. These issues come to surface during the Audit process when it's too late. Make sure you review the compliance experience of the teams and company that will be working on your practice's account. I cannot stress hard enough the benefits for regular internal Audits.

3

Do their charge entry staff, ignore documentation details just to get a payment in process? When a coder under codes a claim due to lack of information, or takes a safe, conservative approach to the service level provided or even missed charges, this can have a negative effect on your revenue. Once again, make sure the RCM company you are engaging understands the specifics of the service levels you provide. Under coding is a double whammy due to the lost revenue and under coding is also a compliance issue that you can be fined for.

4

Will they be able to maximize reimbursements?
Many percentage billing/ RCM organizations are quick on the trigger to get the claim in process. But when a medical record is incomplete and non-compliant, changing it after the claim is sent is illegal. In fact, appending claims after they are adjudicated often results in rejections, lengthy appeals and increased audit potential. Well-structured processes with technology managing the workflow and oversite through internal auditing and KPI's management, make for a great foundation to your revenue cycle operation and compliance strategy.

5

Will they put in the extra effort on the back end? It's a numbers game for percentage billing companies. They put all their effort and cost on the front end of the claim so they can maximize their profit margin. That's because the uncollected A/R follow-up and backend appeals management, requires more effort and expertize—and cuts directly into their margins.

6

Do they take unnecessary write offs? It's easy and far more profitable for an RCM/billing service to adjust off A/R and not follow up. This means A/R goes undetected beyond the time when it can be processed by the insurance company. So whose interest are they looking out for?

7

What kind of Key Performance Indicators (KPIs) will they use? Odds are the only KPIs they will be using is the amount of easy money they are able to get. That's because they are motivated to bill as much and as they can as fast as they can to make their margins more attractive. Time and time again I here from billers interviewing with our company, "My last employer only rated my performance on, how many runs I billed in an hour" and if I did not meet the minimum I was fired.

So when you are looking for a real partner in your practice, an RCM company that helps you control cost with a fix month-to-month fee affords many advantages compared to percentage billing groups. For example my company, CDO Squared not only works for you on a fixed fee, but we guarantee full transparency with measurable step function improvement as we develop a long-lasting and profitable relationship with your organization. In fact, we have helped many customers in the medical and ambulance industries easily garner up to 35 percent more revenue through our processes and technology.

So when it comes to RCM companies, look before you leap. It's much better to ask these seven questions up front rather than paying the ultimate price later on.

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