



## Outsourcing the Medical Billing Function: Is it Right for Your Practice?



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**A**n important decision that medical professionals must make is whether to outsource their billing or to keep it in-house. The major benefits of outsourcing the billing function are: more time to focus on the core service of patient care, access to individuals with expertise in the increasingly complex world of medical coding and billing, improved collections, and stability in your billing and revenue flow.

Keeping up-to-date with the constant changes in regulations, as well as the many convoluted insurance requirements is a very time consuming task. Physicians and their office staff have limited time throughout the day to handle their patient care demands. Outsourcing the billing function can make more time available to focus on what matters most, providing quality care.

Having an internal billing department and staff adds to your practice overhead costs. The funds spent on training, computer software and hardware, as well as all of the other miscellaneous supplies necessary to run a billing department might be better used in other areas of the practice. Additionally, experienced medical billers can command salaries that are significantly higher than those paid to medical assistants and receptionists.

A medical billing service provides billing and accounts receivable management services to physician practices. They have expertise in CPT coding, billing, as well as accounts receivable management. If the right medical billing service is selected, you will have access to experts in the billing process that may be too expensive to hire in-house. These service providers have the resources to keep up-to-date with the changing regulations and insurance requirements since this is their core service, just as patient care is the core service of a medical practice. Medical billing services also have established relationships with contacts at the insurance companies which may be beneficial. In many cases resolving a claim successfully is more about who you know as opposed to being right.

When billing is done in-house, it is probable that several times during the year billing may have to be delayed for a few days due to vacation, sick time, or staff turnover. When this happens, the revenue process is interrupted which can cause cash flow problems. When a medical billing service is doing the billing, the chance of interrupting the revenue stream is significantly less because you have access to a pool of well-trained billers and do not have to depend on one or two internal staff members.

Even with all of these benefits, it is not always in a practice's best interest to outsource the billing function. There are some negatives to outsourcing which need to be considered. When billing is outsourced, managerial control of this process is lost since the practice is no longer overseeing the operation.

The main goal of billing is to collect as much money as possible for the services performed. Is there anyone who would have as much motivation to collect your accounts receivable as you would? Probably not, which is why a medical billing service may not have the same level of commitment to success as you would have personally.

The decision ultimately comes down to whether the costs outweigh the benefits, both financially and non-financially. Financially, the formula is quite simple. Is the cost of employing billing staff plus training, hardware, software, phone, office space, and supplies more than the percentage of revenue or flat fee that you would be charged by a billing company? Although you will need to analyze the cost to determine an accurate estimate, this is a fairly cut and dry comparison. The non-financial aspects relate more to the personality of the decision-maker. How risk averse and trustworthy is this person? Are they someone who likes to always be in control and becomes involved personally in the billing process?

If you currently are doing your billing in-house and everything is running smoothly, meaning there is a system of internal controls in place; you are up-to-date with the coding, regulations and insurance requirements; you have a competent person overseeing the process, and your collections are high; there may not be a reason to switch. However, if your costs are high and your collections are low, you may want to seriously think about outsourcing the billing function. If both your costs and collections are low, you may need to really analyze the situation. Investing a little more money on staff and support tools may be all that it takes to drastically increase your collections.

Generally speaking, the larger the medical group the less likely that they should consider outsourcing billing. This is because larger practices have the resources to hire adequate staff and afford continuing education. Smaller groups and solo practitioners on the other hand, generally do not have the resources to hire someone who has the expertise to handle the billing process and to keep that person(s) up-to-speed with the ever changing regulations and insurance requirements. Another factor to consider is the specialty of the practice. If your practice is one in which there are not a lot of procedures and posting charges is fairly simple, such as a family practice or general internal medicine, you may be able to handle billing in-house more so than a specialty practice that has more complex billing and coding issues.

The decision ultimately comes down to whether the financial and non-financial factors involved support outsourcing or keeping it in-house. As billing issues become more complex, practices are forced to revisit this question on a more frequent basis. Because of the impact that billing has on accounts receivable and cash flow, it can be one of the most important business decisions that a practice can make.

Cowan, Guteski & Co., P.A., and its affiliate CG Healthcare Solutions, LLP focus on helping physician practices manage their billing, accounts receivable, and collections so that you can focus on practicing medicine. Contact Michael S. Lewis, MBA, FACMPE, Director of Healthcare Consulting at 732-349-6880 ext. 147 or [mlewis@cowanguteski.com](mailto:mlewis@cowanguteski.com) for more information on the services provided to meet the unique needs of physicians.

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