



COLLEGE of AMERICAN
PATHOLOGISTS

Assessing Insourcing and Outsourcing

Advantages for Practice Billing

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- **Chair – Practice Management Committee**
- **Member – House of Delegates**
- **Member – CAP Foundation, Governance Committee**
- **Board certified AP/CP and Cytopathology**
- **Fellowships in Cytopathology and Surgical Pathology**
- **Owner - CEO Sirgi Consulting LLC Denver, CO**



Topic for Today's Discussion

- **Comparison of two billing options: Insourcing, and Outsourcing**
- **How to monitor billing performance using Key Performance Indicators and Benchmarks**
- **Cost to consider in making the decision**

Disclaimer

The information presented today represents the opinions of the panelists and does not represent the opinion or position of the CAP.

This should not be used as a substitute for professional assistance.

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- Board of Governors
- Vice Chair, Council on Government and Professional Affairs
- Managing Partner, Laboratory Physicians Association
- President, Surgical Pathologists of Dallas
- President, Prism Pathology



Pathology Billing: In-house versus Outsourced

- I have no financial disclosures.
- Our practice outsources billing (CHC)

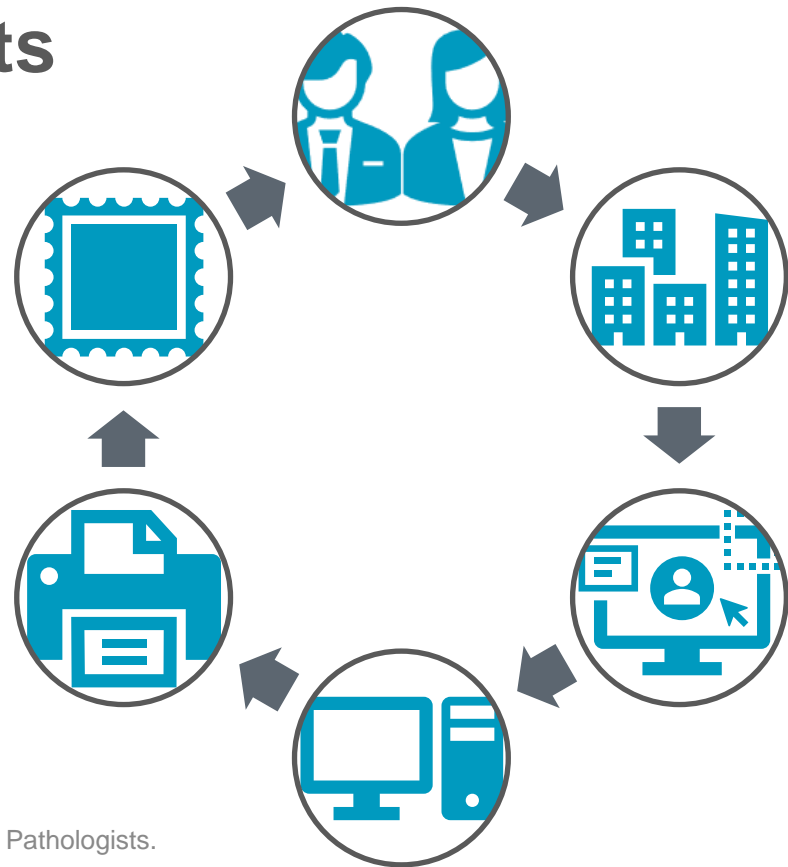
Different Methods of Revenue Cycle Management (RCM)

- Current RCM Solutions for Groups with 3+ Pathologists
- 15% use a Hospital / CBO solution
- 20% use an inhouse solution
- 65% use a third party (outsourced) solution (not all the same)

Different Methods of Revenue Cycle Management

Inhouse Model

- Practice directly manages the operation, employees billing staff and responsible for work product / results



Outsource Model

- Practice contracts with a third-party company that provides a turnkey billing service responsible for all phases and costs of the RCM process and is usually paid a percentage of NET collections.



Inhouse Model Pros and Cons

- 
- ↑ **ultimate control and “comfort” level**
 - ↑ **responsibility and oversight**
 - ↑ **labor, rent and technology costs, etc.**
 - ↑ **health / benefits**
 - ↑ **staff turnover, retirement and PTO; decreased performance and continuity**
 - ↑ **budget for infrastructure or subject-matter experts (ie, certified coders, auditors, managed care experts)**
 - ↑ **budget for disaster recovery redundancy**

Outsourced Model Pros and Cons

- 
- ↓ **cost and scalable to volume**
 - ↑ **cash flow**
 - ↑ **ROI driven by collections**
 - ↑ **flexibility in partner benefits**
 - ↓ **costs from clearinghouse vendors**
 - ↑ **visibility into payer trends, reporting and data mining etc.**
 - ↓ **complete control**
 - ↑ **office manager / physician team responsibility for work product**

Request for Proposal (RFP)

Company background and general information

Systems information

Reporting processes

Revenue cycle processes

Pricing

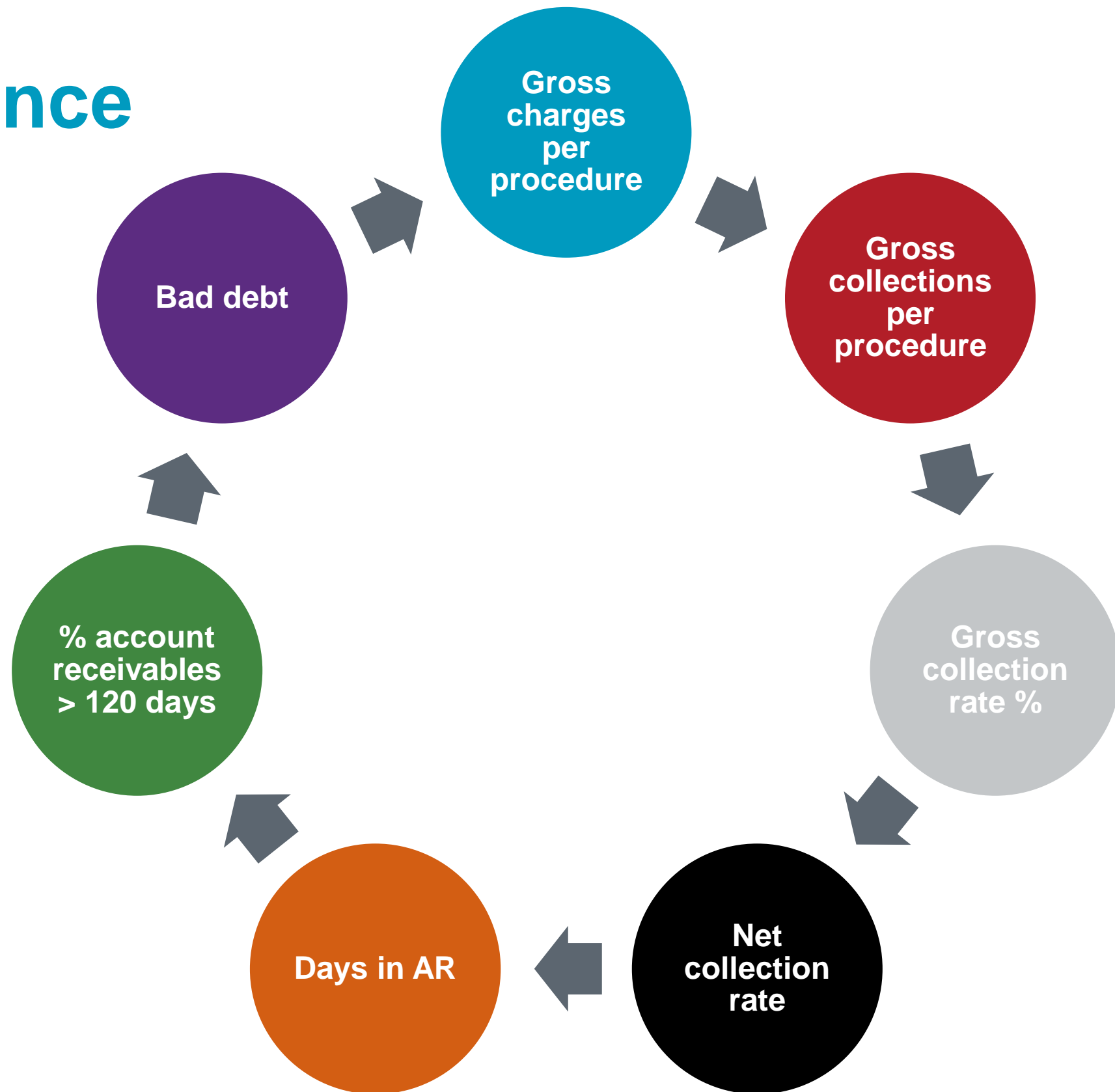
References

Guardrails

- **Clean data across interface with 12-day delay before billing**
- **Review charge master annually**
- **Periodic audits by a third party for codes, claims, denials, appeals**
- **Update insurance contracts and credentialing for all pathologists**



Key Performance Indicators



To Outsource or To Outsource Not...

No one size fits all answer

Every group must individually evaluate options

Cannot relinquish oversight

Sang Wu, MD, FCAP

- **Ex-officio member - CAP Board of Governors**
- **Vice Speaker – House of Delegates (HOD)**
- **Chair – CAP PathPAC Board**
- **Member – Council on Government and Professional Affairs (CGPA)**
- **Member – Council on Membership and Professional Development (CMPD)**
- **Partner at North Dallas Pathology Services, P.A.**
- **Medical Director at Presbyterian Hospital - Denton**



Key Performance Indicators (KPIs)

Critical data for effective RCM

6 Critical KPIs for RCM

1. Net Collection
2. Contractual Allowance
3. Denial Rate
4. Bad Debt
5. Days in Accounts Receivable
6. Accounts by Aging Category



1. Net Collection Rate

Total Payments

Total NET Charges

(Gross Charges – Contractual Adjustments)



\$275,000

\$315,000

= 87.3%

2. Contractual Adjustment Rate

Contractual Adjustment Amount

(Gross Charge – Adjustment Amount)

Gross Charge

\$75.00

(\$175.00 - \$100.00)

\$175.00

= 42.8%



Recent payment reduction trends have caused a significant increase in contractual adjustment rates

3. Denial Rate – by Charges

Total Denied Charges

Total Billed Charges

\$8,100

\$61,600

= 13.1%



4. Bad Debt Rate

Total Uncollectable Charges & Write-Offs

Total Net Charges

(Gross Charges – Contractual Adjustments)



\$18,000

= 5.7%

\$315,000

(\$450,000 - \$135,000)

High deductible health plans have caused bad debt rates to increase

5. Days in Accounts Receivable (A/R)

Total A/R Balance

Average Daily Charge



$$\frac{\$465,000}{\$10,000} = 46.5 \text{ Days}$$

(Lower numbers are better)

6. A/R Aging

- **Groups accounts into 30-day increments**
 - 30, 60, 90, 120 segments
 - The dollar value of accounts in each segment should decrease across the periods
 - **Critical Segment: 120 days**

Dollar Value of Segment

Dollar Value of Total A/R

Target: 120 days < 15%



Denials

Are You Leaving Money on The Table ?



DENIALS; By the Numbers



9% of ALL claims are denied on first submission

65% of denied claims are never reworked or resubmitted

Average cost to rework a claim is \$25.00 plus average initial cost of \$6.50
Total of \$31.50 for one claim

Al Harrison Sirmon, Pathology Practice Advisor

- **Member – Practice Management Committee**
- **Pathology Practice Advisors, LLC Owner**
- **Pathology Service Associates, Inc. President of a Pathology Only Billing Company**
- **CPA in Public Practice Prior to 1988**



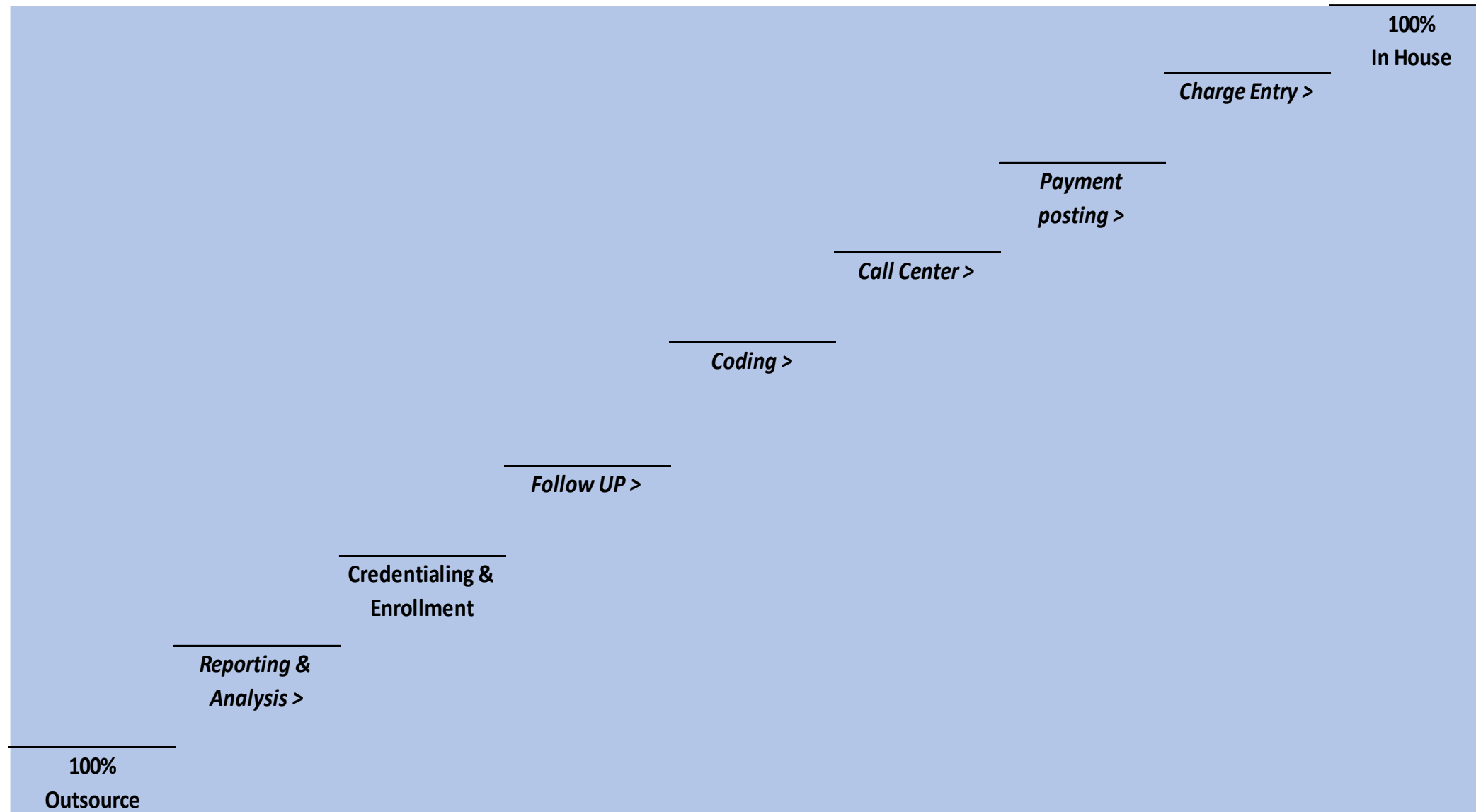
Cost to Consider in Outsourcing Billing

- **Are the following included in Base Price or additional?**
 - **CPT & ICD 10 Coding**
 - **Credentialing & Enrollment in insurance plans**
 - **Patient Statements & Postage**
 - **Managed Care Contracting**
 - **Interface Creation and Support**
 - **Reporting and Analysis**
 - **Patient call center & Patient web portal**
 - **Lockbox**
 - **Appeals**
 - **Eligibility Checks**
 - **Insurance Discovery**

Roles to Consider if Bringing Billing “In House”

- *Billing Manager*
- *Assistant Billing Manager*
- *Compliance*
- *Coding*
- *Credentialing and Enrollment*
- *Reporting and Analysis*
- *Call Center*
- *Charge Entry*
- *Payment Posting*
- *Insurance Follow Up*
- *Appeals*
- *IT & Interfaces – hospitals and Offices*
- *Creation*
- *Monitoring*
- *Support*
- *Back Up*
- *MIPS Reporting*

Hybrid Model – Steps to Bringing Billing In House



Resources

- **Value-Based Business Toolkits**

- Information: <https://www.cap.org/member-resources/practice-management/value-based-business-toolkits>

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