# Insourcing/Outsourcing Billing - Advantages and Disadvantages

April 11, 2022

**Julie McDowell:**

The financial lifeblood of a pathology group relies on the efficiency of its billing operations. Assessing whether to insource or outsource a practice's billing operations is the focus of this CAPcast episode, which features a recording of a practice management committee roundtable discussion moderated by committee chair, Dr. Karim Sirgi. In this discussion, Dr. Sirgi talks to two pathologists, Dr. A. Joe Saad, who is Chairman of Pathology at Methodist Health System in Dallas, Texas, and Dr. Sang Wu, Medical Director of North Dallas Pathology Services, as well as pathology practice advisor Al Harrison Sirmon. This discussion was originally recorded in June 2021.

**Ken:**

In this session from the College of American Pathologists, we're going to compare in-house billing to the use of external service providers. And to lead us off, I would like to introduce Dr. Karim Sirgi. Dr. Sirgi is Owner and CEO of Sirgi Consulting in Denver, Colorado. Dr. Sirgi, over to you.

**Dr. Karim Sirgi:**

Thank you, Ken. And good morning friends and colleagues. And thank you for joining us for this roundtable discussion. As Ken mentioned, themed around the assessment of whether to insource or outsource your practice's billing operation. My name is Karim Sirgi, and it's my pleasure to serve as moderator for today's session. I'm a proud member of the CAP, and it is my privilege to serve as the current Chair of the Practice Management Committee.

Today's topic is meant as an open dialogue between you, our audience, and the panel. This dialogue is going to happen at the end of the presentation by exchanging questions and answers from our topic experts. Our three topic experts will help us today compare the advantages and disadvantages of insourcing and outsourcing a group's billing operation, evaluate how to monitor billing performance using key performance indicators and benchmarks, and identify costs to consider when making the decision to either insource or outsource your group's billing operation.

I always start with a disclaimer on behalf of the college. The information presented today represents the opinion of the panelists and does not represent the opinion or position of the College of American Pathologists. This presentation should not be used as a substitute for professional assistance. It is now my pleasure to introduce our panelists in order of their intervention during the presentation.

Our first panelist is Dr. Joe Saad. Dr. Saad is a member of the CAP Board of Governors and serves as the Vice Chair of the Council on Government and Professional Affairs. Dr. Saad is Managing Partner of Laboratory Physicians Association, President of Surgical Pathologists of Dallas, and President of Prism Pathology.

Our second panelist today is Dr. Sang Wu, also a member of the CAP Board of Governors. Dr. Wu serves as Vice Speaker of the CAP House of Delegates and Chair of the CAP PATHPAC Board. Dr. Wu is also a member of the Council on Government and Professional Affairs and of the Council on Membership and Professional Development. Finally, Dr. Wu is a partner at North Dallas Pathology Services and the Medical Director at Presbyterian Hospital in Denton, Texas.

Our third panelist is Mr. Al Sirmon, a member of the CAP Practice Management Committee and owner of Pathology Practice Advisors, LLC. Mr. Sirmon also assume the role of President of Pathology Service Associates, a pathology only billing company. I now turn the microphone to Dr. Saad. Joe, all yours.

**Dr. Joe Saad:**

Thank you, Dr. Sirgi. Good morning and good afternoon to all. It's a pleasure to be with you on this webinar. First things first, I have no financial disclosures. And our practice currently and for the foreseeable future, outsources our billing. When we talk about billing, we're actually talking about much more than sending out a bill and receiving a payment. We're talking about the whole revenue cycle management process. That involves, not only the correct coding, both CPT coding and ICD-10 coding, but also the correct insurance information, correct patient demographics, sending the bill usually on a form 1500 electronically, receiving a payment, balance, billing the patient, appealing denials, reconciling the payments, perhaps referring some things over to collections. And finally in our case, preparation of financial reports and the bookkeeping involved.

If we look across the country, current pathology groups, they're composed of three or more pathologists. About 15% of them use the hospital or central billing office to do their billing. 20% use an in-house solution. The vast majority, around 65% use a third-party or outsource their billing. And I would like to say that not all third-party billing companies are the same. They vary from small mom and pop operations, which may be local or regional to regional or national companies that have venture capital behind them to large corporations that are actually publicly traded on Wall Street, and have shareholders, and need to report profits. So when looking at billing companies, keep that in mind that they're not all created equal, and there are very substantial differences between them.

When we talk about the different methods of revenue cycle management, I'm going to focus on the in-house model and the outsource model. In the in-house model, the practice directly employs the billing staff and provides benefits, office space, software, hardware, pays for postage, printing, and all other expenses required. Ultimately, the practice is responsible for the work product and results. In the outsource model, their practice typically contracts with a third-party company that provides a turnkey billing service, and is responsible for all phases and costs of the revenue cycle management process. That third-party company is usually paid a percentage of net collections.

So first, I'm going to talk about the in-house model. And you'll see that the pros are kind of light on the left-hand side. This is because I'm focusing mostly on small and medium-sized practices like ours. For large or very large practices of 50 or a hundred or more pathologists, many of the things in red would actually convert to green. But I'm focusing on the small and medium-sized practices. So the main pro is that the ultimate control of the entire process rests with the practice. The main con is that the entire control and ultimate control of the entire process rests with the practice. Therefore, the practice is responsible for the oversight and ultimately responsible for the outcome. This model may cost more than an outsource model. And costs are likely to continue to increase due to increasing labor costs, rent, increasing costs of maintaining and upgrading technology, and other things.

I have not seen these to decrease over time in my personal experience. Another con is that you have to provide healthcare benefits and other benefits to the employees. Now, if you're a pathologist heavy practice, this may hinder the benefits that you can provide to the pathologist. Because of IRS laws, there has to be some equivalency in your benefits and the benefits of your employees. Therefore, you may not be able to have as rich a retirement plan as you'd like to. You also have to deal with staff turnover from retirements, from staff quitting, from staffs taking PTO. And with that, you will need to rehire and retrain staff. And you may go through periods of decreased performance and a lack of continuity in the billing process. You need to have a budget for infrastructure and subject matter experts such as certified coders, auditors, and managed care experts.

There also needs to be a budget for disaster recovery. This could involve, not only backup of the billing the material, but also the physical premises in which the billing is done. If you live in a tornado prone area like we do, there's a chance that your office could be hit by a tornado and destroyed. We had a very bad tornado come through Dallas a year and a half ago that destroyed many businesses and many residences, so you need to have redundancies. As a matter of fact, several years ago, we outsourced our billing to a company, and they had a data processing center in New Jersey. And a small plane crashed into that data processing center and took it offline for several weeks or a few months. So you need to have redundancy and a plan for disaster recovery.

The outsource model is usually a favored model for small and medium-sized practices because the cost is scalable to volume. And therefore, you have the largest return on investment because it's driven by collections. So as your collections go up, certainly you'll pay a little bit more because of the percentage, net percentage that you pay. But also, if collections go down, you're not on the hook for all the fixed overhead costs. This can be a particular benefit during a pandemic. As we discovered last year, when back in March, and April, and May of last year, our AP volume in particular plummeted by 50 or 60%. Had we done in-house billing, we would've still had all the fixed costs of rent, and salaries, and benefits, et cetera, and would've had to either consider laying off people, furloughing people, getting a loan, a PPP loan, or a line of credit.

Because we pay a percentage, then as our volume decreased, so did the cost of doing our billing. As mentioned on the previous slide, you also have greater flexibility and partner benefits if it's outsourced because you can be more generous to the partner physicians in the practice. There's decreased costs from clearing houses because of the economies of scale that these billing companies may able to bring to the table. They can have insurance for cyber liability, emissions, and error insurance, disaster recovery as mentioned on the previous slide, IT support, and the ability to hire certified coders, managed care and compliance officers. A larger company will also have increased visibility in the payer trends, particularly if they're regional or national. So they'll be able to predict and see what's happening in other regions of the country before they affect you.

One of the major cons is that you don't have complete control over the entire process, and you're somewhat at the mercy of the billing company to do the right thing. You hope that they will be highly motivated and have an efficient workflow in order to maximize all the opportunities in the collection process because they are paid a percentage of the net collections, but you don't have control over that. However, you must never relinquish oversight. An office manager and a physician or physician team must be responsible for overseeing the work product. So if you're considering outsourcing your billing, you do it in-house, or if you outsource your billing and are considering perhaps changing billing companies, one of the first steps you need to go through is to send out a request for proposal or RFP.

And I like to look at these in six sections. First of all, company background and general information, systems information, reporting processes, revenue cycle processes, pricing, and very importantly, references. So under company background, you want to know the history of the company, how long has it been in business? What is the ownership structure? Do they have subject matter experts? How do they do the contracting? Do they have internal audits? How many FTEs are employed and how many will be working on your account? How do they handle client services? What about the insurances that they carry and a compliance plan? Under systems' information, you'd want to inquire about what billing system software do they use? What hardware do they have? What downtime processes are in place? What about security? Cybersecurity? Interfaces?

Are they able to interface with the EMRs in your hospitals such as Epic, or Meditech, or Cerner, whatever it may be? What are the data dump capabilities? How about electronic fund transfers? How do they handle them? And of course, a backup redundancy and disaster recovery plan. Reporting capabilities. What are the key performance indicators that they provide? Are they able to provide custom reports? How about accounting services? Are those provided? And do they cost extra? What about loss reports, such as timely filing reports? The revenue cycle processes. A flow chart for the billing and collections process. How do they do charge verification? What about patient complaints? How are they handled? Look at some sample reports. Is any process of the revenue cycle management offshored? If it's offshored, how much is offshored, and to where? What's the oversight of the offshored operation?

Pricing, AP pricing, CP pricing. Who pays for postage? Is it included or not? What about clearing house costs? Are they included? Do they have the capability to help with enrollment and credentialing in governmental and commercial loans? Look at sample patient bills, statements, collection letters. Finally, you do want to check references very carefully. References both in-state and out-of-state. And pay particular attention to recently terminated contracts or recent installations with that company. So regardless of whether you do your billing in-house or you outsource it, there's certain guardrails that need to be put in place. And these are just the few of the guardrails we have in place for our practice. We discovered several years ago that the data that comes across the interface from the hospital to our billing company right after discharge is usually not very clean.

And before the hospital sends out their bill, they scrub that data. So they go through, and they correct demographics, and they update insurance information. That usually takes them about five days to 10 days to do. And so, we were getting the data too quickly across the interface and having a lot of issues with the demographics. So we've instituted a 12-day delay before receiving that data from the hospital. That has helped tremendously. It's also a good idea to review your charge master annually and update it as necessary. Periodic audits by a third-party are a must. Audits for financial compliance, codes, claims, denials, and appeals. A third-party should do those on a regular basis. And finally, you need to make sure all your insurance contracts are up-to-date and the credentialing for all pathologists is up-to-date. So I'm not going to spend much time on key performance indicators because Dr. Wu is going to take us into a deep dive.

But I'd just like to mention a couple that we look at very closely in our practice. Gross charges per patient and gross charges per procedure, and we can get very granular on the per procedure. We go down to the CPT code level and we go down to the payer level. And we look at the gross collections per procedure, compare those to the allowable. Ideally, you want to be able to collect a hundred percent of the allowable. In practice, that doesn't happen because of deductibles, copays, et cetera. But I look at that very carefully month to month. Next slide. So finally, the decision to outsource or not to outsource is really a decision that every group needs to individually evaluate and make a decision for themselves. There is no one-size-fits-all answer for every group, not even every small group, not even every large group. And most importantly, regardless of whether you do the billing in-house or outsource your billing, you cannot relinquish oversight. And with that, I would like to turn it over to Dr. Wu. Thank you.

**Dr. Sang Wu:**

Thank you, Dr. Saad and Dr. Sirgi, and the Practice Management Committee. I thank you for the opportunity to be able to share some insights in this webinar. And also like to really highlight our Practice Management Committee for all the fantastic webinars and the presentations that have been given throughout these years. Just a great job to you guys. My portion is going to just be discussing the key performance indicators, KPIs. And this is a selection. We have a selection of about six, what we believe to be critical KPIs. But as Dr. Saad had mentioned, you could really go into a lot more detail, and there's a lot more granularity, and there's a lot more factors we can follow.

But these are just kind of some starting points on six critical KPIs, which we believe are important. And all of these will start dealing with numbers. And so depending on your affinity for numbers, you may have a different reaction and a different interest level. But we believe that having an understanding and having a good grasp of these six critical KPIs will really help you have a better understanding of billing, and ultimately have a better understanding of what's being billed, and making better decisions as to the theme of our discussion as to whether to insource, to outsource, and if to outsource, to who?

So let me start with net collections. And the net collections is easily calculated and it's pretty straightforward. It really is the total payment divided by the total net charges. So the net charges is found by subtracting your contractual adjustments from the gross charges. And we have an example here in this case of a net collection rate of 87.3%. When we talk about these numbers when we're looking at it, we also should have a target in mind or a benchmark. And these numbers can vary geographically and there are numerous factors which can affect a benchmark. But you should have an idea of what is the benchmark for your group, what is the benchmark for maybe your region, and maybe your peers. And those numbers, if you don't have them already, they can be found. And some of these can be looked towards, and you can find these answers through the Practice Management Committee, or through discussion with peers, or through your billing company as well.

The second KPI to keep in mind is contractual adjustment rate. And these also, once again, these vary depending on your negotiations and how your contracts between your group and insurance carriers take place. And these are variable group to group. But it is important to measure what you're being paid in terms of contractual adjustments. In this example, we're taking a case of a $75 as being the contractual adjustment rate divided by the gross charges. And in this example, the gross charge would be $175. Your contractual adjustment rate is $75 is what you're being paid. And so, that comes out to a 42.8% rate. And these rates will vary between practices. They will also vary within your practice between payer mixes as well. But is also, once again, a good idea to have an understanding of what the average contractual adjustment rate is for certain CPT codes, or certain groups, or certain regions as well.

Next slide is the denial rate. Denial rate by charges can be simply taken as your total bill charges divided by the total amount of denied claims. In this case, we take 8,100 in denials and divide it by 61,600 of bill charges. And your denial rate in this example is 13.1%, and that's quite poor. So these are whenever you see something that is much higher than what you would desire or what is desirable for your group, then this really raises a red flag. And so by following the denial rate, if it's significantly higher or if it's trending higher, then that raises some alarms and raises some red flags as to, hey, we need to pay some attention to this. So following denial rates by charges is also very important.

Let's talk about bad debt. Bad debt is the ratio of your net charges to collections, and it defines how well your practice is recovering its money. So in this example, we have to calculate your bad debt. It's going to be taking your total uncollected charges or write-offs for a period in time and divide it by your net charges. And your net charges are your gross or bill charges minus your contractual adjustments. So many practices will target a range between three to 5% as something that's acceptable. In this example, what we have here, it's 5.7%. So this is something that if this were what's happening in your practice, it would be something that you would want to pay some attention to. The CAP value-based toolkit that's online for all members explain some strategies on how you might be able to manage bad debt.

Here we have a slide on days in AR. And this is a very, very important slide. The days in AR is also an important number to follow. It tells you how long it takes for you to collect your money. The calculation is once again fairly straightforward. You take your AR balance for a period in time and divide it by your average daily charges for that same period. So in our example here, we have your daily gross charges. And at $465,000 divided by $10,000, and you end up with days in accounts receivable of 46 and a half days. Of course, the lower the number the better. And every group should also have a benchmark. One reasonable benchmark might be or a goal might be to have a target of days in AR less than 40 days. Now, if we see this creep up to a much higher number, 50 days, 60 days, 70 days, an important area is also to follow the trends. If it's trending very high, then that's cause for alarm as well.

Accounts receivable aging is also very important. And these are usually grouped into 30 day increments, 30, 60, 90, and 120 days. So one critical segment is following 120 days. And this represents accounts that at high risk of being written off. If no action is being taken after 120 days, oftentimes, it's not collectible. That amount is not collectible anymore. So it's very important to follow these critical segments. And the accounts receivable aging is just defined as the dollar value of the segment divided by the dollar value of the total AR. So the target for greater than 120 days is less than 15%. And of course, lower is better.

Are you leaving money on the table? And they're oftentimes groups when you don't follow the KPIs closely, or don't follow trends, or you don't have a good idea of what's going on billing-wise within your group, they're oftentimes you're leaving money on the table. And denials are ones which we require some real effort from your own billing company. Or if it's outsourced, they require some real effort in collecting and following up on these denials. So in many practices, if you don't follow up well on these denials, then you're leaving money on the table. It's known that the 9% of all claims are denied on first submission. These days, it actually could be higher. 65% of denial claims are never reworked or resubmitted. And so, this is across the board. When you hear these numbers, it can be sometimes very alarming.

There's a cost to reworking claims. And it's been calculated that the cost is $25 to rework every claim. And that adds to the average cost of submitting the original claim. So the original claim is actually only initial cost of $6.50 average. The cost of really working up a denial is much more, so it incurs. If you add those up, a $31.50 on actual cost for following up on these denials. But it's important to follow these up, because once you don't follow up denials, and you pass the time for write-off, and you exceed the time of being able to collect, then that amount, it becomes uncollectible. So it's really important to follow denials as well. I appreciate the time. Let me turn this discussion over to Mr. Al Sirmon.

**Al Harrison Sirmon:**

Thank you, Dr. Wu. Well, I've heard Dr. Saad speak about comparing insourcing versus outsourcing, the advantages and disadvantages of both. And Dr. Wu talked about using KPIs and benchmarks to see how well your billing operation is doing. And what I'd like to talk about now is cost that we need to look at. If you were to consider outsourcing your billing. Typically, when you do that, you bring in one or more, like Dr. Saad said, you could send out an RFP, and you have several billing companies respond to you. And when you do that, their price is typically a percentage of net collection. And we see that go anywhere from six to 8%. I've seen higher and I've seen lower.

But I think one thing that's very important to do is to put those proposals side by side. And when you start off with your base price, then add to that any additional cost, determine if they're additional or they're included in the base price. And specific things you need to look at would be CPT and ICD-10 coding, the credentialing and insurance plan enrollment process. Do they charge extra for that? Certainly, patient statements and postage. Do they perform managed care contracting or is that extra? What about these interfaces both with your hospitals and your physician's office, do they handle that? Do they support those? Do they do the month-end reporting and analysis, patient call centers, and patient web portals?

Many times billing services require that you use a lockbox, and there is a cost associated with that. Who pays that? You or the billing company. Like Dr. Wu just said, working denials and appeals can be very costly. Sometimes they charge extra for that. And then, we have other issues like eligibility checks or using this insurance discovery programs. So it's really important that you sit down, and do a side by side comparison starting with your base price. Then, you'll need to have other information like number of sessions you had, number of statements you sent out. But make sure you have an apples to apples comparison. Compare one billing company to the other.

Next slide. The next consideration if you are thinking about bringing your billing in-house and doing it yourself, you need to make sure you've accounted for all the various roles that you need. First of all, you'll need a billing manager in your operation. And you really need to have redundancy there, because if that billing manager were to leave, transfer, or away, then you'd be stuck. So you need to have someone as a backup. You also need to have a compliance person. You need someone with coding skills, both CPT and ICD-10. You need someone to do credentialing and enrollment. You need someone to prepare your reports that come off the billing software, and to analyze those reports.

You need a call center. People to take patient phone calls. Many times that call center needs to operate extended hours beyond 5:00 in the afternoon. Everybody always knows that you've got to have people to enter in the charges and post payment. But then, there's follow-up and insurance follow-up, whether it be appeal. Then also, you have to have a IT department to work with interfaces with your hospitals and your physician's offices. And that IT, that interface issue, you have to first create the interfaces. And then, you have to monitor each day to make sure that data is coming across. Then, you have to have support when you need to go in. If your hospital changes their system, then you need to rewrite or modify that interface.

Then, you have to worry about backup and also NIPS reporting. So there are a lot of factors to consider in deciding whether you want to bring the billing in-house. Next slide, please. What we have seen recently is some billing operation software allows you to have a hybrid model, where you can either outsource or you can use their software to do your own billing, and that seems to work well. The bottom of this graph, the person was doing a hundred percent of their work was being done by the outside billing company. And then, they slowly started taking certain functions in-house over a period of time. For a year or so, they were completely doing their own billing on that billing company's software. So that is kind of a new model we're seeing. Some of the billing companies offer recently. With that, I'll turn it back over to Dr. Sirgi.

**Dr. Karim Sirgi:**

Thank you panelists. Whoa, the amount of information is staggering. I mean, this is an outstanding presentation from all three of our panelists. I know I learned a lot from the presentation. And I'm really looking forward to hearing input and questions from our audience. Just want to point out that additional resources on value-based business toolkits can be found on the following link. And you are going to get this link when the final publication of this roundtable presentation happens and is emailed to you. But just pointing it to you, that's an important link to keep in mind. A lot of the information that was discussed today, in addition to evergreen information on the Practice Management Committee's website can be found at that link.

So I hope you found this information useful. I know I learned a lot. And please keep in mind that programs like this one is funded by your CAP membership. And I'm really addressing my observation here to pathologists online and practice manager. So please be sure to keep your membership current, so that we can continue to bring timely and relevant resources like this one and many others to you. Visit us at cap.org to renew your membership or email us. We are all very busy. Remember to do it today. And again, a lot of membership information can be found at membership@cap.org.

Let's now open the floor for questions. I know we got questions from the audience. It's really easy to ask your question just by typing it in the chat box as Ken has indicated. I will get it going with the first question really that we received from our audience. And the member was referring to one of Dr. Saad's slides in which Dr. Saad mentioned that 20% of groups have decided to insource their billing operation. So the question was, within this 20%, do we have an idea of how many of these groups were on the smaller size, on the larger size? And this is really where the member's question stopped.

But I'm going to push it one step further, and I'm going to add to it the following personal question. In your mind, and this is directed to Dr. Saad or any of our panelists, is there a minimum number of pathologists in a group that where you would expect that group to either insource or outsource their billing operation? Intuitively. It doesn't have to be an exact number. But are we talking about groups of five to 10, more than 15, less than 50? Just a general ballpark of what size of group would make sense without using the one-size-fits-all, of course, but would make sense to start having those conversations about insourcing or outsourcing?

**Dr. Joe Saad:**

Well, thank you Dr. Sirgi. I'll take a crack at this question. Of this 20%, no, I don't have a breakdown of how many are small, medium, or large practices. I would imagine that the majority of them, the vast majority would be the larger practices. Probably 40, or 50, or more pathologists. However, I know of two practices here in North Texas in my area. One's a three-man practice and the other's a six-man practice. And both of these groups do their own billing in-house. The owner of that practice is very involved in the billing. But both practices are very involved in the billing. And this is pretty much a full-time job for them.

In addition to doing pathology sign out, they have two full-time jobs. One is managing the in-house billing and the other is being a pathologist. So I know of a few smaller groups that do it in-house, but the vast majority are probably larger groups. What number of pathologists make sense? I don't know. Again, there's a no one-size-fits-all answer. I think for smaller groups, it's more difficult because of all the expertise and expense, unless they can provide that as a service to other groups in the area. For the larger groups, they have the economies of scale, so it may make sense for them to do the billing in-house.

**Dr. Karim Sirgi:**

Thank you, Dr. Saad. Mr. Sirmon, Dr. Wu, any input on this one?

**Dr. Sang Wu:**

Sure, Karim. This is Sang. There's also a consideration if there are small groups within the area. And if you have other small groups or comparable size groups, and there is some synergy, then there's also the possibility of multiple groups joining together to have that economy of scale, and maybe have a few groups get in to be able to build, and have your own insourcing.

So that is some consideration and some options for that. Of course, all the groups will have a comfort level of being able to share this. And maybe also consideration whether this is advantageous financially to approach it this way. But that's just another consideration for maybe a few smaller groups to get together to form a billing company, and insource for themselves.

**Dr. Karim Sirgi:**

Thank you, Dr. Wu. I will move to the next question, which is partly an observation and partly a question. When I first started as a practicing pathologist, to me, the billing operation consisted at reading a case, assigning a CPT code, sending a bill, receiving the money, end of conversation. It was the simplest of processes. In my ignorant mind, this is how I looked at a billing operations, like what's the big deal? You go to the supermarket, you get a bottle of ketchup from the shelf, you pay for it, you're outside, you're done. Today's presentation shows me how ignorant I was at that time, and the amount, the staggering amount of information that happens behind the scenes, the skills, the competencies, the legal aspect, the regulatory aspect, the business side of it. So I have a much better appreciation via experience and via your outstanding presentation.

So that's my observation. Here comes the question now. It seems to me that instead of using my ignorant approach of treating the billing operation as just another logistical part of any operation, the billing operation really needs to be a strategic partner to the group's leadership. It's really playing the role almost of internal and external intelligence about the very health of the company. Not only are we getting paid for our different invoices, but which client did we lose? Which client did we gain within a group of clinicians? Which surgeon moved to another state, and all of a sudden is not sending us specimens? And that's why we're not seeing. So do you agree that the billing operation really needs to be treated as a strategic partner to that group's business? And I will start with Mr. Sirmon.

**Al Harrison Sirmon:**

Well, yes, I really do. I think the primary purpose of the billing operation is certainly to collect the money. But one of the wonderful extra benefits we get from our billing operation is that month-end reporting. We can look at that, how much we charge, how much we collected, how much is still out there in accounts receivable, and that's overall. But then, we can take that data and break it down in a number of different ways.

We can break it down by insurance company, by payer. We can break it down by CPT code. We can break it down by location, which hospital it were? And was it inpatient, outpatient? We can break it down by referring physician. So there's a wealth of information in those month-end pathology reports that you can use to help manage your practice. I think one of the favorite ones is to look at that report by referring physician for your outreach work, and you see it drop off. Then you can go investigate, well, which physician left? But then, why? I think there's a tremendous amount of...

**Dr. Karim Sirgi:**

Thank you, Mr. Sirmon. So Dr. Wu, along the same lines. In your group, if you feel comfortable, who is the person or who are the persons assigned, interested, committed to keep this strategic relationship alive with the billing operation, if any? And if nobody's in charge, that's fine too.

**Dr. Sang Wu:**

Well, thank you for the question, Dr. Sirgi. These are very, very important aspects. Exactly what you had shared. Just to be frank with our audience, when I was very early in my career, coming out into practice after residency, and I had almost no idea of any of the KPIs I had just shared, even the six critical ones, had very little idea of how to interpret them, the value of them, and even knowing what they meant. And so, this is just an encouragement, especially for our new in practice pathologists and also our residents who are coming out, that at the end of the day, billing is very important.

It keeps us viable. It really comes down to being able to survive, and thrive, and enjoy all of the type of work that we do. And we all love pathology, but we do need to get paid for it. And you can imagine any business model or any medical group of any sorts, to continue to do the good work that we do, we do need to get paid for what we do and adequately. The struggle here, the challenge I think for pathologists is that not many of us have the skillset to even be able to properly evaluate our billing and what we're collecting. I think across the board, for anybody in the audience, everybody in the audience, it is important to have a good grasp and have an idea of how you are collecting.

And I'm not unlike Dr. Sirgi, when early on in my career, we're just reading slides. We sign out cases. We attach a CPT code, and you expect the money to just come in. And at the end of the month, you receive a check. And you think, well, you did pretty well. Or you think, oh, this is a terrible month. But what happens in between, how the sausage is made, is oftentimes the most important thing. So a large group, when we're talking about the larger the group, the larger the numbers. And when we're talking about thousands, tens of thousands, sometimes hundreds of thousands of dollars that are coming in and out, when you're missing something that when either your insource billing or your outsource billing is missing, for example, one CPT code. If you're missing a bill for one CPT code, that could be thousands of dollars for your group that you're leaving at the table.

So imagine running a group or imagine running any business, and working up as hard, and as much as how most of us do, and putting in the hours, and the energy, and how much we're working, and then not collecting at all, or the billing company or yourselves not collecting. It's actually quite demoralizing to be practicing and realize that at the end of the day, none of this is being paid for. So the choice of how to bill and the trust that we have on the billing process has to be one which we have complete confidence in, so that we can continue to do the good work that we do as pathologists.

**Dr. Karim Sirgi:**

Thank you, Dr. Wu. So just to remind our audience, Dr. Saad is with us. You don't see him on webcam because he's having technical difficulties with the webcam, but he's very much present and available to answer your questions. I'm going to switch now to the A word. And the A word is kind of tricky for many groups. And that a word is the audit. Auditing word. I have visited with groups where when somebody mentions auditing, it's immediately perceived as, what? You don't trust us. Are you suspicious about how we are billing? Are you suspicious about where the money is going, where the money is coming from?

And it's really, it has nothing to do with suspicious. It should be part of the culture. It should be part of a regular process that involves any billing operation, whether it's outstanding or otherwise. So my question to all of you, but I will start with Mr. Sirmon, how often do you recommend auditing a billing operation for a group? And can you ask the billing company? I'm going to ask this question because it was asked. I think I know the answer, but I'm interested to hear it from you. Can you ask the billing company that is billing for your group to self-audit itself and give you a report about it?

**Al Harrison Sirmon:**

Well, I think it's always better for that audit to be independent, and it's a better way to do it. However, there are things you can do to use the billing company to do the audit. For example, you could select the cases at random, on a quarterly or semiannual basis and submit those to the billing company, and say, "Hey, I would like to see how this is coded. And did it get paid? And how much it got written to get paid the proper amount?" So you can work with the billing company, but you would be the one doing the selection.

And you would make sure that they... I always tell pathologists just throughout the day, and you see a case, you might just write that accession number down. And three months later, ask the billing company to say, send you all the paperwork on that. And by paperwork, I mean, your pathology report, the patient information sheet that's generated by the billing company, the CMS 1500 claim form. And then if it was paid, the EOB. So you can get independence by even using [inaudible 00:49:38]. But certainly, it's better outside or outside the...

**Dr. Karim Sirgi:**

Sure.

**Dr. Joe Saad:**

I will speak for our practice, Karim, if I can just have a minute.

**Dr. Karim Sirgi:**

Yeah.

**Dr. Joe Saad:**

Just very, very briefly. We use an external auditor who goes through every three months and selects cases to review for accuracy of coding, for payment of appeals, denials, et cetera, et cetera, every three months. But an external auditor to do a thorough deep dive is also very important. That should be done annually. I have to admit, in our practice, it doesn't happen annually, but I would recommend an external auditor to be on board as well, to do a deep dive.

**Dr. Karim Sirgi:**

Thank you, Dr. Saad. So again, by interacting with colleagues, I have had situations where some members of the group are not happy with the billing operation, but the leadership is quite content or protective of the billing operation, and is resisting having the billing operation being audited at all or as often as the group rank and file would like to see it happen. So both Dr. Wu and Dr. Saad are leaders of their groups, very successful groups. What would be your reaction if one of your partners came, and said, "Look, I need additional auditing. I'm not comfortable. Or I still have areas of uncertainty with this or that aspect of our billing operation. Let's do it on a more frequent basis." Dr. Wu?

**Dr. Sang Wu:**

Thank you for the question, Dr. Sirgi. Overall, as in any group, confidence in your billing practices and confidence in your billing company is very important. So the discussion should start into, once again, similar to all the KPIs, the kind of basic KPIs that I had shared, the six basic ones, and even additional ones, it should be something which everybody in the group discusses. It's important to look at every single one of these factors, and compare them to benchmarks, and look at trends, and see why is this question coming up. And also, to evaluate the audits.

I completely agree with the panelists and everybody here that having an audit is very important, a periodic audit. And certainly one which is preferably independent, not one from your billing source and an independent audit. And that gives you further insight as to the health of your billing practice. Numbers are numbers. They stand on its own. So trends in poor billing practices, or poor collections, or something that's trending very negatively should be very obvious and something where once everybody sits at the table. If you have concerns in the group, it should be very obvious to a great majority of the group, especially folks who have an understanding of what's going on.

So I think these are things that you can generate consensus on. But sometimes the resistance, and some of the trepidation, and reluctance in looking too deep into a billing company is the thought of changing billing companies can be one in which many practices and many practice leaders are averse to, because just the entire process of thinking about changing or moving billing companies can be... It's certainly a major decision and brings on heartaches of its own. So I'll stop there, and maybe hear some of our other panelists as well. But that's my personal experience.

**Dr. Joe Saad:**

I would just like to add to what Dr. Wu said, and by saying that every group is different. The dynamics are different in every group, the transparency is different. So if you've seen one group, then you've seen one group. That's it. In our group, we believe in total transparency and open books. So all our financial records are open to the partners. And they're all free to review them and to make comments. If there are any concerns, they will be acted on. And I think full transparency and accountability is the way to go. So I'll just leave it at that.

**Dr. Karim Sirgi:**

Thank you, Dr. Saad. I have a question for you, Mr. Sirmon. By the way, we're getting a lot of excellent questions. And I can assure you that we won't get to all of these questions during this session. But what we usually do, we forward these questions to our panelists, and their response to your questions are included in the final product. So very quickly, I'm going to go through one directed at Mr. Sirmon. Are there any antitrust issues or state regulations that arise when pathology groups share in-house billing? And I'm assuming they're not going to share their in-house billing. They're going to share the business of the billing, but not their own billing. But maybe I'm not understanding it correctly.

**Al Harrison Sirmon:**

Actually, I think Dr. Wu talked about how maybe several billing practices might join together to do their own billing. That was actually how our billing company started. We started with five practices in South Carolina that we started doing the billing for one, and drew it that way. The billing operation was separate from the practice, but it was for the practice. I'm not an attorney, but I didn't see issues there.

**Dr. Karim Sirgi:**

Okay. Because again, there would be internal firewalls within that company for not sharing billing operation of group A with billing operation of group B.

**Al Harrison Sirmon:**

Right.

**Dr. Karim Sirgi:**

They wouldn't share it between A and B.

**Al Harrison Sirmon:**

Just like any other billing company we have.

**Dr. Karim Sirgi:**

Yep. So another question is, we are having trouble getting billing companies to bill and collect within our electronic medical records, which has to happen. Any advice on this issue?

**Dr. Joe Saad:**

Is it an interface issue? I'm not clear with the...

**Ken:**

This is Ken. There was actually a follow-up. It's because they want to use their own systems rather than the practice's.

**Dr. Karim Sirgi:**

Okay. We can clarify this question after the talk. We are getting to the two minutes warning sign before the top of the hour. So another question. Every group is special, every group is unique. Mr. Sirmon, in general, considering everything that was discussed today, what's your advice for a group to insource or to outsource billing in general, on balance, based on your experience reviewing these operations?

**Al Harrison Sirmon:**

Well, I think I'd go back to Dr. Saad's slide where 65% choose to outsource their billing. I think it can be done in-house successfully, but you really have to make a big commitment to doing that. And that's how our billing company started. One group that I worked with [inaudible 00:57:40] our own billing. But it's always a push to get bigger and more billing, so you could justify hiring more specialized employees, i.e., compliance, credentialing, IT. And it can be done, but it takes really a firm commitment. And early on, it may not be cost-effective to do it in-house until you reach a certain size.

**Dr. Karim Sirgi:**

And I will refer back to a slide in Dr. Saad's presentation, which had the elements of a request for proposal, RFP. And Dr. Saad's intent was request for proposal from an outsourcing billing operation. I would submit to you that the same elements of this RFP should be considered internally if a group is thinking about handling it internally. Because if any of these elements is not up to speed and to excellence, the group is setting itself for potential failure on that front.

So this slide for RFP, I think is key on both sides, internally and externally. Well, we are unfortunately getting to the top of the hour for a conversation that could have lasted another hour or two easily. I want to thank our panelists. All of these questions will be addressed in a follow-up email to all of you. Please remember to take the satisfaction survey. Let us know how we can improve. And until next time, I thank all of you for attending today's sessions. Thank you and goodbye.

**Julie McDowell:**

For more information on Practice Management Resources from the CAP, please visit the Practice Management section of cap.org located under the member resources tab at the top of the homepage. Thank you for listening to this CAPcast. To listen to other episodes, find us on the MyCAP App available for CAP members, as well as SoundCloud, Apple Podcasts, Stitcher, Google Podcasts, and Amazon Music. Just search for CAPcast from the College of American Pathologists on these apps. Once you find our podcast, be sure to click the subscribe button, so you don't miss any new CAPcast episodes.