

DIAGNOSTIC IMAGING

RADIOLOGY PRACTICE

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Outsourcing may help smooth business flow

Billing requires savvy administrators to counter managed care's tactics

Outsourcing is defined as buying labor, parts, or services from a source outside the company rather than using the company's own staff or resources. Over the last five years, outsourcing has become a global trend in business because, when performed properly, it can produce efficiencies not attainable when these functions are performed internally by an organization.

Although outsourcing has existed in radiology practice for some time, its use has recently risen, driven by a more competitive marketplace and the need to increase efficiencies. Businesses must find the most efficient way to produce their goods if they are to remain competitive and profitable. To retain and attract radiologists and maintain current income lev-

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els, a practice must perform its overhead functions in the most efficient and effective manner possible, whether in-house or outsourced, to continue to compete over the long run.

Many components of radiology practice lend themselves to outsourcing. Your practice may already be outsourcing functions such as nighthawk coverage, locum tenens, accounting, and pension administration. Billing is one of a practice's most important functions, and the outsourcing of billing can offer many benefits. Historically, radiology groups felt that a local office with employed staff gave them more control over the billing process. Groups were comfortable knowing their billing was being performed just down the hall.

Radiology billing has become very sophisticated, however, due to state and federal government reg-

ulations and underhanded tactics used by managed-care organizations to deny or underpay physicians for their services. Because these tactics have become so prevalent, sophisticated management personnel and software are needed to monitor the billing process to optimize revenue.

Some radiology groups have begun to realize that in-house billing can bring increased costs and unnecessary headaches and anxiety. Respected and well-established billing companies with a

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proven track record, on the other hand, can provide this service with confidence.

All business functions in a radiology practice should be reviewed periodically and evaluated on cost and performance. These two elements are key. The cost to perform the billing function must be competitive, and the performance should be at the highest level possible. Depending on the current practice infrastructure, properly performed, outsourced billing can provide lower cost, greater control, and more in-depth manage-

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ment expertise. The radiology group's decision to change or outsource billing is never easy, and some background information may help ease a difficult and sometimes emotional decision-making process.

When comparing the cost of in-house billing with outsourcing, you must include indirect as well as direct costs. Direct costs are obvious: labor, retirement plan contributions, postage, forms, information storage, office supplies, health insurance, telephone systems, consultants, legal costs, hardware and software, taxes, and rent. Proper determination of the indirect costs associated with internal billing takes more analysis, but the dollars involved are just as real. Indirect costs include allocation of accounting and financial analysis time, practice management time to oversee the operation, and the time the physician owners spend on billing and personnel issues.

When you add up the direct and indirect costs, you may be surprised at the total expense of in-house billing. This is all time and money that could be put to use in a more productive manner elsewhere. Physicians are most productive when they are interpreting images; if they are spending time at other tasks, their capacity to produce income is diluted.

A group can achieve control over the billing process regardless of whether it is outsourced or performed in-house. Well-established billing companies can set up routine daily, weekly, and monthly controls. The billing company can enable you to remain as involved as you feel necessary. A good billing company will want you to feel in control and pleased with the job it is doing.

OTHER ADVANTAGES

Another area in which outsourcing can be beneficial is personnel management. In today's regulated environment, sub-specialized knowledge of personnel motivation and management, information technology, finance, compliance, the Health Insurance Portability and Accountability Act, management reporting, and coding is crucial.

It is a reality in business that with staff come liability and headaches. Any human resources attorney can share a long list of horror stories from physician groups with personnel lawsuits. Every practice with employees faces the liability associated with dismissing an employee, even if that employee is obviously not performing his or her duties. In many cases, the practice keeps these people out of fear of litigation. This strategy avoids litigation but increases costs and devastates morale and productivity. Personnel management is best performed by professionals with experience in managing and motivating people.

Outsourcing can also provide clear benefits by giving a practice access to sophisticated technology systems and systems engineers. Outsourcing billing may give the practice access to more up-to-date technology that can provide the baseline defense in compliance with state and federal reimbursement regulations, HIPAA, and the systematic attempt by managed-care companies to deny claims and reduce payment for contracted services. Whether billing is performed in-house or is outsourced, there are always significant periodic cash outlays for software and hardware. With outsourced billing, these spikes in costs are borne by the outsourcing company,

not the practice.

Outsourcing can lead to better continuity in key management personnel as well. The average employment tenure for an internal billing manager and his or her staff is quite long, but any management team consists of many different people with unique abilities. The small size of the staff of most in-house billing operations means one person wears many different hats and performs many different functions. If one key person leaves for any reason, the departure creates many holes in the organizational flow. In a larger billing company, many people have experience in each function, rather than one person having experience with many functions. Obviously, if many people know each function, that strategy provides better coverage for the eventual transition of personnel.

When radiologists manage their practice and personal life, there are only two competing forces: time and money. With the increased workload of today's practicing radiologist, outsourcing has become a popular management approach to achieve practice goals in many areas. Overhead functions must be performed in the most efficient and effective manner available, whether in-house or outsourced, for the practice to continue as a business and to keep the capability to recruit and retain radiologists.

Outsourcing can have a positive impact not only on cost and efficiency, but also on the physicians' quality of life. It can provide a cost-effective way to lower expenses and increase performance. The result can be a more profitable and enjoyable professional life and increased retention of physicians. ■

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