Chiropractic Billing

How To Gain A Competitive Advantage In This Challenging Reimbursement Environment

Welcome to CloudChiro! We've been working with over 500 chiropractic offices over the years, and we know that this is probably the most troubling time for all medical doctors. We also know that most chiropractors really hate the whole reimbursement thing… So as part of our effort for working with these offices, we've put together an education that teaches "How To Gain A Competitive Advantage In This Challenging Reimbursement Environment." This Free Report breaks down the costs of billing "In-House as well as Outsourced." Use the calculations provided below to test the health of your billing processes.

There are many important decisions Chiropractors face when running an office. One of several happens to be whether to outsource to a third-party billing service for the management of accounts receivable. The other logical option is managing account receivables "in-house," using existing practice resources such as front staff employees and chiropractic billing technologies.

Most chiropractors have given some thought to the idea of outsourcing accounts receivable to a chiropractic billing service. After all, these establishments have the necessary systems in place to navigate the formidable resolution of claims processing, right? Perhaps… Although, advocates of "in-house" billing processes regularly cite control as the reason for managing the revenue cycle internally. At the end of the day, Chiropractors have to be able to make an educated decision about their billing processes, and one size does not fit all.

There are advantages and disadvantages for both methods of medical billing. Each chiropractor has to weigh the negative against the positive and decide from their conclusion, "What will better suit my practice?"

Analysis of costs

Comparing outsourced against "in-house" billing costs can prove to be a very complex and difficult task. In order to make it easier to compare these costs, CloudChiro has built a dummy practice with three chiropractors and listed the costs associated. For the numerical estimates, industry standards were used.

Main cost points for proposed practice are:

- Three chiropractors
- One billing Employee
- 40 insurance claims per day (10,000 per year)
- $50.00 on average billed per claim ($500,000 per year)
- For the "in-house" we propose 65% on gross collection percentage and 75% for

outsourced.
Below shows the yearly costs for both methods:

	Outsourced	**In-house**
Hardware/Software Costs	$500	$7,500
Direct Claim Processing	$49,000	$1,800
Billing Staff Costs	$4,000	$63,000
Percent of collected billings	75%	65%
Collections costs	$53,500	$72,300
Collections	$375,000	$325,000
Collections, net of costs	$321,500	$252,700
Cash Flow Increase	**$68,800**	

Here's an explanation of how proposed costs were calculated

Hardware/Software Costs

OUTSOURCED: Chiropractic software is included or drastically reduced in most cases when working with a billing company. The $500 cost above represents the everyday hardware practices employ for interacting with the billing service and to print documents, such as computer, printer, etc.

IN-HOUSE: Here the yearly cost of $7,000 for management software within the office was factored in, ($200 a month, per doctor) and an additional $500 for the hardware costs explained above. Initial price of software was not included in the final figures. Cloud based options have really helped bring down these initial offerings!

Claims Processing Costs

OUTSOURCED: An AMBA Study and other commonly known research proves that the standard national charge for Chiropractic Billing Services is 7% of total office collections. This figure can and will fluctuate based on volume, specialty, geography, etc.

IN-HOUSE: 10,000 claim submissions per year will equate to about $150 per month

($1,800 per year) in clearinghouse fees.
Costs of Billing Staff

OUTSOURCED: In CloudChiro's calculations, an assumption that a chiropractors front staff supports the billing team 5 hours per month at $15 per hour. It's proven that no matter how good the billing software and services may be, human interaction is necessary. Ultimately, this amounts to around $4,000 for the annual costs of administration.

IN-HOUSE: (1) The average salary of one billing employee ($40,000), (2) five hours of administrative front office time at $15 per hour ($4,000), (3) the cost of healthcare for one employee ($4,500), (4) any federal and state taxes incurred ($6,000), and (5) the average cost of training for the employee for the updates associated with software or policy changes ($1,000). Lastly, there was a $7,500 inclusion for the additional costs of paper, office space, hardware, etc.

Percent of Collected Billing

OUTSOURCED: Normally a chiropractic clinic would expect a 5% to 15% increase in collections when utilizing a billing service. The increase in collections is due to a team of professionals managing the account, rather than one or two individuals. We applied a 10% increase in our calculations.

IN-HOUSE: Percentages of the revenue collected by chiropractic offices vary greatly. Most industry experts say that in house billing departments collect about 60% of the total billed amount. For the purpose of the exercise, the billing staff was awarded the benefit of the doubt with a 65% mark.

The table above shows how partnering with a high quality chiropractic billing service can majorly impact a practice's **Cash Flow**. The comparison favored outsourced billing with the basis of (1) probability of a billing service collecting a larger percentage of the amount billed, (2) lower practice staffing costs, and (3) direct accessibility to a cloud based 360-degree practice management software. The profit margin does not always stop there. The extra time office staff has can be spent on practice growth activities, potentially scaling the practice to a whole new status.

There are other aspects to consider... aspects other than cost for a chiropractor making a very important billing decision. Two separate approaches that break down advantages and disadvantages of both offerings are examined below.

Outsourced Billing

Fortunately for a chiropractors staff, outsourced billing frees up time for more productive

activities. New state of the art billing softwares allow doctors to fill out their customized superbills, electronic health record, and SOAP Note... all at the same time. From there, the software forwards all of the information to the billing service in real time, where they take responsibility for batching and submitting the claims to the clearinghouse. Most billing services charge a percentage of the total collections. The average number from the industry is 7% of total insurance collections, depending on practice volume.

Chiropractic billing services take care of most of the dirty work throughout the lifetime of claims. They usually provide and are responsible for:

- ○ Chiropractic billing software
- ○ Provide comprehensive code review and analysis – **Clean Claims Get PAID!**
- ○ Build, batch, & submit claims – Electronic or paper as needed
- ○ Follow Up on every claim to ensure prompt payment
- ○ Review every EOB/ERA for accuracy & post payments – **59% of billers don't do this**
- ○ Follow up on all partial payments and zero payments
- ○ Manage denials, appeal if necessary – **55% of billers have never done this**
- ○ Submit corrected and secondary claims to ensure complete payment

Cost, convenience, and total effectiveness are all factors that weighed strongly in the favor of outsourcing.

If an office utilizing the combination of certified integrated billing software with EHR and a billing service, the process is close to foolproof. The information is stored from the "superbill" into the EHR and transmitted electronically to the billing company all in real time. This eliminates any need to transfer paper records of any sort… of course there will always still be a few paper claims to submit to certain insurance carriers. Cloud software helps to create a more advanced paperless work environment. High quality billing and EHR softwares coupled with a billing service dramatically improves financial accuracy.

The Process of "In-House" Billing

Processing insurance claims "in-house" can be a lengthy and tedious process. First, employees enter information into the billing software from the superbill that is filled out during a patient visit. The superbill contains vital information such as diagnosis codes, treatment codes, and other patient information. Insurance companies use this information to verify the legitimacy of the provider's claim, which results in a full payment, partial pay, or zero pay.

After this initial data entry, the practice's biller submits the claim to the corresponding clearinghouse. For a fee, the clearinghouse scrubs claims for errors and then forwards them to the payer. By using a clearinghouse instead of submitting claims directly to the payer, the practice saves money, time, and lowers rejection rates. The clearinghouse also has the ability to organize and submit claims in batches.

Once the claim has been accepted or denied by the payer, a notification with the status of the claim is forwarded to the clearinghouse, as well as the practice. If the claim is rejected, the billing staff will resubmit the claim **(55% of "in-house billers have never done this)** after adding additional information that may be needed. Note, with each additional submission comes a charge.

Is Outsourcing For You?

Ask yourself the following questions to see if outsourcing billing is right for you.

- **I just want to be a chiropractor**

  Chiropractors didn't go to school to worry about the political or financial side of running a profitable practice. They became chiropractors to help people get well. Outsourcing billing processes eliminates the headaches caused by the ever-changing billing policies and procedures in chiropractic billing. If you would like to focus more on what you love, outsourced billing is right for you!

- **Tired of dealing with staffing issues**

  Staffing is probably the highest monthly overhead cost associated with your practice. Insurance, taxes, healthcare, sick days, vacation, training, and turnover are just a few of the staffing hurdles chiropractors deal with. When a biller decides to leave, so does the efficiency of your practice. Billing services document all procedures and have multiple qualified individuals making sure you get paid the highest reimbursement possible.

- **Not the most technological**

  Keeping your billing "in-house" requires a software system, maintenance, upgrades, and training costs for your staff. If you don't want to deal with software installation, maintenance, upgrades, and technical issues, outsourcing might be a good fit for you.

I want more efficient billing

If you have seen you're A/R increase, noticed that your claims aren't getting paid at a high rate (both % of claims paid and % of billed amount paid), or if you are wondering when your biller is going to resubmit denials… outsourcing to a high quality billing service is the most logical choice for you. Outsourcing to a billing service will typically reduce A/R days out, increase clean claim rates, achieve faster payments, raise reimbursement levels, appeal denials, and make sure you get paid!

- **My practice is too Small/New for any of this to matter.**

New/Small practices have a ton of other things to worry about… The last thing on most new chiropractor's minds is billing. There is hiring, general training of employees, management, and new patients to attract and manage. Outsourcing at the beginning stages of a chiropractic career can offer huge benefits. A billing service will free up the doctor and limited staff's time and energy to concentrate on revenue generating activities. If you are a new doc or run a small practice, now might be the time to outsource your billing and focus on growing your practice.

Although there are a lot of promising factors here, keep in mind that a billing service may not solve all of your "in-house" billing distresses. As with any other business, the different chiropractic billing services will vary in their abilities; not all services can produce grand results. If you happen to choose a service that creates more errors than solutions, you are bound to have as many, if not more, issues in your billing department.

Which Method is Right for Me?

A chiropractor should prioritize his/her technology preferences and run the cost analysis before making a decision on outsourcing billing. Plug your practice's numbers into the equation provided above. As noted earlier, cost should not be the only factor that offices consider. There are several other aspects that are involved with these services that may be even more important. Make sure to choose a highly efficient and experienced chiropractic billing team that is committed to helping you succeed.

CLOUDCHIRO will be able to provide service, no matter the decision. As your business partner and chiropractic consultant, we provide all professional services via the web to help market, manage, and bill. We specialize in practice growth, cloud management, and chiropractic billing. Getting You Paid Is Our Expertise!