

## COLLECTING WHAT'S OWED TO YOU

# Fix your billing process and ease stress

That's the way the money goes... **Simon Brignall** presents the second part of his feature on how private consultants are losing money unnecessarily in the billing and collection process



IN LAST month's article, I started to cover some of the main issues that had initially surprised me when consultants detailed the various challenges they had with the billing and collection side of their practice.

Having been director of business development at Medical Billing and Collection (MBC) for the past five years, I have become far more familiar with these issues and I would like to complete this process by covering some of the remaining topics that still come up during the meetings I have with independent practitioners now.

#### Electronic billing

The major insurance companies demand that the practice sends invoices electronically – referred to as electronic data interchange (EDI). Bupa and Vitality have mandated that they only accept invoices that are submitted using this method.

There are many benefits of electronic billing, including proof of receipt as well as faster processing and payments, but, unfortunately in practice, this billing method is not always as easy as you would expect.

EDI errors can mean that invoices fail to be sent and so they need to be monitored and resolved. These errors occur for a variety of reasons, including incorrect policy numbers, wrong Clinical Coding and Schedule Development Group (CCSD) codes and other missing data.

I remember meeting with a neurologist whose PA had not realised that even though she had started to bill electronically, she was required to resolve the many EDI errors that had been generated.

These had not been addressed since the practice had moved to using a practice management system and none of these invoices had been sent.

Even when this problem was identified, the fact that some of these were for insurance companies that had adopted the six-month cut-off rule for the receipt of an invoice meant the practice lost over £20,000 in income.

#### Reconciliation of payments

The issue that has probably surprised me the most is that the reconciliation process for payments received against outstanding invoices proves to be so problematic for many practices.

All successful businesses require

an accurate picture of all monies that are currently outstanding.

This is even more important with a medical practice, as the allocation of payments from an insurance company can often result in the requirement to raise a separate invoice directly to the patient when the initial amount is not settled in full.

These underpayments can occur when there is either a shortfall or an excess resulting from the terms of the patient's policy.

Problems arise when these invoices are not reconciled in a

timely manner, which means that these funds remain outstanding and can negatively impact the cash flow for the practice.

Remember that any delay in raising these invoices to the patient means not only does the practice look unprofessional, but the patient may choose not to pay.

#### Wrong address

One of the first meetings I had was with a dermatologist who had an aged debt that went back several years and in total was more than the annual turnover.

Payments had not been allocated consistently to invoices and, to compound matters, many remittances from insurance companies had been sent to the wrong address and, as such, had been lost.

This meant that shortfall invoices had not been raised when required and that outstanding payments with the insurers had not been followed up on.

To make matters worse, due to the specialty, the same practice catered with a large proportion of self-pay patients.

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## CALCULATE YOUR NHS ANNUAL ALLOWANCE

Sandison Easson Medical Accountants Limited (a newly formed member of the Sandison Easson Group) has provided an estimator toolkit to give hospital consultants some indication of what their deemed pension input will be for tax purposes.

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These patients had the option to pay via a variety of payment methods including bank transfer, cheque, cash and card payments.

Unfortunately, as these payments were not clearly identified and allocated against the relevant invoice, quite often these patients were chased for payment by mistake. This made the practice look unprofessional despite the excellent care it had given the patients.

When I meet with a consultant to discuss their practice, the figure that I am generally quoted for their aged debt ranges between 5% to 10%. We find that this can vary quite considerably from the actual figure we receive when we start to work with the practice.

We define 'backlog' as any outstanding invoices previously raised by the practice. The average 'backlog' MBC has taken on during its 'intensive care process' for the consultants we have started to partner with this year is 19.6%.

One of my most recent meetings was with a gastrologist. Over the length of a 45-minute meeting, the backlog figure mentioned trebled in size.

This was because the consultant had initially felt embarrassed about how bad the issue had become. To put things in context, over the years, nearly every client who joins us has a backlog and I have even had consultants with hundreds of thousands of pounds outstanding.

Facing up to the extent of the problem and implementing an effective reconciliation process is key to maximising the cash flow and minimising the aged debt of your practice.

### Chasing outstanding debt

To be effective, your process for raising invoices and reconciling payments needs to be supported by a robust chase procedure that is routinely adhered to. I find this is a major area of concern for most practices.

Quite often in a busy practice, this task is only tackled occasionally, as the day-to-day demands from patients and the consultant take priority.

Most secretaries also find the time taken need to chase payment for outstanding invoices is time-consuming and therefore struggle to do it on a consistent basis.



**Chasing is only effective if momentum is maintained and queries that arise are managed effectively**



We manage a range of group practices at MBC and the high volume of work they do means this task has often been sidelined.

One urology group of eight consultants we took on a few years back had no ownership of the chasing process and this resulted in the aged debt escalating over some years.

Occasionally, there would be a flurry of activity in this area, but as this work was not followed up, this proved ineffectual. The group had close to £500,000 outstanding when it contacted me, and the head of the group was dealing with complaints from his colleagues around the distribution of income.

In our experience, chasing is only effective if momentum is maintained and queries that arise are managed effectively.

After loading these invoices onto our system and taking them through our intensive care chase process, we ended up collecting most of their money and as the group's cash flow improved, so did the quality of life for the group's head.

### Memorable meeting

Over the years, I have met with consultants using a wide variety of systems and processes to manage their practice. This has included practice management software, Excel and Word-based solutions, paper-based book-keeping records and diary management solutions.

In one memorable meeting, I was passed several supermarket shopping bags packed full of invoices and pieces of straw. I regularly come across a version of the little black book containing treatment dates, patient names and the consultant's own shorthand.

I met with an anaesthetist a few years ago who used a combination

of spreadsheets, pocketbooks and the diary from a third-party app.

The disjointed and complex nature of his solution had meant his practice financials were extremely opaque and had led to the consultant having more than £200,000 outstanding.

It is important that the infrastructure you choose is fit for purpose and can manage your practice as it grows. Even when practice management software is adopted, it is still common for me to meet practices where they are using the software in a limited capacity.

### Regulatory issues

Decisions around infrastructure should support and protect the practice rather than create areas where it is vulnerable. There are regulatory issues to be aware of such as:

- The implementation of the General Data Protection Regulation (GDPR) Act in Jan 2018, which implemented an EU regulation;

- Payment Card Industry (PCI) data security standard compliance rules for practices that take card payments.

I have come across many psychiatrists whose secretaries, due to the repeat nature of consultations within their specialty, have stored card information in a method that was not compliant and so have experienced problems with data protection and opened themselves up to large fines.

As you can see from issues that I have covered over these two articles, it is very easy to have difficulties with the billing and collection side of the practice and very often these problems result in unnecessary losses in income.

I recommend you review your practice and if you feel it is weak in any of the areas I have outlined, then you need to take time to put adequate steps in place to address this.

Of course, an easy option may be to consider outsourcing this vital element of your practice to a professional billing company. ■

*Simon Brignall (right) is director of business development at Medical Billing and Collection*

