

Sunrise Services LLC

**Starting a Profitable & Successful Home Based Medical
Claims Billing Business**

Doing First Things First!



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First Things First!

Starting your Medical Billing Business

So you want to start your own business? By now I know you have spent many, many hours researching what type of business you would like to have, how much start up costs will be as well as asking yourself 'can I really have a home-based business and be successful?' While I cannot answer those questions for you, I can offer up my years of experience to you to help with your decision to start a successful medical claims business.

First of all, **make sure that you have the knowledge or training that will make you successful in the Medical Billing Business.** Don't believe companies that tell you do not need prior experience or training. Ask yourself this question, would a doctor be willing to hire me with my current level of knowledge about medical billing? Remember, you will be dealing with the financial make-up of his practice. If you answered 'no', then you will need to train yourself to become a competent claims professional. Some things you can do are:

- Find a technical school offering billing and coding classes. Be aware though, most of these classes do not deal with being a home based business. Their main intention is to teach you how to be an office biller in a physician's office.
- Start with the Interactive CD-ROMs (set of 6) offered by Sunrise Services. This will teach you how to use the software starting with Set-up and Maintenance, Daily Accounting Activities, Billing & Accounts Receivable, Cash Flow Analysis and Practice Management, Appointment Scheduling & Custom Reports & Utilities.
- Take advantage of the Video DVD's for basic training on Practice Set-up, Insurance Set-up, Address List, Billing Codes, Procedure, Payment & Adjustment List, Diagnosis Code List, Quick Ledger and Quick Balance, Reports, Data Backups and much, much more.
- Invest in QuickBooks. It will be an invaluable asset to your company.

Some other things to consider are:

- **Should I incorporate or simply be a sole proprietor?** Check with your state or financial planner about incorporation in your state. There are many benefits to incorporation. If you decide to be a sole proprietor, you will have personal liability for all debts incurred.
- **How do I legally register my company name?** If you are a corporation, you must register with the Secretary of State's office in your state. If you are a

sole proprietor, you will probably need to register your business name with your county or state office. You will need these papers to set up your bank account.

- **How about a Federal Tax ID?** If you form a corporation you will need a Tax ID. A sole proprietor can normally elect to use a social security number, but it is wise to check with your individual State. You will also need a Tax ID to register with a clearinghouse. Contact the Feds for this number. There is no charge for this.
- **Do I need a Business Plan?** Definitely! A business plan gives you a starting point and goals. Your business plan should incorporate your current status in business and have detailed plans for successive growth periods.
- **Do I need a Vision Statement?** Again, definitely! A vision statement tells your clients who you are and what you want to do for the medical community. I would be happy to send you a copy of our company's Vision Statement to use as a pattern for writing your own vision. Just e-mail me at judy.clark@sunrize.com.
- **Do I need to carry contents and liability insurance?** You **should** take out a simple policy that covers your computer equipment and other office equipment. Check with you insurance company. Liability insurance should also be discussed with your insurance agent.
- **Will I need to carry Errors and Omissions Insurance?** In our contract with our physicians we state that we are not going to be held liable for errors. In doing this we are not liable for these problems. You may wish to talk this over with a competent attorney. We supply you with an iron-clad contract. It is the same contract we use in our billing service!
- **Will I need a dedicated phone line?** If you want your business name to appear in the phone directory then you will want a dedicated line. Actually, this is not something that is necessary. Not many people use the yellow pages anymore.
- **What about DSL?** Actually a DSL line makes life easier and is cost effective. Sending claims thru a dial-up is nearly impossible. Some clearinghouses will not allow you to sign up with them without fast access.
- **Should I advertise in the Yellow Pages?** Actually the book is becoming obsolete. You will get a free listing with a business line. Think about how many times YOU have looked in the yellow pages in the past year and use this as your guide.
- **Do I need a Fax Machine?** This is a definite YES! This is a necessity if you want your providers to fax you their Superbills. There are e-fax companies available on the web allowing you to receive and send information but your computer must have a fax/modem. This can be limiting because you can only fax items that are stored on your computer. Our office uses a combination of both faxing methods.
- **What is a press release and should I have one?** Yes you should always have one because there is nothing better than FREE advertising. A press release, written by you, tells about your business and is sent to local newspaper publishers.

- **Should I have my material printed professionally or should I use my Ink Jet or Laser printer?** If you have the software & hardware to produce good quality materials, you will most likely want to produce your own material. Keep all printed materials consistent, pick a theme and use it throughout all of your printing. Professional looking business cards are cheap and can be printed by VistaPrint, an online company, for under \$20. Unfortunately their other materials such as letterhead, envelopes, etc, are not cheap.

Now for the technical stuff....

- **What is a Clearinghouse?** A clearinghouse acts as a data storage bank that checks your claims for accuracy. They take the information you send and re-format it in the specific format that a payer (insurance companies) requires. They send the claims electronically to the insurance companies (carriers).
- **What factors should be considered when signing on to a clearinghouse?** There are several questions that need to be answered before you decide on a specific clearinghouse. First, how many insurance carriers do you have on your electronic payer list? You will need a clearing house that covers these carriers. Will there be a live person available if I have questions? What assurance do I have that their technology will work? What types of claims do they process? Can I transmit on a toll-free line 24 hours a day? Will I get my EOB back immediately or the next day? Can I transmit more than one per day per doctor? Does this clearinghouse send claims directly to Medicare and Medicaid? What is the sign up fee and the per claim charge? Are these annual or one time charges? What do I get charged for rejected claims? Are there a monthly minimum number of claims that I must submit? How long will it take to get signed up with the clearinghouse? Do they process paper claims? Can I have a list of carriers that this clearinghouse submits to? Ask these questions and you will find the clearinghouse that best fits your needs. Contact me for help if you need help.
- **What's the difference between Medicare and Medicaid?** Medicare is health coverage for the elderly and/or disabled. Medicaid is used by those that are low income. Sometimes people can be covered by both Medicare and Medicaid.
- **What are the differences between Medicare part A & B?** Medicare Part A covers hospital expenses. Medicare part B covers services and other charges. If a facility is classified as a part A facility by Medicare, a hospital claim form must be submitted to the Medicare part A carrier. Part B charges need to be submitted on a HCFA 1500 claim form to the Medicare part B carrier.
- **What does 'participating' mean?** Participating in an insurance program means that a doctor will do the following things: 1) File claims with the patient's carrier 2) Accept the allowed amount as determined by the carrier 3) Write off the difference of the non-approved amount and the approved amount 4) Collect the co-insurance amount (usually 20%) from the patient 5) Accept the assignment on all claims.

- **What type of claims are the easiest to submit.** Claims are easiest to submit from those practices which see patients over and over such as Family Practice, Internal Medicine, Allergy and Asthma, Endocrinology, Cardiology and Pediatrics.
- **Which claims are the hardest to process?** Workers compensation, personal injury, Anesthesia, Dental and all claims that require additional documentation to be submitted with each claim.
- **What is the difference between a Diagnosis and Procedure Code?** A diagnosis code (ICD-9) describes an illness, injury or condition of the patient. In other words, what is actually wrong with the patient, such as high blood pressure. A procedure code (CPT-4) describes the actual service the provider performed such as an injection or EKG. A common mistake for those starting out in this business is to call a diagnosis code a 'diagnostic code'. Your inexperience will show immediately and you will lose the client.
- **What is a HCPCS code?** A HCPCS code (pronounced HIC-PICS) is a "Health Care Financing Administration Common Procedure Coding System" code. HCPCS codes describe supplies and services not covered in CPT such as durable medical equipment (DME), ambulance services, injectable medications, chiropractic service, optometry, and others. HCPCS coding is not always recognized by commercial carriers, but is usually required by Medicare and Medicaid.
- **How soon can I expect to sign up a provider?** The answer to this question is solely dependent upon the amount of time and energy you put into learning this business, getting your marketing materials together, how many contacts you make and how well you present your services to your prospects. If you just send out a few letters a week, you can expect the time to be about 6 months. However if you employ several marketing tactics at one time and really concentrate on your prospecting, your time will be considerably shorter.
Remember, it is all up to you!
- **What can I reasonably expect to earn?** Again, it is all up to you. This question can better be answered once you have familiarized yourself with the industry. The average practitioner sees about 400 patients a month and will file that many claims. Depending on what you charge, either a per claim fee (\$3.00) or a percentage (6-10%) or a flat monthly fee (something you should never do!) you might expect to earn about \$1000-1200 per month from that physician. Your own efforts and desires will actually dictate what you earn.
- **What if a doctor wants to know about a price before I get a chance to tell them about the great service I offer?** A good answer would be, "Well doctor, that is sort of like asking how much it is going to cost to make me well before you actually know what is wrong with me. I need to sit down with you to discuss the problems you are experiencing before I can diagnose and treat your problems." This works every time!
- **What does AMA mean?** American Medical Association.

- **What does HCFA mean?** It stands for 'Health Care Financing Administration'. It is pronounced 'hicfa'. HCFA governs all Medicare and Medicaid agencies. They make all the rules and create all the red tape for paying claims and submittal guidelines.
- **What is the HCFA (CMS) 1500 form?** The use of this form is mandated by all Medicare and most Medicaid carriers and is accepted by all commercial carriers. This form is printed on red ink. An original HCFA form is required to be submitted to Medicare, however, a copy of this form can be submitted to commercial carriers.
- **What is an ADA form?** This form was created by the American Dental Association (ADA) and is used to claim benefits for dental charges.
- **What is a UB92 form?** The UB92 (universal billing) form, revised in 1992, is used to report or claim hospital charges.
- **What is a UPIN number?** UPIN stands for 'Unique Physician Identification Number'. This number is assigned by Medicare and is required to be submitted on a claim form where the carrier is Medicare and the MD or Nurse Practitioner performs and bills for any laboratory services. The practitioner should already have this number if they are submitting claims to Medicare.
- **What is a Commercial Tax ID?** This is the practitioners 9 digit federal tax identification.
- **Explain what a Medicare number is?** This may be the provider's social security number unless he has been assigned a group numbers. Group numbers vary from state to state.
- **What is a Blue Cross/Blue Shield number?** This number is usually the provider's Federal Tax ID with a dash and three numbers such as 001. If two or more providers are practicing together each one will have a number in sequence. BCBS companies are individually owned and rules vary from state to state. Most BCBS carriers require the provider to enroll with them. This usually consists of filling out a form with the provider's credentials and license information. If a particular BCBS carrier requires a provider to enroll, they will not pay a claim to the provider unless this information is completed.
- **Exactly what information would I need to obtain from a practice in order to submit claims?** You will need to enroll the provider or group with the clearinghouse. To do data entry you will need a patient history sheet for the first entry. You will also need a superbill or charge sheet that gives the patient diagnosis and whatever procedures were performed. The office will also send along additional patient demographics if the insurance or address of the patient has changed. This is sent on an 'as needed' basis. You will also need a copy of the HCFA form.
- **How do I bill the doctor?** Here is where the QuickBooks program comes into use. You will use this program to invoice the doctor as well as using this for a general business accounting program. This program allows you to keep all of your business records, checks and financial statements handy and readily accessible.

- **How often should I bill the doctor?** Monthly billing is standard. The clearinghouse will also bill you monthly.
- **Will I need coding books?** Yes, definitely. I suggest having a CPT-4, an ICD-9 and HCPCS. Contact my office and I can help you get the best price on a combo book pack! (888-880-0384)

I hope this information gives you a head start on starting your medical billing Business. Our office staff is available to help you. I can be contacted by e-mail @ judy.clark@sunrize.com or at 888-880-0384!

God Bless You and Have a Wonderful and Prosperous Business!!

Judith Clark BSN, MSN, ARNP, VP

Justifying a Billing Service

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by Flo Murray

When would an outside billing service be justified instead of in-house personnel? The focus of this article is to get you to look at your current billing situation and assess if you would benefit from switching to an outside billing service.

The main reason many doctors choose to do their billing in-house is because they feel they have better control. This is certainly true if someone inside the practice truly understands billing, collecting and tracking. If that person has done it for many years, has experience with the hundreds of different scenarios you run into every day, and has the time to coordinate and focus on getting paid for all claims, then keeping the billing inside may be the right decision. If the practice is also profitable with the current in-house billing department expense, the billing should probably be done inside. A doctor's take home pay is directly related to overhead, and in-house billing expenses can be a high percentage of overhead.

If you stay with inside billing it is recommended that you have a support network of some sort: the annual H. J. Ross hotline, CCA hotline, or other doctors' billing departments that you can call in time of need. If your billing department has no outside resources to fall back on, the ability to collect on certain accounts is limited by your office person's experience.

If you think things are running smoothly in your billing department, but you never ask about any one patient's individual account, you have no clue whether things are running smoothly. When the billing manager is not accountable to anyone else (the doctor, doctor's spouse, the accountant, etc.), you depend solely on that person to make sure everything is handled timely and efficiently.

I know a doctor who thought he had a very efficient billing department, but he was unaware that his billing manager had plans to leave his employ. As she neared her last two months of commitment to the doctor, she stopped sending the billing out! To the doctor's dismay, he was unable to get paid for approximately \$10,000 in claims the managed care plan refused to pay because of missed deadlines. This costly problem occurred because the doctor depended upon the billing manager, who was not accountable to anyone else for her work. In other cases, doctors have had billing managers for years without problems, because they take pride in what they do and would never consider leaving without helping to hire and train their replacement.

If no one double-checks your department from time to time, you really can't be sure. Even if you use an outside billing service, you do not really gain any control unless you have someone check their work as well. Though switching to an outside service will not necessarily give you better control, it can provide some of the following benefits:

1. You don't need to worry about your biller quitting and leaving you high and dry.
2. You don't need to worry about retraining if your in-house biller leaves.
3. You don't need to worry about the transition on problem accounts from one biller to the next.
4. You don't need to worry that a new biller will ask you to make an investment in the software that he or she uses.
5. You will have more space, time and energy to treat patients.
6. No one will argue with an insurance company on the phone where patients can overhear.
7. You will gain the expertise of the billing company's many years of service to your industry, assuming you choose a billing company with this sort of experience.
8. You should see no break in your service or cash flow, as long as you choose a billing company that is dedicated to providing excellent service and has the expansion capabilities necessary to grow with your business.
9. You will save many expenses associated with inside billing.

To assess whether you will save money by switching to an outside service, you must compute the cost of doing the billing inside and compare that to the cost quoted by the outside service. Your inside costs include: payroll labor hours; payroll labor overhead; postage; paper; computer support; billing program support; telephone bills; and any other direct costs you can associate with doing the billing. You should also consider an alternate use of the billing department's space, such as having an extra massage room or renting it to an associate who works on a percentage.

Consider your own time and energy expended on hiring and replacing personnel. Consider who trains the new staff person and the time it takes a new person to get comfortable with your office and procedures. Your in-house personnel should attend seminars that keep them updated on industry changes, but that can be an added expense.

As you can see, some costs are not easy to compute mathematically. Sometimes the situation is black and white, and you can save a lot of money by going to outside billing. In other cases where expertise rather than money may be the issue, you may not see a direct savings. However, a good billing service will pay for itself with its knowledge and experience, and may be able to collect more than your own in-house staff. This is particularly true in offices where a single staff person supports the doctor. That person is expected to answer all phone calls, do all the paperwork management, and perhaps even assist in therapy occasionally. If a doctor's volume is

only 30 to 50 patient visits per week, using an outside service may not be cost-justified. However, the cost of a service handling that volume of billing might be as little as \$500 per month. If the billing service has the kind of expertise you need, then justifying that expense is very easy to do, because they will easily be able to collect an average of \$500 more per month than your inexperienced in-house biller. Your in-house staff person would then have more time to help you with recalls, screenings, etc.

I have heard horror stories about billing services. There are good and bad services everywhere, just as there are good and bad employees. However, I have heard many more horror stories associated with in-house problems: drawers full of problem billings that went untouched and are now uncollectable due to insurance policy filing requirements; personal injury cases that went unpaid because no one had a tracking system for following up on the old cases; workers' compensation cases that no one in-house knew what to do with - cases that were easily collectable by someone with the proper experience.

Once you look at your billing situation, you will probably have a better sense for how things are running. You might consider bringing someone in to help assess your department. Many billing services have people who will do that for you. If they take over the billing, they should help you make a good transition. Knowing how your office runs will be the key to their helping you get your billing out in a timely and efficient manner with as little stress to the practice as possible.

