

Symptoms of Billing and Collection Problems

There are a number of symptoms or clues that should be recognizable to the physician that there are problems in the billing and collection efforts.

In this edition we will review some of the indicators that a physician should be aware of that would indicate all is not well in the accounts receivable management, billing and collections within the practice.

Inconsistent Cash Flow

If your cash flow varies significantly between months when there is a relatively smooth patient count between months, this can be a significant indicator that something is wrong. The most common cause of cash flow variations in a practice that has a relatively smooth charge volume or patient count is delays in filing claims and failure to follow up on unpaid balances.

Failure to file claims promptly and regularly can be caused by personnel problems. If the personnel who file claims and bill patients is out due to vacation or illness, or there is a vacancy in that position, something needs to be done to keep filing claims and sending out bills regularly. There needs to be backup procedures in the office so that the flow of work continues religiously regardless of absences of certain personnel. Another reason that bills are not regularly sent is that there is not enough hours allocated to billing personnel to handle the work load. If the physician or office manager is diverting the billing personnel to other duties such as handling the front desk, and/or assist the physician with patients, this will divert time that may be needed in the billing area to get claims filed, bills mailed, and to follow up on unpaid claims.

Another reason for cash flow variations can be failure to process payments and denials on a regular basis. As hard as this is to believe, we have seen some physician practices that do not deposit cash on a regular basis. Amazingly, we have seen physician offices where checks were held until the clerical personnel had time to post the checks to the accounts. This sometimes took weeks to accomplish.

There should be procedures in place where deposit tickets are prepared daily for all cash received, and it should be the responsibility of one employee to deposit these checks on a daily basis and return to the office with a bank deposit receipt.

If a physician handles the billing internally, a log or report of daily cash received for the day and month to date should be reviewed and compared to prior months on a regular basis. Explanation should be obtained for any variations in cash flow between months. If a physician uses a billing service, they should be getting daily reports from the billing company of the amount deposited each day. In addition, on a monthly basis the physician should be tracking the progress of collections with the billing company, and meeting with the billing company to get explanations of variations in cash collections that may be occurring. The same problems occurring in the office could be occurring at the billing company also.

Significant Variations in Monthly Procedures

Another area to investigate when there is a drop in cash collections would be a

comparison of revenue by procedures each month. Obviously, if the number of procedures is down due to low patient count or physician vacations, the physician should expect cash to be low. However, if the number of procedures and the procedure mix remain relatively consistent and cash received is down, something is no doubt wrong. Again, if a billing company is involved, a detailed explanation of what is going on should be obtained including preparation of reports on billing and collection activity and an aged trial balance review. If your billing is done in house, the doctor should ask enough questions and ask for reports relative to billing, number of patients seen and collections to become satisfied that there are logical explanations. It is always possible to determine what the problem is and to identify the most likely causes of the problem. Frequently, because of growth and/or turnover of personnel the cash flow from the practice can be severely impacted. The physician needs to be watching this closely and insure the procedures causing the problem are identified and steps taken to fix the problem.

Like any other business, the business owner (in this case the physician), needs to closely monitor the financial activities of the business on a regular basis to insure everything is operating properly. The physician always needs to be aware of the cash flow from the practice so that something can be done to correct any problems that may be causing cash shortfalls. If the physician does not have the time to do this, they should arrange for an independent 3rd party to do so who should report their findings to the physician directly.