ADVANTAGES OF COMPUTERIZED BILLING AND ACCOUNTS RECEIVABLE

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Five years ago, most physicians would have relegated computers to science fiction and the 1990s. Few of us were aware of the tremendous potential that second- and third-generation microcomputers would possess. Even fewer believed that these machines would be affordable. Now about one in five physicians' offices are "computerized" and, over the next two years, that number is likely to double.

Since office management has proved to be the stimulus to get physicians involved with computers, we shall examine some aspects of converting an office from a manual to a computer-based system.

Physicians decide to "computerize" when frustration with the billing process reaches the saturation point. Tired of completing public aid and insurance forms, concerned about the increasing staff required to complete these forms, and pinched by the concurrent cost increases, the physician or practice manager cries "help." Then the search begins for a computer to solve these problems, leading to a first and most common error. The computer can make a disorganized practice chaotic. After experiencing the effect of a disastrous installation in my own private practice (pediatrics), I became involved in automating other physicians' practices, as well as those of general business content.

THE MOST COMMON MISTAKE

To illustrate this problem, I will describe the experience of one of our clients: a medium-sized firm in a service industry that wanted to purchase a word-processing system. A quick look at the local offerings led the client to settle on a specialized word-processing system with a letter-quality printer. The system worked nicely. Then the client decided to use the machine for additional tasks—accounting and maintenance of a specialized mailing list.

After spending nearly $25,000 for the initial system, the firm discovered they would have double their investment to accomplish the additional functions. Luckily, the client did not plunge headlong into folly. Ultimately one of the third-generation microcomputer systems was selected at just one-third of the price. Not only does the system satisfy current needs, but the availability of inexpensive peripherals and application programs provides flexibility for the future.
THE IMPORTANCE OF PLANNING

Use of good business-planning techniques would have prevented the errors and the excess expense. Our planning process begins with analysis of the current mode of operation. A medical accounting system centers around accounts receivable; therefore, we evaluate this process as thoroughly as possible. Inputs, such as office charge slips, hospital discharge notes, and operative reports, should be identified and categorized according to their use in the practice. Add to this statements, insurance forms, reports that comprise the output of the present system, and other outputs unobtainable at present, but useful to the practice, e.g., aged accounts receivable.

A sketch or flowchart, of how these inputs move through the office to produce desired outputs suggests areas where efficiency or control can be improved. We assess the flows for areas of potential abuse or inefficiency, culminating in a revised schema, optimal for automation. So armed, an informed buyer can proceed to analyze the market.

APPROACH TO THE MARKET

Since software is the critical part of the system, evaluate as many software packages as possible to find which most closely fits the idealized flow. There are several sources for this type of information including periodicals such as M.D. COMPUTING Byte Magazine, and Interface Age. Both software and hardware vendors supply information about software, but their approach is usually sales oriented, promoting their own products.

Two major categories of programs exist: (a) those that allow little customization but are quickly implemented and (b) their opposite, programs that require more installation time but can be tailored to your specific needs. The former usually arrives “bundled” with the computer, forms, and manuals, allowing the user to begin entering data after the computer is switched on. A major disadvantage here is lack of adaptability. For example, if an insurance company changes a form, the program may require partial rewriting by the vendor, inviting costly programming and errors. Most of the larger hardware vendors such as Burroughs, NCR, and IBM fit into this first category.

On the other hand, the more flexible type of program will require extra staff time at the outset to set up insurance and billing forms, establish report formats, etc., but later changes can be made by the practice. Even the best-suited program for a particular practice requires the commitment of the physician and the practice staff for successful implementation.

MEDICAL ACCOUNTS RECEIVABLE

The baseline requirements for a medical office system include the following:

- entry and storage of transactions in a real-time environment
- periodic preparation of statements and insurance forms
- on-line inquiry of patient accounts

The value of an automated billing system extends beyond simple bookkeeping. A computerized system should include features that can improve three major areas of the practice: (a) financial, (b) scientific, and (c) marketing.

USEFUL FINANCIAL REPORTS

An office management system has much of the raw data necessary for decision making, but the data must be compiled into an appropriate format for use by management. Reports that prove useful for financial decision making include:

- aged accounts receivable
- delinquent accounts receivable
- collection agency report
- payment plan report
- analysis of services
- provider productivity information
- periodic activity by patient
- daily charges and receipts
- open item reports

An aged accounts receivable report provides a list of patients with open balances and the length of time that the balances have been due. Most programs provide for aging periods of 30, 60, 90, and over 120 days. Some allow the practice manager to establish the aging periods. The aging report gauges the health of a practice; the longer the balance is due, the less collectable it becomes. Large balances in the over-60-day categories may signal inadequate collection procedures and reduced cash flow, prompting a good practice manager to apply appropriate pressure to stimulate collections.

Dealing with long-overdue accounts is always unpleasant because of the procedures required for collection and the necessity to compile data for the collection process. The computerized office system can alleviate the rigors of the latter, leaving the office staff more time to make personal contacts and work out payment plans with patients. The delinquent accounts report proves useful in providing the patient’s name, dates, and amounts of transactions, telephone number, and aging of amount due for effecting contact between office and guarantor to arrange for payment. Needless to say, a tactful approach often saves collection agency charges while preserving physician-patient relationships. In the event the amiable tactics prove fruitless, a good management program will list bad debts and all related information for the collection agency.

The same applies to a payment plan—details of the promised payment should be available along with progress-toward-payment goals. An office staff with current information regarding patients’ compliance with payment schedules can prod those who are in arrears, thus preventing the need to send delinquent accounts for collection.

Productivity reports are good measures of profitability. Some medical programs analyze procedures on the basis of time spent and revenues realized. This gives the practice manager opportunity to review procedures and implement alternate pricing strategies or eliminate unprofitable activities.

Other useful financial reports, including patient activity analysis and