



Medical Billing for Private Practices

A Beginner's Guide

AdvancedMD takes a deep dive into the most common medical billing challenges private practices face and outlines ten key functions of a successful medical billing strategy.

Every private practice owner knows that financial stability is a must if they want to continue to provide exceptional care for their patients. But creating effective medical billing strategies and efficient medical payment processes is a daunting task that leaves many practice owners struggling to meet their financial goals.

Practices that are able to streamline medical billing processes are more likely to establish positive cash flow and remain profitable—critical components of any thriving business. An effective medical billing strategy, built on sturdy medical payment processing capabilities, not only fortifies the practice's financial health, but also ensures it is able to cover day-to-day operating expenses, including leasing fees, equipment needs, and employee salaries.

But before a private practice can implement successful medical billing processes, it's imperative that the team managing billing and payment cycles understands the challenges they are up against.

Medical Billing Issues

Common challenges that can impact a private practice's financial stability

When practices struggle with managing the billing process, the challenge of inefficient physician billing systems affects all areas of operations. Common medical billing challenges include:

Inconsistent cash flow

When payments are not received in a timely manner, cash flow is inconsistent, and the practice must dip into its reserves to pay expenses.

Potential dismissal from government-funded medical reimbursement programs

Practices with ongoing billing issues—such as repeated billing errors or code discrepancies due to lackluster coding software—risk being removed from government-funded programs like Medicare and Medicaid. The same is true for providers who fail to follow compliance regulations.

Reduced productivity

Without effective medical billing processes in place that enable streamlined physician billing services, practices often have to fix errors and resubmit claims, which can take a significant amount of time and delay payment. Additionally, staff has to deal with billing issues as they arise, which bottlenecks daily workflows and reduces productivity.

Low retention rates for clinical and admin staff

According to a recent [survey of medical group owners](#)¹ conducted by the Medical Group Management Association (MGMA), 75% of respondents reported that their levels of stress and burnout have increased this year, with many citing financial struggles and intensifying administrative burdens as the cause of their stress. The reality is that practices unable to reduce administrative burdens risk high turnover rates among key staff and the inability to retain top talent, a circumstance that can cost practices thousands, if not millions, of dollars in hiring fees.

Decreased patient satisfaction

An ineffective medical billing process isn't just an issue for staff, it also can cause stress among patients, leading to low patient satisfaction scores. If patients find themselves repeatedly dealing with medical billing issues—chasing down medical payment records or managing medical payment processing issues with their insurance company—there's a good chance they may opt to find a new healthcare provider.

To overcome these challenges and lay the foundation for a financially-sound business, private practice owners must be diligent when building out their medical billing processes.

75% of respondents reported that their levels of stress and burnout have increased this year,



10 Key Functions of a Successful Medical Billing Process

The National Institutes of Health (NIH) recently published *A Systematic Review of Outpatient Billing Practices*,² a study that analyzed healthcare coding and billing practices to better understand the effects of medical billing processes on a practice's financial stability. Researchers discovered that inaccurate or inappropriate billing was most often caused by, "a lack of formal education within residency curriculum, inadequate clinical documentation supporting level of billing, and lack of a feedback system aimed to correct billing errors."

Based on the study's findings, it's crucial that private practice owners ensure their staff is adequately trained on medical billing practices and has an in-depth understanding of clinical documentation workflows. It is also important to have a feedback loop for anyone involved in medical billing and medical payment processes so that billing mistakes are addressed and errors are minimized over time.

By creating a comprehensive strategy that incorporates best practices around physician medical billing services, practices can improve their overall operations, create improved employee and patient experiences, and exceed their financial goals. But where does a private practice owner even begin when they are already juggling so many responsibilities?

To help practice owners increase productivity and fortify their practice's financial health, AdvancedMD has defined ten key functions of a comprehensive and successful medical billing strategy.

1. Co-pay collection via credit card on file (CCOF) capabilities

At the time of a visit, a patient is often required to make a co-pay, a portion of their medical bill not covered by healthcare insurance or other payors. Establishing credit card on file (CCOF) capabilities—a tactic that involves keeping the patient’s credit card information on file so that there’s no need to present their credit card while in the office, allows practices to implement a seamless medical payment process that improves overall medical billing workflows.

Implementing CCOF capabilities, in addition to other digital wallet options, can vastly improve the patient experience. In fact, 57% of patients surveyed by [PYMNTS.com](#)³ said that paying for their healthcare appointment quickly and using their preferred method of payment is “very” or “extremely” important to them.

2. Charge capture

Charge capture is the process of documenting patient care, tests, and treatments to determine reimbursement rates (payments made to the provider by a payor organization). Charge captures are often documented in electronic health records (EHRs) and then billed to the patient’s insurance company through the use of medical billing codes. If a charge capture contains inaccurate information or is missing necessary data, the practice risks not receiving correct payment for services and an increase in claim denials—a result that impacts both the practice and the patient in need of care. Incorrect charge captures can also lead to regulatory and compliance issues that may result in a fine, driving up operational costs while simultaneously decreasing revenue gains.

3. Coding and CPT code lookup

During the medical billing process, charge capture information must include Healthcare Common Procedure Coding System (HCPCS) data and Current Procedural Terminology (CPT) codes, which are universal alphanumeric codes for diagnoses and services. Because of the high number of codes ([more than 11,000 for 2024](#)⁴) and the fact that changes are made to the codes every year, it’s easy for providers and billing specialists to assign incorrect codes within their EHR and other documentation processes.

But incorrect CPT codes on medical claims can lead to major problems, including incorrect reimbursement payments and claim denials. It can also result in patients paying higher co-pays than required, negatively impacting the patient experience. Additionally, the practice must take time away from serving patients to correct and resubmit claims with the correct CPT codes when these errors are brought to light.

To help practices avoid any CPT/HCPCS code errors, the [AdvancedMD 2024 CPT/HCPCS Codebook](#) is a valuable resource that healthcare providers can use to support their medical billing processes.

4. Claims scrubbing

The claims scrubbing process involves reviewing claims to identify any errors or inconsistencies before submitting a claim to payors. This quality control process involves verifying each CPT code and fixing any errors that may result in a denial. By using medical billing software that automates claims scrubbing processes, practices can reduce errors and accelerate their claims submissions, enabling faster reimbursement payments that improve revenue cycle management results. Practices that prioritize claims scrubbing as part of their medical billing strategy greatly improve their financial health by eliminating errors, reducing claims denials, and accelerating reimbursement payments.

5. Claims submission

Once claims have undergone a thorough claims scrubbing process, the next step is submitting the claim to the payor for reimbursement. A manual claims submission process not only hinders productivity—it can have a massive impact on revenue, keeping practices from submitting claims in a timely fashion. An automated claims submission process is especially important as it ensures the practice is submitting claims within the required timeline set by the payor. Practices that use medical billing software to automate the claims submission process can elevate their productivity and streamline critical workflow processes that save time and effort, while eliminating errors.

6. Claims adjudication

During a claims adjudication process, the payor reviews the claim and determines if they will pay it in full, make a partial payment, or deny the claim. The payor’s decision is based on the patient’s particular coverage and benefits requirements. Payors often use both manual and automated review processes to determine whether a claim is complete and accurate, and then decide on the action to be taken regarding the claim. If practices have a high number of claims denied or reduced, the amount of payments collected is reduced, which can lead to financial instability for the practice. While practices can resubmit or appeal denied claims (or reduced reimbursement rates), this process requires significant time and effort to manage.

7. Collections from payors

Collections from payors only happen after the payor’s claim adjudication decision and involve the payor sending the reimbursement payment to the practice. Low reimbursement rates from practices translate to less revenue overall. Even if a practice resubmits a denied claim, they will have lower cash flow while waiting for the new submission and adjudication to occur. This is why it is extremely important to a practice’s medical billing processes to establish an automated claims process that minimizes errors and fast-tracks reimbursement payments.

8. Collections from patients

Sometimes reimbursement rates by healthcare insurance companies and other payors are less than expected, requiring patients to pay more than a standard co-pay. When this happens, a practice must implement collections from patients to cover unpaid fees for healthcare services, treatments, or surgeries. By creating a frictionless payment collection process via CCOF capabilities, digital wallet options, and payment plans, practices can elevate the patient experience, while also keeping cash flow systems moving in the right direction.

9. Payment posting

When payments are received, the practice documents and reconciles them, which is referred to as payment posting or medical payment processing. Instead of posting payments manually, a process that is error-prone, practices and medical billing companies are turning to medical billing and coding software that automates the process to improve accuracy and speed. Automated payment posting processes reduce compliance issues and help eliminate errors that could damage a practice’s financial health—ensuring all transactions are completed and accurate.

10. Billpay reporting and analytics

Implementing billpay reporting and financial analytics enables practices to find gaps in their medical billing processes and identify key trends that impact revenue. For example, financial analytics may highlight that a high percentage of claims for a certain procedure keep getting denied, indicating additional training may be warranted. An effective medical billing software solution comes equipped with dashboards that make it easy to create custom billpay and financial analytic reports, ensuring an effective and efficient medical billing strategy that cements the practice’s financial health.

57% of patients surveyed said paying for their healthcare appointment quickly is “very” or “extremely” important to them.

Mental Health Revenue Cycle Management:

Why there's no "one size fits all" billing solution

When it comes to medical billing and payment processes, mental health billing has unique requirements. Payors have different codes for behavioral healthcare services that are based on a specific amount of time for the patient visit, making the coding process more complex than a routine primary care visit. Additionally, many mental health practices use telehealth for sessions, which uses a separate set of HCPCS codes and frequently requires a modifier. Payors often have specific limits on sessions, especially in terms of frequency and yearly limit, which adds additional complexity to mental health revenue cycle management.

Many primary practices are now folding behavioral healthcare into their offerings. However, the unique mental health billing considerations often make it challenging to manage both the claims process and medical billing process, especially if the practice's medical coding software does not support behavioral healthcare codes.

Because mental health claims require separate codes for mental health billing services, practices using manual processes for billing often require extra training to avoid clinical documentation errors. Private practices that fail to implement specific processes for mental health services, and that lack medical coding software that supports behavioral healthcare requirements, will see higher denials and delayed payments due to errors.

References

1. Harrop, Chris. "Investing in time management to make space to address stress, burnout." MGMA. 4/03/2024. <https://www.mgma.com/mgma-stat/investing-in-time-management-to-make-space-to-address-stress-burnout> | 2. Burks, Kristie et al. "A systematic review of outpatient billing practices." National Library of Medicine. 5/22/22. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9134459/> | 3. PYMNTS.com staff. "The Payment Cure: How Improving Billing Experiences Impacts Patient Loyalty. CareCredit. 9/21 pymnts.com/wp-content/uploads/2021/09/PYMNTS-The-Payment-Cure-September-2021.pdf | 4. American Medical Association staff. "AMA releases the CPT 2024 code set." American Medical Association. 9/8/23 <https://www.ama-assn.org/press-center/press-releases/ama-releases-cpt-2024-code-set>

AdvancedMD

How AdvancedMD Supports Successful Medical Billing Process

The AdvancedMD practice management, EHR, and patient engagement platform includes rich features to automate workflow across all ten key functions that make up a successful medical billing process. AdvancedMD also comes equipped with the technology solutions needed to effectively manage medical payment processing workflows, physician billing systems, and mental health billing services—in addition to best-in-class billpay reporting features and financial analytics.

Most importantly, AdvancedMD is more than medical billing and coding software. We partner with our customers to ensure our solution meets their most critical medical billing needs, empowering private practices to increase productivity, drive revenue, and deliver exceptional patient experiences.

If you're ready to learn more about medical billing processes or level up your medical payment process skills, schedule a call today to speak with an AdvancedMD representative or register for a demo to see how our medical billing platform automates time-consuming tasks and massively improves your practice's daily operations.

(800) 825-0224
advancedmd.com