

Compensation for Ambulance Billing Agencies

Percent of Collection vs. Flat Fee

There is an assumption by some in the industry that contracting with a billing company based on a percentage of the revenue collected is the best method of compensation. It is believed that by giving the billing agency a portion of the receipts, there is an incentive to do a better job. While this may be true in some situations, it may not always be the best solution.

Unequal treatment of accounts: Human nature dictates that we spend our time in areas where we will receive the highest return for our efforts. It also means that there is a point where it is not worth the effort to pursue something because the returns are just too small. In the area of ambulance billing this can be significant. For example, when billing for a transport resulting from a motor vehicle accident, where there is auto insurance involved, it is fairly easy to receive payment in full. Conversely, in the same situation, where there is no insurance, it can be very time consuming to get information and the potential for receiving any payment at all diminishes greatly. It is only natural that more time would be spent on collecting the 'easy' money than working the difficult accounts. In order to assure fairness and the greatest potential revenue, all accounts must be worked equally, according to billing procedures established by the provider.

Potential for fraud: Medicare has stated that one of the areas they will be spending more time investigating is in fraud and abuse. One of the big items they are looking for is 'up coding'. Up coding occurs when somewhere between the provider of service and the billing department (or billing agency) someone has changed the coding for the services provided to a higher level in order to generate a higher payment. For example, changing the coding from an ALS I to an ALS II level of service or simply changing a zip code from urban to rural. Of course, if the billing agency is paid based on a percentage of receipts, Medicare will look very closely for coding. Even though it may not be happening, any kind of Medicare audit would be an unwelcome, time consuming event.

Poor public relations: Each provider of service must determine exactly how aggressively they want to pursue collections. If the provider (especially public agencies) has determined to take a 'less aggressive' approach, the billing agency might see this as a hindrance to maximizing their profit if they are being paid a percentage. The incentive is certainly there to 'stretch the rules'.

Accounting challenges: If a percentage arrangement is used, it can get very confusing when dealing with payments made to a collection agency, overpayments made by insurance companies, payments made from EMS funds on behalf of residents, etc. Additionally, there is an incentive to not deal with credit balance accounts as they would result in lowering the net revenue amount and actually cost the billing agency money.

It can be much simpler for both parties to use a flat fee payment arrangement. At the end of each month, an invoice is produced by multiplying the number of transports times the contracted rate. It also makes it much easier to predict the cost of the service for budgeting purposes as the number of transports can be fairly accurately predicted by the Fire Department.

Summary: While using an incentive based payment method may be appropriate in some situations, it should be carefully analyzed when considering ambulance billing agencies. Public relations, potential for Medicare audits and the appearance of fairness should also be taken into consideration. Compensating a billing agency based on incentives may result in increasing their income, but not necessarily yours.

An ambulance billing agency must be able to achieve acceptable results without incentives simply by doing what is right in every situation. Reviewing a company's history with clients and checking referrals will go a long way in determining how well they do their job.