

STOCK AND BILL & THIRD PARTY BILLING PROGRAMS!

There is a recent trend for doctors and clinics to give up the stocking and billing of their products to an outside vendor or a third-party billing provider. The major reason stated by most physicians and office managers is the inability to receive adequate reimbursement from Medicare and private insurance companies, and the difficulty of ordering and managing this inventory. The fallacy of this reasoning becomes evident when the profitability of these programs to the outside vendor is known. Stock & Bill and Third Party Billing programs are offered by vendors **because there is a lot of profit to be gained!** In some cases, it has been reported that outside vendors are willing to rent the stock room space from the clinic for a high monthly fee. The IRS treats rental of the space at the fair market price per square foot as true rental, but **the amount paid per month that is above the fair market rental price is considered a kick back!** Some reports have also surfaced that the outside vendor is charging the patient much more than the Medicare allowable! The patient is invoiced for the difference. Unfortunately, the physician or the office manager may be unaware that **the liability for these practices still rests squarely on the physician's shoulders.**

If an outside vendor can make a good profit, but the physician's office cannot, the problem is a lack of information about insurance billing, reimbursement, and tracking of the inventory or the profit. Sometimes the office manager will look at the reimbursement and find that only 80 percent of the invoiced amounts are recovered. They then report to the doctor that the clinic is losing money on insurance billing. This is usually not true. Even if no reimbursement is given for some things like arm slings or wrist supports, there is such a high multiple on many products, if coded and invoiced properly, that **the overall average reimbursement often exceeds 2 to 3 times the cost of the products.** This high margin of profit is why so many third party billing and stock & bill vendors are popping up! **If the vendor can do it and make money, so can the clinic!**

Many physicians or office managers express

concern that it takes 60 to 180 days to receive payment from some sources. However, the cost of borrowing money to finance receivables is less than 10% per year. Since the cost of the overhead and the product together are usually less than half of the reimbursed amount, **only 2% - 5% of the cost is associated with long reimbursement times.** This is a one-time investment of funds to cover the receivables cost. An outside vendor does not receive the money any faster, but they still make profit. The long reimbursement time is certainly not the problem!

Many companies use stock & bill services to shut the door on competition. The physician **gives up the right to choose** a good product for his patient at a fair price among many competitors. This is a very bad effect of these programs. Now, the service is provided for the clinic and it is difficult to change or go back to stocking the product. The physician will no longer see the new innovative things that arrive on the marketplace. This is a great loss! In fact, the loss of competition will slow down the process of forcing manufacturers to produce continually better and cheaper devices. Competition in the marketplace is the key to all of the wonderful things that we now have available.

Some vendors claim that physicians can choose any product they wish to utilize. **Read the fine print in the contract!** Usually, there is a clause in the contract that a premium of 15% to as much as 50% more will be charged for products that are not manufactured or distributed by that particular vendor. This is sometimes passed on to the patient or back-billed to the physician's office. This premium is usually much higher than the pricing difference in the marketplace. In other words, the vendor has placed an artificially high cost on the competitors' products. What a great marketing tool! Furthermore, the pressure is always there to switch to the vendor's own product. Unfortunately, the physician, the clinic, and the patient pay a valuable price for submitting to this service. They lose their right to choose, they lose their profit, and the vendor keeps telling them what a great deal this is because they can stop losing money! **Ask yourself why someone else would take your loss or headache for nothing!** Companies will not lose money just to get their products in the door! **They know something that you don't!**

Smaller third party billing firms sometimes use a special outside insurance coding and invoicing company at an average cost of about 6% -10% to do the coding and billing. They only receive a fee for the invoices that are reimbursed. The personnel at the physician's clinic usually apply the product, but the clinic is not getting paid for their time! The profit now goes to the outside vendor. There is no value added for this service beyond the stocking, coding, and billing. This is a lot of money to pay for a simple stock room keeper and billing clerk! If the problem is the coding and billing, then you can also use the same outside coding and billing firms to do the invoicing. **If it works for them it can work for you!** You can also pressure vendors to keep your inventory levels constant for no additional money. In most cases you can even get them to agree to stock the product for you in smaller quantities and invoice what was used last month if enough product is used.

Every physician holds the ultimate responsibility for selecting the products and the services for their patients! Every physician is also responsible for the actions of the service providers that are chosen. As soon as the patient leaves the office, the product or service is no longer the "X product or service", it has become "Dr. Smith's product or service". The physician has selected the product or service, or allowed someone else to select it and place it on the patient with the patient's full confidence that it was the proper treatment. Patients discuss their treatment with their friends, and they talk about the differences between the methods of Dr. Jones and Dr. Smith. The physician gets the blame for all of the difficulties that the patient experiences. Modern patients are not ignorant, they talk to a lot of other people! **Don't allow a vendor to take away your right to choose the best product or service for your patients!**

It is very important for physicians, office managers, and other medical professionals to adequately educate themselves on the products and the services that they use and the proper methods of coding and invoicing. It reflects on their professional skills. Bledsoe Brace Systems believes in the ethics of providing a good quality product for a fair price. We do not believe in taking excess profit from the system with no value added. This would only be short-term. Sooner or later, someone will regulate the system or declare it to be illegal. We do not currently offer a stock and bill program. However, should we ever do so, we would charge only the fair price of the billing service, a loss from non-reimbursed products, the cost to carry the receivables and the inventory, and a reasonable profit. You can do the same and still make a profit!

There is a difference!

The difference is in the details!