

Brigham & Women's Physician Organization Department of Surgery Exceeds Financial Goals with Revenue Cycle Outsourcing

At a Glance

Organization

Brigham and Women's Physicians Organization
Department of Surgery
Boston, Mass.

- Multispecialty surgical group, part of the 747-bed Brigham and Women's Hospital
- 85 surgical specialists
- Surgeons have teaching affiliations with Harvard Medical School

Solution Spotlight

- Revenue Cycle Outsourcing Solutions

Critical Issues

- High A/R days
- Inefficient operational processes
- No budget flexibility for increasing staff
- Very demanding oversight organization of 85 top surgical specialists

Results

- Reduced A/R aging from 129 days to 48 days
- Reduced aged A/R by more than \$10 million
- Reduced A/R greater than 120 days from 46.4% to 18.5%
- Lowered bad debt to less than 2% from nearly 7% of gross revenue
- Improved net collection from 93.2% to greater than 98%

Profile

The surgeons affiliated with the Brigham and Women's Physician Organization (BWPO) Department of Surgery, a multispecialty surgical group within Boston-based Brigham and Women's Hospital (BWH), are considered among the elite in the medical world and have teaching affiliations with Harvard Medical School. They are professionals who demand the same superior results from their support organization that they demand from themselves. That commitment to excellence led the surgical group to McKesson to handle outsourced collections. The result: dramatically reduced days in aged receivables, increased net cash and significantly reduced bad debt.

Challenges

BWH dominates the eastern Massachusetts market for its services — and is one of the country's largest healthcare providers. BWPO Department of Surgery generates approximately 40% of the Physician Organization's revenue. In FY 2005, the department accounted for \$39 million in net cash receipts. FY 2006 closed at \$43.6 million, up \$4.6 million over the prior fiscal year. The gains in net cash have exceeded year over year procedural volume growth in each of the last four years.

In 2002, the BWPO Department of Surgery faced some difficult challenges. They dealt with rising expenses, employee turnover and retention issues, and degradation in key performance metrics. In the year prior to outsourcing, days in accounts receivable (DAR) were 129, with 46.4% of receivables greater than 120 days. Bad debt rates exceeded 7%. "It was clear that we needed to be more efficient," says David Francis, director of Billing Operations and Compliance. "We needed to run the practice the way a business should be run."

Unfortunately, the surgical group's budget and business model did not offer an easy solution. "Hiring 10 additional people wouldn't be enough," says Francis. "And our budget did not have flexibility to support additional hiring. Outsourcing our revenue cycle operation was the only way to meet our revenue targets."

Answers

At first, the department sought to outsource just receivables aged greater than 180 days. But that solution would have required two separate reporting structures, and the department would still have needed additional staff to monitor daily operations.

The department finally decided to outsource its entire revenue cycle operation to a single entity that

Case Study

“Outsourcing our revenue cycle operation was the only way to meet our revenue targets.”

David Francis

Director, Billing Operations and Compliance

could use the existing practice management system to maintain a single, efficient reporting structure. BWPO Department of Surgery selected McKesson’s Revenue Cycle Outsourcing solutions because of McKesson’s proven experience across multiple medical specialties, its access to greater resources and its proven receivables methodologies.

Results

Improvements did not come easily during the first year. As a result, the leadership of both organizations abandoned traditional client-vendor roles and forged a partnership to collaborate more effectively to address the issues inhibiting performance. Both sides saw that structural changes were needed.

The department identified an error rate of nearly 50% in the insurance registration information it received from the hospital. McKesson’s assistance helped automate this process and increase accuracy of initial data gathered at the point of service, while the department inserted a full-time employee into the hospital’s admitting office. Error rates dropped to 15%, a decrease of more than 30% overall.

Through such collaborative efforts, BWPO Department of Surgery’s performance metrics improved substantially in the four years

since partnering with McKesson. The improved metrics include:

- Bad debt declined to less than 2% from nearly 7% of gross revenue
- Accounts receivables aging (DAR) dropped from 129 days to 48 days.
- Accounts receivables >120 days fell from 46.4% to 18.5%.

Moreover, McKesson helped the BWPO Department of Surgery update the logical flow of internal forms to better match the practice’s needs, and provided other services such as training key personnel at the hospital and its satellite locations. The result has been fewer paperwork-driven delays, accurate and automated forms processing, and jointly developed enhancements that further improved the cash collections process.

In the end, the biggest surprise for the department was that its high expectations for an outsourced solution have been exceeded. “People who were very critical about outsourcing at the beginning — we never hear a word out of them any more,” says Francis.

McKesson Provider Technologies

5995 Windward Parkway
Alpharetta, GA 30005

<http://www.mckesson.com>
1.800.981.8601

Copyright © 2007 McKesson Corporation and/or one of its subsidiaries. All rights reserved. All product or company names mentioned may be trademarks, service marks or registered trademarks of their respective companies. PRT250-01/07