

Dugan Radiology Associates Boosts Revenue and Reduces Workload with McKesson Solutions

At a Glance

Organization

Dugan Radiology Associates
Collinsville, Ill.

- 4 physicians
- 3 hospitals

Solution Spotlight

- McKesson Revenue Management Solutions

Critical Issues

- Coding inaccuracies
- Ineffective denial management
- Inappropriate reimbursement levels
- Lack of physician coding and compliance education

Results

- Days in A/R reduced by 10%
- Net collections increased 8% in first year
- Radiologists' salaries increased 20%
- Hours, workload and call duty reduced
- Decreased medical billing services cost
- Received assistance in sale of the group's imaging center
- Coding and compliance education for physicians

Dugan Radiology Associates is a four-physician group serving three hospitals in the Collinsville, Ill. area. During the mid-1970s, Joseph Dugan, M.D., formed a company to handle medical billing for his burgeoning radiology practice. Although the billing company initially kept pace with the group's growth, it became clear by the late 1990s that the company's medical billing service was inefficient. Instead of investing in an automated medical billing service that would not adequately address key business issues, Dugan Radiology partnered with McKesson because of its medical billing service expertise in radiology services. As a result, Dugan Radiology reduced accounts receivable days by 10% and increased net collections for the first year by 8% while increasing remuneration for radiologists by 20%. The group also boosted Medicare reimbursements by \$25,000 during a two-month period.

Challenges

With billing costs absorbing between 16% and 18% of collected charges, Dugan Radiology's billing operation was inefficient. Dugan Radiology considered investing in an automated medical billing system, but the practice soon realized that automated platforms could not address coding and compliance issues, remedy denials or provide education and

feedback to physicians. The practice consequently determined that human interpretation and in-depth revenue cycle management expertise were critical to an effective billing system.

At the same time the group's physicians often worked seven days a week handling a frantic workload. Quality of life was an issue, and the overburdened physicians had long attempted to recruit another radiologist, a challenge compounded by the looming probability of diminishing revenues. The practice sought outside strategic advice.

Answers

On the strength of recommendations from other physician groups, Dugan Radiology hired McKesson to handle radiology coding, medical billing services and practice management.

McKesson quickly determined that the practice's fee schedules were seriously outdated, with many reimbursement rates falling below Medicare levels. McKesson used its database of nationwide reimbursement rates and billing information, the country's largest such repository, to provide Dugan Radiology with strategic information for its contract negotiations with each hospital. The result was significantly higher reimbursement rates. McKesson also identified deficiencies in Medicare coding and made recommendations for improvement.

Case Study

“Because McKesson diligently tracks reimbursement rules and regulations, we received a significant increase in revenue and a sizable check. This was like newfound money.”

Thomas Doyle, M.D., Ph.D.

President

Dugan Radiology Associates

In addition, McKesson began implementing a number of measures designed to pre-empt denials. McKesson uses a sophisticated system that automatically edits claims and alerts medical billing staff about potential rejections before claims are submitted. If a claim is denied, another system is initiated that eliminates the problem and recaptures funds that were formerly written off. McKesson's other proactive denial solutions include obtaining proper imaging center precertifications and educating physicians and referral sources about the appropriate documentation required to support correct coding.

McKesson's personnel and the group's management routinely discuss strategic issues. Case in point: Thomas Doyle, president of Dugan Radiology Associates, credits McKesson with helping the group sell its imaging center to the financial benefit of the group, even though the sale resulted in less revenue to McKesson.

Results

McKesson's client manager, operations manager and financial manager worked together to provide an integrated approach to Dugan Radiology's operational and billing challenges. Dugan Radiology quickly reduced accounts receivable days by 10% and immediately increased revenues.

The group's net collections for the first year were up 8%, while remuneration for radiologists increased by 20%. Addressing Medicare coding deficiencies boosted Medicare reimbursements by \$25,000 during a two-month period.

“Because McKesson diligently tracks reimbursement rules and regulations, we received a significant increase in revenue and a sizable check,” says Doyle. “This was like newfound money.”

With its improved financial status, the group was able to recruit another radiologist, resulting in reduced hours, workload and call duty for other radiologists and making seven-day workweeks a thing of the past.

Doyle says McKesson's reporting mechanisms and business management expertise have made the practice more professional in its financial operations.

“In the past, the practice would lose money and not even be aware of it,” Doyle explains. “Before McKesson, we made decisions based on emotion. Now we execute according to a plan. We have a budget and we know where we're going, rather than simply hoping things will work out.”

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