

ILLINOIS VALLEY COMMUNITY HOSPITAL FUNDS FACILITY RENOVATION, CLINICAL IT THROUGH RENEWED FOCUS ON REVENUE RECOVERY

AT A GLANCE

■ ORGANIZATION

*Illinois Valley Community Hospital
Peru, Ill.*

- 100-bed not-for-profit, general acute-care facility
- 20-bed inpatient psychiatric unit

■ SOLUTION SPOTLIGHT

- Paragon
- EC2000 Claims Administrator
- Accelerated Secondary Billing
- Pathways Compliance Advisor
- Transaction Solutions Hub

■ CRITICAL ISSUES

- Average of 75 days in accounts receivable (A/R)
- Inefficient, paper-based, manual processes and slow claim submissions
- Numerous billing errors and calls from unhappy patients

■ RESULTS

- Reduced A/R days to 51 and recovered \$6.4 million in accounts receivable
- Streamlined processes and reduced claim submission from three days to less than one day
- Raised patient satisfaction, reducing incoming patient calls by 64%

Profile

Illinois Valley Community Hospital is a 100-bed not-for-profit, general acute-care facility with a 20-bed inpatient psychiatric unit. The hospital serves the residents of the Peru-LaSalle-Oglesby-Spring Valley areas in north central Illinois. In fiscal year 2004 the hospital admitted 4,566 patients and managed 100,072 outpatient and 16,924 emergency room patient visits.

Challenge

With outdated billing and accounts receivable (A/R) processes, it was no surprise that Illinois Valley lagged behind other hospitals financially, with an average of 75 days' A/R.

Ineffective patient registration and claim follow-up processes slowed the claims submission and dispute resolution. Most processes were paper-based, and staff audited every claim manually. Just filing paper kept staff tied up in non-revenue producing activities.

The hospital lacked the front-end systems to capture diagnosis codes at registration and to verify financial insurance, forcing these processes to the back office and causing errors and delays in claims submissions. The technology system in place in the back office was outdated and did not provide the functionality needed to meet the challenges of today's healthcare market. For example, editing forms was vendor-dependent and required long lead times, causing further back-ups in claims submissions.

In addition, morale among finance office staff suffered from the constant barrage of phone calls from patients angry at the errors on their statements and frustrated with the long payment and reimbursement cycles.

Eager to use human resources for value-added activities and improve the hospital's bottom line, Illinois Valley turned to McKesson for help.

Answer

Working with McKesson, the organization implemented a technologically advanced revenue cycle system, including these McKesson solutions: EC2000™ Claims Administrator, Pathways Compliance Advisor™, Accelerated Secondary Billing, Transaction Solutions Hub™ for statement processing and electronic claims, and the Paragon™ hospital information system, including Paragon Patient Management and Paragon Receivables Administrator.

The McKesson solutions allowed Illinois Valley's business office to operate with more streamlined processes in a virtually paperless environment. Bobbi Stumbo, Business Office director and project manager for the system implementation, explains the difference: "We are not the same department that we were before. With the Paragon system, everything seems to just flow together — from the point of first contact with the patient, or physician, through central scheduling/registration to final payment. We now have systems in place that allow information to seamlessly flow through to billing."

Advanced technology and up-to-date processes built into the system allowed Illinois Valley to submit cleaner claims faster, respond quickly and easily to electronic claim rejections, and even bill secondary claims before Medicare payment is received. "With the EC2000 Claims Administrator and Pathways Compliance Advisor systems, our billing employees are no longer under pressure

CASE STUDY

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“With the Paragon system everything seems to just flow together, from the registration of the patient and our central scheduling department, and through billing.”

Bobbi Stumbo

Business Office Director

to know every medical necessity rule,” Stumbo explains. “Claims go through so simply. Our billers love it.” Illinois Valley is also able to unlock and edit forms on its own immediately to keep claims moving out the door.

Initially, staff members were concerned about the change to the new tools and preferred the comfort of working with known processes. However, Stumbo says as they began to work with the Paragon solution, they became excited with the possibilities for improving tedious and time-consuming tasks. “When our staff members realized they could now get a claim out on the same day, instead of three days while they waited for information, that’s when they really bought into the system,” Stumbo says. She adds that the staff constantly thinks of better ways to use the system, such as by adjusting forms and monitoring work with the receivables queue.

Results

Implementing the McKesson solutions helped the organization reduce A/R by 24 days – down to a healthy 51 days – and recover \$6.4 million in accounts receivables. The recovered money funded a facility renovation, as well as the purchase of several clinical systems (McKesson’s pharmacy and PACS systems) to speed the delivery of patient care.

The improvements in revenue cycle performance are the result of streamlined, nearly paperless processes that accelerate the submission of clean claims. Other processes also show marked improvements.

For example, in the past posting a large Medicare remittance took two days. After implementing the electronic remittances functionality of the Paragon system, posting takes just 30 minutes.

The business office has left behind its crisis management mode of operating and staff members are able to focus on working with insurers on claims and providing a higher level of customer service. Stumbo describes the impact on morale: “Our office staff members feel positive and empowered in their jobs. They feel that they know the system extremely well. And, they feel like they’re really contributing to the hospital and our bottom line.”

Steve Davis, chief financial officer for the hospital, says McKesson’s revenue cycle and HIS systems have done such a good job at reducing paper and improving processes that the hospital has purchased McKesson’s document imaging systems to further reduce paper in the business office and create paperless patient records. With the technology that is already in place and more to come, administrators at Illinois Valley are ensuring that the hospital never lags behind again.

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