

Memorial Hermann Pathology Consultants, PA Eases Merger Transition, Boosts Revenue with Professional Component Billing

At a Glance

Organization

Memorial Hermann Pathology Consultants, PA
Houston, Texas

- 9 hospitals
- 40 physicians

Solution Spotlight

- McKesson Revenue Management Solutions

Critical Issues

- Ineffective physician documentation and coding
- Untimely management of a large volume of claims
- Need to include the professional component of clinical pathology in managed care contracts

Results

- Timely claims submission
- Reduced denials
- Improved A/R days
- Strengthened compliance
- Better managed care contracts, including reimbursement for professional component of clinical pathology
- Significant improvement in annualized revenue

Nine hospitals in the Houston area merged to create the Memorial Hermann Healthcare System (MHHS), the largest not-for-profit health system in southeast Texas. Physicians and administrators united the respective pathology departments at the University of Texas-Houston Medical School and MHHS to create Memorial Hermann Pathology Consultants, PA, a 40-physician group. The group hired McKesson, a leading medical billing service and revenue cycle management solutions provider, to transition the pathology departments into one billing entity. Not only did McKesson provide solid billing operations for the new organization, it also helped Memorial Hermann Pathology Consultants capture new revenue with professional component billing, renegotiated contracts and an expanded payer base.

Challenges

With the merger, the financial operations of an academic medical practice that had experienced chronic revenue cycle management deficiencies were combined with that of a private, profitable professional association. At the time of the merger, McKesson already had a long-standing relationship with the pathology group at MHHS, having been the group's medical billing service and collections partner, as well as handling its managed care

contracting and administration. The new entity, Memorial Hermann Pathology Consultants, was faced with combining the revenue cycle management operations of the two organizations, taking advantage of professional component billing opportunities and keeping the group on sound financial footing.

Answers

McKesson representatives managed technical aspects of the merger, including the implementation of a hospital computer system interface to electronically capture patient demographics, billing information and charge codes. McKesson also developed and maintains systemwide charge code master lists, a crucial factor in producing accurate, timely billing.

"McKesson enabled us to capture and consolidate billing information, yet still separate it by hospital," says Zack Blailock, M.D., president emeritus of Memorial Hermann Pathology Consultants.

For the academic pathologists, the benefit of McKesson's involvement was immediate. "McKesson's fees are substantially lower than what the dean's office charged us," relays Robert Hunter, M.D., professor and chairman of the University of Texas-Houston Medical School Department of Pathology. "McKesson also runs an efficient operation, handling twice as many requisitions in the same amount of time."

Case Study

“McKesson’s team is very skillful in negotiations and knows which points to emphasize. And because the McKesson team represents so many other clients, it can apply powerful leverage in these discussions.”

Zack Blailock, M.D.
President Emeritus
Memorial Hermann Pathology
Consultants, PA

Memorial Hermann Pathology Consultants also values McKesson’s knowledge of the full range of compliance issues.

“Compliance is a highly specialized area, and the government doesn’t clearly announce changes,” explains Hunter. “McKesson is on top of the rules. We get a report every two weeks. It lists all the problems and McKesson works with us to resolve them.”

Results

Since McKesson took over, coding errors for the academic billing operations have fallen dramatically. In addition, McKesson has decreased days in accounts receivable by 27% and boosted gross collections to 46%.

Expanding the practice’s payor base and negotiating better contracts has been another key benefit of the McKesson relationship and a testament to the company’s managed care expertise.

“Because McKesson has negotiated better contracts than the ones we had through the university, we’re getting more money for the same work,” relays Hunter.

“McKesson’s ability to negotiate contracts and obtain reimbursement for clinical pathology is extremely important,” Blailock concurs. “Its people have a long history with the insurance community and knowledge about the policies and procedures of managed care companies. McKesson’s team is very skillful in negotiations and knows which points to emphasize. And because the McKesson team represents so many other clients, it can apply powerful leverage in these discussions.

“We now have about 80 different managed care contracts that were negotiated by McKesson, with almost all being on a discounted fee-for-service basis,” Blailock continues. “Every one of them provides compensation for the professional component of clinical pathology.”

McKesson Provider Technologies

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