

At a Glance

Organization

Mercy Hospital
Chicago, Ill.

- Federally qualified health center
- 479 licensed beds
- 70 full-time and part-time physicians (mostly primary-care and internal-medicine practitioners) across 15 sites
- Patient profile: 60%-65% of patients are Medicare/Medicaid
- Annual patient visits: 114,000
- Annual gross charges: \$20M

Solution Spotlight

- Revenue Cycle Outsourcing Services

Critical Issues

- Inefficient cash collections
- High A/R days
- Physician dissatisfaction

Results

- Charges up 52% via improved charge capture and reconciliation
- Collections increased by 45%
- A/R days reduced by 57%
- Percentage of A/R greater than 120 days reduced to 5%

Mercy Hospital Makes Huge Gains with Revenue Cycle Outsourcing Services

Profile

Mercy Hospital is one of Chicago's first and finest hospitals. Approximately 60% to 65% of the patients it serves are Medicare/Medicaid recipients. Since most of these patients generate primary care visits within a managed care environment, the hospital must track, submit and resolve large numbers of claims across a wide range of diagnostic codes to ensure prompt, accurate payment for the hospital and its physicians.

Mercy recognized seven years ago that its physician billing services were inadequate. Cash collections were insufficient, hospital-physician communication was poor, and physician and patient satisfaction scores were low. The hospital wanted change.

Challenges

Increased cash collections are critical to hospitals like Mercy that employ numerous physicians. According to the Medical Group Management Association's *Cost Survey: 2005 Reports Based on 2004 Data*, hospitals lose a median of \$58,000 per year per employed physician. Mercy needed to reverse this trend, but its physician revenue cycle system lacked three critical functions: cash collections, practice management and physician satisfaction. Cash collections ran behind expectations, which impeded physicians' ability to

control their practices' financial position. As a result, doctors were frustrated and unhappy.

Both Mercy and its physicians recognized that net revenue from existing business lines had to increase immediately, primarily by reducing the high denial rates that were negatively affecting cash collections and patient satisfaction. Moreover, the hospital wanted to make changes in order to accommodate anticipated growth from new locations, physicians and services.

Answer

Mercy decided to leverage an existing outsourcing partnership with McKesson. According to Linda Krish, revenue cycle director at Mercy Hospital, "McKesson took a vested interest in our needs when they partnered with us. We now arrive together at decisions that benefit all interested parties — patients, physicians, Mercy and McKesson."

This cooperative effort enabled McKesson and Mercy to create ongoing physician educational programs. Each doctor now learns how to handle the charge ticket and completion process. Physicians and office managers gain awareness of McKesson's rich reporting capabilities. Because the physician, the office manager and the hospital are trained in everything from

Case Study

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Linda Krish

Revenue Cycle Director

Mercy Hospital

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E/M coding to detailed cash management documentation, all constituents – including the patient – receive expected levels of service.

Krish explains, “Communication is key. With McKesson, we look at outsourcing as ‘outpartnering.’ In order for physicians to understand their numbers and to increase their revenue, we need to make sure that we’re providing them the tools they need to succeed. McKesson makes that happen. Since the hospital, the doctors and McKesson work so closely and so well together, ultimately it becomes a win-win situation for everyone.”

Results

McKesson’s expertise has led to a dramatic improvement in collections and financial reporting. “McKesson provides us with all of the necessary reports to analyze the revenue cycle processes, which gives us the opportunity to make necessary improvements that increase our cash collections,” Krish says. “But they don’t just leave the data with us. Instead, they want to know what we need, how they can help you, what ideas do we have. We develop work plans together that work for both of us, once again creating the partnership.”

McKesson’s experience with providing [Revenue Cycle Outsourcing services](#), including detailed denial tracking, helped

Mercy increase charges by 52% and collections by 45%. Additionally, the hospital reduced A/R days by 57% and decreased the percent of accounts receivables greater than 120 days to 5%.

However, the most significant benefit is that the reports and the open communications from the combined Mercy-McKesson solution provide the detail needed to deliver continuous improvement, even after seven years of successful implementation.

Mercy plans to build on this success by continuing to improve hospital-physician communication and by providing additional automated or outsourced solutions that replace current, inefficient manual processes. McKesson will be part of these solutions as a natural outgrowth of the existing outsourced receivables partnership.

“Outsourcing provides the opportunity for management to utilize our expertise, resources, and energy to focus on making a significant difference in our organization,” Krish concludes. “McKesson has done more for us than just improve our cash collections. We have created a successful partnership that allows us both to succeed. They have helped us free up time to improve staff functions, which helps our people work better.”

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