

Modesto Radiological Medical Group

Boosts Collections with Interim Accounts Receivable Management from McKesson

At a Glance

Organization

Modesto Radiological Medical Group
Modesto, Calif.

- Serves three hospitals and two stand-alone imaging centers
- 15 physicians
- Performs more than 350,000 procedures annually

Solution Spotlight

- McKesson Practice Consulting Solutions
 - In-house billing resource support
 - Process improvement and interim management
 - Rapid deployment of A/R follow-up capacity

Critical Issues

- Business volume beyond the capabilities of the internal billing office
- Billing system conversion challenges
- Lack of trained personnel
- Inconsistent, shrinking cash flow

Results

- 9% increase in annual practice revenue
- A/R days reduced from mid-70s to mid-50s; A/R more than 120 days reduced from 30% to 20%; bad debt reduced to less than 5%
- Optimized revenue cycle operations
- Practice strategically positioned for sustainable growth

Modesto Radiological Medical Group serves three hospitals and owns a stand-alone imaging center in Modesto, Calif. The group also is a partner in an imaging center in nearby Turlock, Calif. The 15-physician practice handles more than 350,000 procedures annually.

After cash flow began to collapse following a difficult transition to a new billing platform, McKesson Practice Consulting Solutions stepped in to provide interim support to Modesto Radiological Medical Group's internal billing staff. McKesson worked closely with the group to develop new systems aimed at strengthening the revenue cycle management process and delivered immediate accounts receivable management assistance through an offshore partner. Thanks to McKesson's quick action, global resources and A/R management expertise, Modesto's cash flow quickly recovered. Today, the group is well-positioned to capitalize on new growth opportunities.

Challenges

To accommodate rapid growth in volume, Modesto Radiological decided to shift its billing operation to an advanced billing software platform. But the transition was hindered by significant staff turnover and a resulting shortage of trained

personnel. As the billing staff scrambled to ramp up the new application, collections dropped by more than 7% per month, and A/R days increased to 74. With the staff focused on processing current claims, more than \$20 million in old A/R began to languish, and A/R greater than 120 days ballooned to 30% of claims.

Answers

Modesto Radiological asked McKesson to conduct an audit of the billing process after the severity of the financial problems became apparent. Based on this review, McKesson offered a unique solution: A McKesson consulting team, including dedicated on-site associates, would assist the group's business office in establishing priorities, maintaining staff focus and working to streamline the billing process. At the same time, McKesson's offshore resources would provide an immediate bridge to quickly reduce the growing backlog of aging A/R. Modesto's executive committee approved the plan, and the McKesson team went to work.

Results

The offshore resources quickly attacked the aging A/R, while McKesson's on-site consultants worked alongside Modesto's billing personnel to develop new, streamlined processes for clinical documentation, coding and claims

Case Study

“Throughout the process, McKesson did a remarkable job. Its consultants were very process-oriented, very knowledgeable, very considerate of our staff and always focused on the specific requirements of the business. Given where we were at the start of the process, we couldn’t be happier with how it turned out.”

Mark Moore, CPA
*Chief Financial Officer and
Chief Operations Officer
Modesto Radiological
Medical Group*

management. Within three months, Modesto’s monthly collections were up 4%, and A/R days had been sliced by 5%. At six months, an additional 3% increase in monthly collections was realized, and A/R days had been reduced by another 10%. Just as important, the billing process was being strengthened to ensure a robust and predictable cash flow going forward.

McKesson continued to provide interim services during the following year. By the end of that period, Modesto Radiological had experienced sustainable annual cash collections that were 9% higher than the group had previously collected. The A/R backlog dropped by 19%, and A/R days were reduced by 24% from pre-McKesson levels.

Mark Moore, CPA, chief financial officer and chief operations officer for Modesto Radiological, states the group experienced the “best cash year ever” while McKesson was providing interim services. McKesson’s blended approach was exactly what his practice required.

“McKesson gave us the ability to literally expand our workforce overnight without outsourcing,” explains Moore. “And then, as we improved our processes, we were able to strategically position our practice for additional growth.”

“Throughout the process, McKesson did a remarkable job,” relays Moore. “Its consultants were very process-oriented, very knowledgeable, very considerate of our staff and always focused on the specific requirements of the business. Given where we were at the start of the process, we couldn’t be happier with how it turned out.”

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