

At a Glance

Organization

Riverside Radiology Medical Group
Riverside, Calif.

- 2 hospitals
- 10 physicians

Solution Spotlight

- McKesson Revenue Management Solutions

Critical Issues

- Sluggish cash flow
- Inaccurate or out-of-date physician credentialing
- Poor terms in payor contracts
- High overhead expenses

Results

- Revenues increased by approximately 50%
- Days in A/R cut in half
- Contracts renegotiated for 20% to 30% rate increases
- Increased compliance
- Business office staffing and overhead reduced

Riverside Radiology Medical Group Partners with McKesson to Resolve Undetected Billing Problems and Strengthen Cash Flow

A management change and sale of an imaging center gave Riverside Radiology Medical Group in Riverside, Calif., the opportunity to reassess its billing operations. Although there were no discernable problems with its in-house billing processes, the group nevertheless decided to outsource billing operations to McKesson, a leader in revenue management services.

In addition to expected cost savings resulting from gains in efficiencies, Riverside reaped tremendous benefits from the expertise McKesson brought to the group's billing operations. McKesson enabled electronic information transfer and claims processing, reduced days in A/R by half, renegotiated payor contracts for higher reimbursements, and ensured that each physician was properly credentialed to avoid noncompliance penalties.

Challenges

Following the departure of Riverside's chief executive officer and the sale of an imaging center, the group's physicians debated whether to continue in-house billing operations or seek an outsourced billing vendor. The decision to outsource ultimately was driven by recognition that the size of the business office could be reduced with the imaging center no longer part of the operation. Nonetheless, some physicians

remained skeptical about the need to outsource. Their doubts stemmed from a perception that no major billing problems were evident with the existing system.

"There was a range of opinions about whether an outsource company could do better, worse or about the same as what we had before," relays Donald Masee, M.D., secretary of the group and a leading proponent of outsourcing.

Answers

McKesson, one of four billing vendors considered by Riverside, was chosen on the strength of its reputation and the promise of stability associated with a national, publicly traded company.

After partnering with Riverside, McKesson's revenue management experts quickly identified two major areas of concern for the group. First, Riverside's accounts receivable were seriously in arrears, with 70% of the A/R at 120 days or more and some dates of service stretching back more than five years. Second, much of the group's physician credentialing was inaccurate or out-of-date. This situation put the practice at risk of noncompliance.

"We were not aware of either the nature or severity of the problems until McKesson came in," Masee explains. "We had been told that everything was OK and sometimes the status quo isn't questioned."

Case Study

“Without question, hiring McKesson was the best business decision our group has ever made. McKesson has reduced our overhead and the additional management associated with having employees. Engaging McKesson has also dramatically improved our collection efficiency as well as our contracted rates. There has been no downside and a lot of upside.”

Donald Masee, M.D.
Secretary
Riverside Radiology
Medical Group

McKesson immediately established electronic interfaces with the group's affiliated hospitals to expedite the transfer of clinical and demographic information and accelerate claims going forward. In addition, the group's claims for the first time were submitted electronically to further speed cash flow. Considerable effort was made to work the outstanding claims. McKesson personnel also attacked the physician-payor credentialing issue to ensure that all documentation was accurate and up-to-date.

“They've done an excellent job in terms of timeliness and getting the bills out,” Masee says. “Their performance far exceeded our expectations.”

Once the billing situation stabilized and cash flow began to accelerate, Riverside contracted with McKesson Practice Consulting Solutions for strategic management and managed care contracting services. McKesson began a systematic process of recontracting with the group's payors to establish more equitable rates. McKesson also reviewed the group's governance structure and helped revise key documents, including stock purchase, buy-sell and shareholder employment agreements.

To date, McKesson has renegotiated approximately 60% of the group's managed care contracts to produce

rate increases ranging from 20% to 30% more than previous contracted rates. The rest of the contracts also will be renegotiated, as will the group's hospital service agreements and professional radiology read-fee agreements.

Results

Thanks to accelerated cash flow, the recovery of some of the outstanding A/R and higher contracted rates achieved by the McKesson Practice Consulting Solutions team, Riverside's total revenues after 12 months were about 50% ahead of projections, according to Masee. Average A/R days were cut in half. The business office staff was reduced by approximately 80%, resulting in significant salary and benefits savings to the group. In addition, McKesson's detailed monthly reports are providing managers with previously unavailable insight across a wide range of operational areas.

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