



## Improve Profitability with Revenue Cycle Outsourcing

### A Success Story: Mount Sinai Hospital and Schwab Rehabilitation Hospital

Mount Sinai Hospital and Schwab Rehabilitation Hospital turned to Perot Systems, now part of Dell Services, to provide sustainable and immediate cashflow improvements.

#### The Challenge

At the end of 2002, Mount Sinai Hospital (MSH) and Schwab Rehabilitation Hospital (SRH) together grossed more than \$515 million in annual revenue with approximately 50 percent of the revenue being generated by Medicaid patients. The healthcare providers had an immediate need for cash due to numerous Accounts Receivable (AR) issues. The challenges included:

- Reduction in gross days revenue outstanding
- Reduction in the number of accounts aging greater than 90 days from bill date
- Obtaining productivity from the current office staff
- Insufficient staffing to handle current volume of accounts

The hospitals were undergoing a \$30 million turnaround initiative dedicated to succeed after AR initiatives with nine separate consulting vendors failed in 2001 and 2002. Plus, in November 2002, the vice president of Finance, the director of Patient Accounts, and the director of Medical Records over the hospitals resigned.

#### The Solution

In February 2003 — after reviewing solutions that included consulting support, management services, managed care recovery, self pay programs, technology solutions, and ongoing training and education — MSH and SRH decided to engage our company to provide interim management services. In March 2003, that scope expanded to include an onsite cash acceleration team focused on increasing the cashflow necessary to fund further initiatives. To begin with, the management team began to redesign the revenue

cycle processes. MSH and SRH decided to outsource their entire business processes office to our team in September 2003 to include:

- Billing, rebilling, denial processing, and follow up
- Cashiering, cash posting, and credit balance processing
- Collections, statements, letters, calls, and bad debt management
- Chargemaster review and recommendations to ensure proper revenue recognition and pricing
- Call center activities, patient inquiries, and complaint resolution
- Ongoing reporting of metrics and operations progress
- Training and education on business functions and patient relations

Over the course of the relationship, we also implemented a denial management system and developed a comprehensive daily/weekly/monthly key performance indicators reporting process to better track progress, and implemented productivity and monitoring tools to ensure efficient operation. The team also organized a joint initiative with IT, HIM, and Patient Access to coordinate all key efforts within the revenue cycle.

“The benefits of outsourcing, for me, have been several. First of all, we have had good results, really great results actually. Since Perot Systems (Dell Services) has been here, we have reduced AR days in accounts receivable by approximately 35 days, which, for us, is a good \$18 million in one-time cash collections.”

**Jesse Ford**

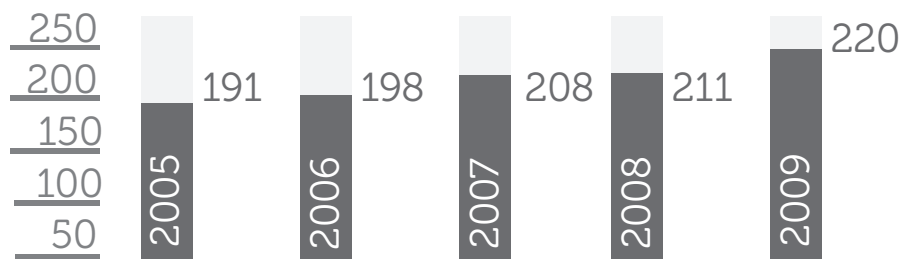
Vice President, Finance  
Mount Sinai Health System

## The Results

To date, we have helped MSH achieve the following business office results:

- Reduced gross days revenue from 96 to 56
- Raised more than \$106 million in incremental cash for the facilities from March 2003 to December 2009
- Reduced denial write-offs as percent of net revenue from 2.4% to .90%
- Reduced billed AR over 90 days by 25%
- Reduced unbilled receivables by 30%
- Decreased bad debt as percent of gross revenue from 8.4% to 6.2%
- Reduced the number of final billed accounts from 82,982 to 67,100
- Provided a stable workforce with minimum turnover

## Net Collections



Cashflow is especially crucial at MSH and SRH because they are so heavily dependent on public aid and self pay patients to fund operations. Working with Dell Services, AR days are at an all-time low, cash collections now average \$18.4 million a month compared to \$10-12 million average experienced prior to the relationship. The hospitals are experiencing increased revenues in large part due to the collection of \$220 million, the reduction of gross days to 56, and the increase in incremental cash of \$106 million. The improvement in MSH and SRH's financial position has enabled them to:

- Expand cardiac services to include open-heart surgery
- Improve radiology technology by adding a state-of-the-art Linear Accelerator for radiation therapy
- Reduce the cost for chemotherapy patients by bringing that service back into the MSH main hospital

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## Mount Sinai Hospital

- Inner-city hospital located in Chicago, Illinois
- Level 1 trauma center
- More than 432 licensed beds
- Member of Sinai Health System

## Schwab Rehabilitation Hospital

- 125-bed hospital
- Provides complete range of inpatient and outpatient rehabilitation services
- Member of Sinai Health System
- Included in 2004 in "U.S. News and World Report's" List of Best Hospitals

"Cash is king and results are most important here, but also there is an income statement effect for us. By reducing denials and being more effective in our processes, we have been able to reduce our bad debt and sometimes improve our net revenue and, therefore, we have an income statement effect of about \$6 million per year in improvement. So, for us, results really are forefront."

**Jesse Ford**

Vice President, Finance  
Mount Sinai Health System