



Improve Profitability with Revenue Cycle Outsourcing



Northern Arizona Healthcare

"The results from our RCO relationship with Perot Systems have been somewhat surprising because we still have the same staff we had before. However, with Perot Systems' leadership and staff incentives, we have been able to become much more productive."

Greg Kuzma
Vice President and CFO
Northern Arizona Healthcare

When Northern Arizona Healthcare needed revenue cycle leadership that understood the technical and process intricacies surrounding a major system conversion, they turned to Perot Systems.

The Challenge

In 2002, Northern Arizona Healthcare (NAH) made the strategic decision to integrate its healthcare information systems to enhance operations and support growth. As a result, they selected Perot Systems as their IT outsourcer. Working as a team with the health system and software vendors, Perot Systems took on the role of managing the implementation of advanced clinical and financial applications, as well as redesigning and streamlining care management and administrative processes across the organization.

NAH's key revenue cycle management performance indicators were above average and stable. In fact, their numbers showed a healthy organization:

- Gross Accounts Receivable (A/R) Days were at 64.6.
- A/R aging greater than 90 days represented 37% of total A/R.
- The facilities had 18.5 days gross revenue tied up in DNFB (Discharged Not Final Billed) and uncoded claims.

Shortly after the IT outsourcing relationship began, NAH had to address the fact that the revenue cycle director communicated his intention to leave the organization. Plans also had to be made to integrate the A/R processes with the system-wide implementation of Cerner's suite of clinical products.

NAH began to search for the best way to continue their revenue cycle success, while at the same time providing strong leadership and management in this area. Another key element in their search was to find someone that understood both A/R and the technology platforms they were using and converting to in a short period of time.

The Solution

NAH soon realized Perot Systems not only had the technical knowledge and process management expertise they needed, but also the revenue cycle leadership and the business office solutions required to successfully integrate the revenue cycle department with the organization's IT initiatives.



Customer at a glance

Northern Arizona Healthcare

- Based in Flagstaff, Arizona
- Largest healthcare organization in Northern Arizona
- Serving almost one-half of the state
- Employing approximately 2,200 people
- Supporting more than 15,000 patients
- More than 348 licensed beds between Flagstaff Medical Center, Verde Valley Medical Center in Cottonwood, Verde Valley campus in Sedona, and a clinic in Camp Verde, Arizona

Effective February 1, 2004, NAH signed a second agreement with Perot Systems to outsource the entire Patient Access area, Insurance Verification Unit, and Central Business Office. The new team was responsible for:

- Central scheduling
- Insurance verification and benefits determination
- Registration, including IP/OP/ED
- 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
- Call-center activities, patient inquiries, and complaint resolution
- Ongoing reporting of metrics and operations progress
- Training and education on business functions and patient relations

"The decision to outsource our revenue cycle functions to Perot Systems allowed us to align our A/R interests with that of our existing IT outsourcing relationship," said Greg Kuzma, Vice President and CFO of NAH. "It has also allowed us to focus on delivery and expansion of our business."

The Results

The combination of Perot Systems' revenue cycle process solutions with the existing IT outsourcing relationship at NAH is resulting in a new and unique model for hospital operations. The health system is now able to deliver highly efficient and effective IT and administrative functions using bundled technology and best practice approaches. So far, NAH has realized the following revenue cycle improvements:

- Reduced gross days revenue in A/R from 64.6 to 55.4
- Set new NAH records in July and August 2004, and in June 2005 for monthly cash collections
- Collected more than \$8.5 million incremental cash between February and September 2004
- Reduced billed A/R over 90 days from 37% to 34.3%

In November of 2004, Perot Systems also helped NAH navigate the largest single-event Cerner Millennium conversion in the history of Cerner, with 17 applications going live simultaneously. Perot Systems anticipated and planned for a drop in cash collections right before, during, and after this conversion. Thanks to collaborative planning from both the Revenue Cycle and IT teams, NAH was able to bill on day one after the history-making conversion. A/R stabilized much more quickly than NAH had ever expected, and A/R over 90 days is within 2 percentage points of the world-class numbers established prior to the conversion.

"Working with Perot Systems from an RCO perspective has given us the additional cash to continue expansion and funds for equipment and an IT patient accounting upgrade. Instead of having that money set aside for A/R we now are able to reallocate it to innovations in IT," said Kuzma. "My goal is to make continued investments in technology resources that will put us on the leading edge of IT."

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