

Anesthesia Medical Group of Riverside

Boosts Physician Income through Improved Compensation Plan and Payor Contracts

At a Glance

Organization

Anesthesia Medical Group
of Riverside
Riverside, Calif.

- 19 physicians
- Serves two hospitals
and four surgery centers

Solution Spotlight

- McKesson Revenue
Management Solutions
- McKesson Practice Consulting
Solutions

Critical Issues

- Physician compensation and
retention
- Payor reimbursement and
contract renegotiation

Results

- 9 contract increases, ranging
from 11% to 43%, resulting
in additional annual revenues
of \$580,000 for the physicians
in the first year
- 12% revenue increase
that reversed downtrend
in physician income
- Improved physician morale
- Higher physician retention
- Greater ability to attract
new physicians to the practice

Anesthesia Medical Group of Riverside, Inc. and McKesson Revenue Management Solutions have enjoyed a successful, synergistic relationship since 1998. In the spring of 2001, Anesthesia Medical Group's board once again turned to McKesson to manage manpower issues. Physicians were leaving the practice because of longer working hours and lower compensation.

With its extensive industry knowledge, McKesson benchmarked Anesthesia Medical Group's reimbursements against others in the industry and helped the group use that information to renegotiate payor contracts. McKesson also helped the group restructure its physician compensation plan. As a result, new revenue flowed into the organization and physician salaries and morale increased.

Challenges

In 2001 Anesthesia Medical Group was struggling with critical staffing and physician retention issues. A growing workload and declining physician income were seen as the culprits.

Answers

Since Anesthesia Medical Group had already tackled medical billing accuracy and collections issues in the late 1990s when it shifted its billing operation to McKesson, the

group's partners asked McKesson to make recommendations on how to improve operations. With more than 20 years of revenue management expertise, McKesson was well-versed in the group's issues.

Anesthesia Medical Group enlisted McKesson to help renegotiate payor contracts and devise a new physician compensation plan. Drawing from its national database of reimbursement information, McKesson was able to document reimbursement levels that were consistent with national norms. Armed with this insight and McKesson's support, the practice began to systematically renegotiate the group's payor contracts, starting with the largest first.

McKesson also reworked Anesthesia Medical Group's physician compensation plan. Previously the system was based on the amount of work each physician did per month. The new system was organized around a payor-neutral, rolling 12-month methodology. All physicians worked off a common compensation unit.

Results

In the first year, McKesson helped Anesthesia Medical Group secure nine contract increases, ranging from 11% to 43%; the group experienced a revenue increase of \$580,000 for the physicians. In some cases, the deals involved converting capitated contracts to fee-for-service

Case Study

"Our practice is more profitable. It is now a more desirable place for new candidates. Most importantly, McKesson has been able to reverse the downward income trend our physicians experienced over the previous 10 years."

Michael Buchan

President

*Anesthesia Medical Group
of Riverside*

arrangements; at one point, approximately 14% of Anesthesia Medical Group's business was capitulated. The changes have netted a 12% revenue increase. Renegotiations are being pursued in connection with all remaining contracts.

Winning better reimbursements from payors hasn't always been easy. When the practice's second-largest payor refused to yield during discussions, McKesson, with approval from Anesthesia Medical Group, informed the carrier that the anesthesiologists were willing to walk away from the business. Eventually the payor relented, and the result was a 16% increase in revenue from the carrier.

Michael Buchan, M.D., president of Anesthesia Medical Group of Riverside, says the access to national and regional data from McKesson has helped show payors and physicians alike that the group is on solid ground in seeking reimbursement increases.

"We can demonstrate to payors that we are not gouging them but simply trying to get market rates," Buchan explains.

According to Buchan, the combination of improved reimbursements and a more equitable compensation package has had a significant impact on the financial health of the practice and the attitude of the physicians.

"Everyone is now compensated fairly and the technological power of McKesson made this possible," declares Buchan. "Our practice is more profitable. It is now a more desirable place for new candidates. Most importantly, McKesson has been able to reverse the downward income trend our physicians experienced over the previous 10 years."

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