

## Enterprise Practice Management System Generates Significant Savings for Large Physician Group

Prepared by First Consulting Group for NextGen Healthcare

Before installing its enterprise practice management system, Piedmont Physicians Group was losing physicians and failing to meet patients' basic billing needs. "It was a nightmare," said CEO Jack Reed. The practice's days in accounts receivable — one of the key measures of a practice's cash flow and performance — were greater than 75 days, while competing practices averaged 60 days or less. Additionally, almost 50% of the accounts receivable were more than 120 days old compared to an industry benchmark of 11%. Piedmont needed to undertake significant changes in order to survive.



### Profile on Piedmont Physicians Group

A subsidiary of Piedmont Medical Care Corporation, Piedmont Physicians Group employs 70 physicians in 20 offices located throughout the metro-Atlanta area. This primary care practice was identified in 1993 and 1994 by the Medical Group Management Association (MGMA) as a "better performing practice" — representing the top ten percent of all physician group practices. More information about Piedmont can be found at [www.piedmontphysicians.org](http://www.piedmontphysicians.org).

**NextGen** Healthcare Information Systems, Inc. In 2001, the executive team at Piedmont Physicians undertook the selection, purchase, and implementation of a new practice management system. Key objectives of the purchase were to decrease billing costs, improve the group's profitability, and increase physician and patient satisfaction. The practice chose NextGen® EPM from NextGen Healthcare Information Systems.

### Efficiencies lead to higher staff satisfaction and quantifiable savings early on.

Within its first year of operation, the system was already reaping benefits for the practice. When

Piedmont went live on NextGen® EPM, its practice managers reengineered workflow in the front office to increase efficiencies. Receptionists are now more easily trained in scheduling, check-in, check-out, and charge posting; and almost any employee can readily assist patients with billing and accounts receivables questions. These efficiencies have resulted in a decrease in patient hold times on the telephone. The associated operations improvements allowed Piedmont to reduce its billing and collections staff from 42 to 23, representing an annual savings of \$600,000. **Overall billing and collections costs have dropped by 35%.** Piedmont staff members are now highly satisfied; in fact, the practice scored in the 93rd percentile on a national staff satisfaction survey.

### The benefits are quantifiable.

According to Piedmont, the advantages and associated benefits of the system have been quantifiable:

- NextGen® EPM employs a series of edit checks to alert users when information is identified as missing or incorrect, reducing claims denials and the work associated with trying to resolve claims rejections after-the-fact. As a result, there was a **70% drop in claims denials** after the system was installed.
- With claim edits occurring at the end of a visit while the patient is still in the office, the biller has the opportunity to correct claims before they're sent to the clearinghouse. Formatted registration fields also provide instant feedback to the biller who keys the claims. As a result, errors are alerted earlier in the process, so "claims go out quicker and cleaner, [and] are paid faster," according to CEO Reed. This resulted in an **initial improvement of \$1.6 million in cash flow** for the practice.
- Because Piedmont staff can manually post charges when the patient is checking out, the patient can be presented with a complete bill containing all charges for services rendered plus the outstanding balance. As a result, Piedmont has seen a **70% reduction in the number of patient calls to the business office** per day.

Another key area of Piedmont's success with the new practice management system has stemmed from its use of reporting tools to monitor claims. Improved monitoring and reporting of submitted claims has allowed Piedmont's central billing office manager to ensure that claims receive priority attention right up until they are paid. For example, accounts receivable reports have the ability to drill down into problem areas and produce contractual analyses that verify whether payments are correct. "NextGen has the best reporting capability of any practice management system that I have seen," says CEO Reed.

## System pays for itself four times over in first 18 months.

Between the initial cash flow improvements the organization achieved and the ongoing annual cost reductions, Piedmont Physicians Group covered the costs of the software licenses, hardware and implementation for its enterprise practice management system **four times over**. Net 18-month savings have exceeded \$1.5 million.

• Initial, one-time improvement to cash flow by reducing A/R days:	\$1,600,000
• Annual savings — billing and collections staff:	\$ 600,000
• Total first-year savings	<u>\$2,200,000</u>
• Implementation costs of NextGen® EPM:	<u>\$ 525,000</u>
• <b>Net savings — 18 months:</b>	<b>\$ 1,675,000</b>

## WorkLog Manager helps reduce accounts receivables.

Piedmont also uses NextGen's WorkLog Manager to assign routine tasks to appropriate staff members (such as researching specific delayed Medicare claims), automatically generate tasks when problems are identified by the system (such as resolving certain payment denials), and track them until resolved. The practice's central billing office also set up performance standards for claims management and rewards staff based on their performance against those standards.

The result: the length of time a patient claim sits in Piedmont's accounts receivables — 75 days on average before NextGen® EPM — now averages 25 days. This compares with an industry benchmark of 43 days and is a decrease for Piedmont of 66%. In addition, the percentage of Piedmont's accounts receivables that are greater than 120 days now stands at only 5%. (The MGMA benchmark is more than twice that — 11%.)

## Expanding the practice requires fewer staff.

Even after almost four years of use, the system continues to prove its worth. When a 15-physician practice — with a billing office as large as Piedmont's — recently merged with the group, Piedmont needed to hire only three additional billing staff to support the expanded work. As a result of increased collections and efficiencies associated with the system, the overhead charge Piedmont levies its participating physicians dropped from 8.5% of charges to 4.75% — resulting in an **increase in physicians' median take-home pay of 25%**.

"NextGen never ceases to exceed our most optimistic expectations"

- Jack Reed, CEO

Piedmont has achieved such significant success with NextGen® EPM that they recently decided to implement NextGen's electronic medical record (EMR) system. Now, with the first two dozen of Piedmont's physicians using NextGen® EMR integrated with the practice management system, Piedmont has experienced a 5-10% increase in coding due to better documentation. This translates to a **revenue increase of \$15,000 to \$30,000 annually per physician**.

## Community-hosted application creates unique strategic advantages.

In addition to supporting its own physicians, Piedmont has begun hosting the NextGen® EPM and EMR applications for other practices in the community — at this point representing more than 35 physicians. Not only does this approach spread the depreciation and support costs of the applications over a broader base of physicians (decreasing the average cost per physician), but it strengthens the relationships between Piedmont's parent health system and the non-owned community practices, creating a stronger physician referral network. This strategic collaboration has given Piedmont a unique medical records and patient satisfaction advantage over competing health systems in the metro-Atlanta market.



The data and information comprising this case study account were furnished to First Consulting Group by Jack Reed, Chief Executive Officer, Piedmont Physicians Group. This case study report was prepared by First Consulting Group for NextGen Healthcare ©2005.