Tolan’s Way
By: Steven R. Strahler
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Accretive Health, a $250-million Chicago company built from scratch in four years, counts on a glitzy board that includes former Secretary of State George Shultz and Hollywood mogul Edgar Bronfman Jr.

But the real force behind the company is CEO Mary Tolan, who grew up in Palos Heights, the first of seven kids of a milk distributor and an EKG technician.

After a two-decade climb at Accenture Ltd., the 47-year-old Ms. Tolan made herself one of Chicago's most successful, if least well-known, entrepreneurs.

"My objective is just to be a happy, confident capitalist," says the devotee of Ayn Rand's and Milton Friedman's free-market gospel, which she applies with a combative, survival-of-the fittest management style.

"She can be demanding, challenging and kick your ass pretty good sometimes," says Rich Gillette, an Accretive vice-president.

Accretive, which helps hospitals boost revenues by qualifying more patients for insurance reimbursements, is growing 50% annually and could go public as soon as next year. Headquartered on Michigan Avenue with about 350 staffers, it's scouting the area for a place to put a 500-employee claims-processing center.

"She did a startup off a piece of paper," says J. Michael Cline, managing partner at New York-based Accretive LLC, one of two private-equity firms that bankrolled Ms. Tolan. The other is Robert Bass' Oak Hill Capital Partners.

Accretive Health eschews the traditional fee-based approach of many health care consultants, instead taking over revenue collection for hospitals and medical practice groups and splitting improved results with clients.

"It's a service that technology has finally allowed to happen," says Chicago-based William Blair & Co. analyst John Kreger, who follows one of two smaller competitors that recently went public. "Now the question is, is it really going to work?"
St. Louis-based Ascension Health, Accretive’s first customer, apparently thinks so. The nation’s largest non-profit hospital chain recently signed a five-year contract extension potentially worth more than $1 billion, Ms. Tolan confirms.

At St. John Health, a six-hospital chain owned by Ascension in the Detroit area, no more than one in four patients qualified for some kind of coverage before Accretive arrived in late 2004. Now 60% do. St. John’s operating margins have tripled to 6%.

"We went from a nightmare to making money," says Susan Field, a former St. John executive who is senior director of Accretive’s global processing office in Warren, Mich.

Despite an early interest in medical school, Ms. Tolan developed no health care industry expertise at Accenture, where she crafted turnaround plans for retail clients like Best Buy Co. For three years she resisted Mr. Cline’s calls to head his startup, changing her mind when she discovered that hospitals leak more revenue than any other industry — a ripe market she estimates at $50 billion.

"This got my heart a-fluttering," she says.

**PRECOCIOUS, PIONEERING**

Her younger siblings remember a demanding role model waving a straight-A report card and declaring, "If you can't do it, you shouldn't be out playing," says sister Theresa Coughlin.

Married at 20, Ms. Tolan worked two waitress jobs while enrolled at Loyola University and later got an MBA at the University of Chicago, where she was cheeky enough to debate the late Nobel Prize-winning economist Merton Miller on Ronald Reagan’s impact on the economy.

As a consultant at Accenture, she pioneered pay-for-performance initiatives for clients like Best Buy (where she's now a director) and Sears Canada.

Her ideas helped Minnesota-based Best Buy triple its inventory turns and rationalize pricing, producing more than $1 billion in incremental profit, says Chairman Richard Schulze. He values her advice but bristles at her persistent (and successful) boardroom prodding for faster overseas expansion. "She and I get into it frequently," he says.

Hospital administrators also have felt her sting but swear by the results.

Accretive brings "knowledge and intensity we didn't think we could match," says Richard Showalter, treasurer of Dartmouth-Hitchcock Medical Center in New Hampshire, citing some initial skepticism. He says Accretive, after a year, is on track to add 4 percentage points to its 2%-to-4% operating margin, or $40 million on a $1-billion revenue base.
Accretive moves fast, calling patients before they arrive at the hospital to discuss their insurance coverage. "Most (outside firms) start the collection process 30 days after patient discharge," says Michael Zimmerman, a Milwaukee-based industry consultant who is exploring a joint venture with Accretive to commercialize its approach for smaller hospitals.

'DEMANDING, CHALLENGING'

Ms. Tolan also turns up the heat inside Accretive. She fires underperformers by tapping the bottom 10% on the shoulder to "invite them to their next career chapter that is not us," she says.

"She expects you to be a good operator," says Mr. Gillette, Accretive's reigning "MVP." The Accenture alum says her silent treatment during performance reviews is the worst. "It's not a pleasant experience. You walk out of there not feeling good."

Ms. Tolan says she considers management a "ferocious debate among friends," leavened by holiday gifts such as autographed copies of Alan Greenspan's autobiography and Italian red wines. (She has a 3,000-book library at the Burr Ridge home she shares with her husband, John, a homebuilder, and their 8- and 11-year-old daughters.)

"She would not work blindly from sunup to sundown," remembers Carla Paonessa, an Accenture colleague. "If a meeting was boring and she could get away with it, she would go grab a girlfriend and go shopping."

Ms. Tolan also knows how to make important friends. She corralled George Shultz to chair an Accenture energy advisory board and brought him along to Accretive.

But laying it on the line is her hallmark. Mr. Gillette, who worked with her on the Sears Canada assignment in the mid-'90s, recalls Ms. Tolan telling meetings of hundreds of suppliers, including Whirlpool Corp., to improve service or lose Sears' business. Service improved.

"She's got chutzpah. They were pissed; they were bitching," says Mr. Gillette. "That's no small feat."

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