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Vendor Relationships Built On Trust

How to Source the Best Vendors and Negotiate the Most Favorable Terms

The Most Valuable Vendor Relationships Start Before the Contract is Signed

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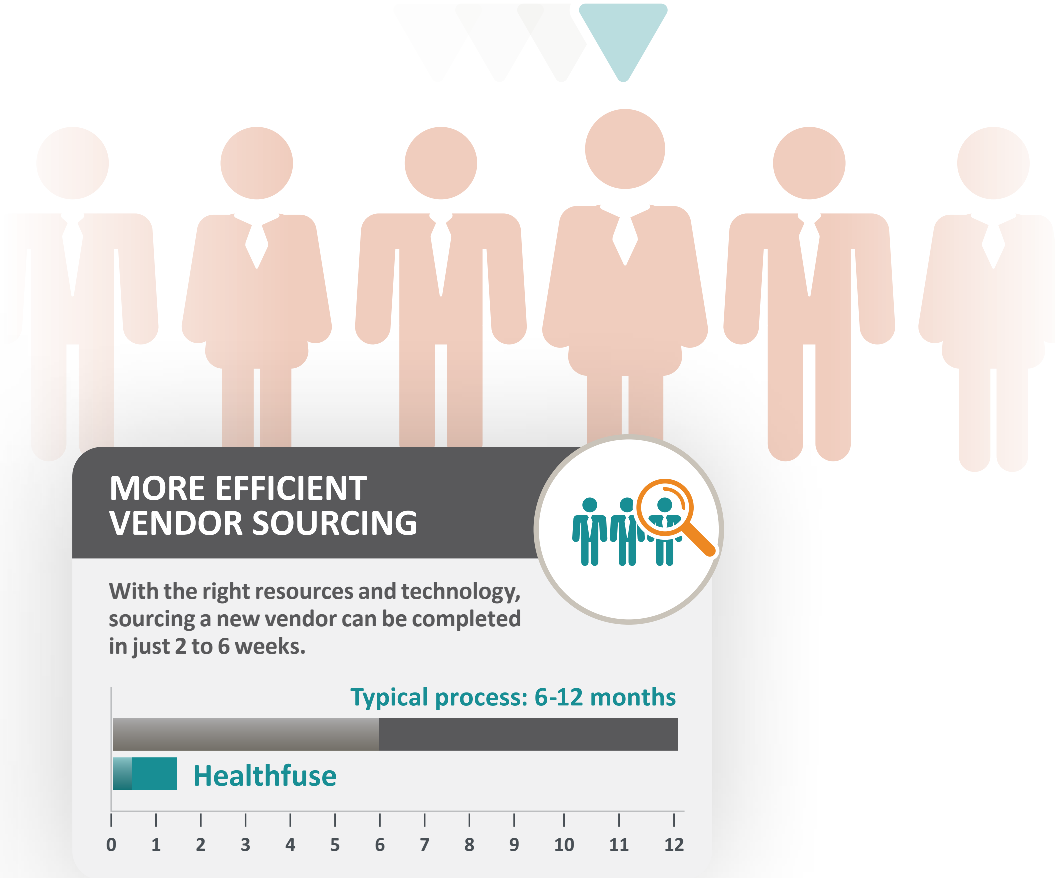
Healthcare reimbursement in the time of value-based care and rising self-pay has become extremely complex. And revenue cycle operations have become increasingly expensive and challenging to manage. Outsourcing can be an effective way to mitigate the cost to collect while reducing the burden on limited hospital resources. Today, nearly a third of hospitals employ between 10 and 15 vendors, with the largest majority spending between 21 – 30% of their budget on those partnerships.[1] Yet, all vendors aren't created equal, and hospitals need to be extremely diligent in their evaluation and choice of outsourcers. Achieving a positive return on these relationships begins before the contract is signed.

ESSENTIALS OF SOURCING

For most organizations, sourcing is a long, arduous, drawn-out process. On the short end, it can take three to four months from when an RFP is released. More realistically though, it can be a six- to twelve-month process. For large, complex health systems, the process can take years or lose momentum completely. Events such as leadership changes can often derail the process as well.

The first and perhaps most crucial step in sourcing is to clearly define the strategy, including what is in scope and what is out of scope. Only after defining this strategy is a hospital prepared to develop its business case. In this way, the defined strategy acts as a foundational gauge with which hospitals can use to stay on track during what can be a complicated process. It is important to remember that the sourcing strategy should align with the entire revenue cycle strategy for the enterprise.

Once the strategy is set, it is time to identify potential candidates. This step should be simple and go fairly quickly since there are numerous resources readily available. The HFMA Buyer's Resource Guide provides a comprehensive list of a variety of vendors, from early-out to revenue cycle outsourcing. Other resources such as Venddy, RevCycleMatch, and KLAS provide additional opportunities through ranking and by breaking down searches into specific categories. Organizations should avoid pay-to-play or broker-dealer offerings as they're often heavily swayed toward preferred vendors. Existing non-competitive vendors and peers are also useful resources and can provide first-hand insight that industry resources might not.



ENGAGING CONTENDERS

Exploratory outreach to identified vendors should begin by the second week. Price should not be a part of the conversation at this point. Terms are always negotiable, but people, process and experience are not. This is the point at which organizations should get a feel for what each identified vendor has to offer, what type of management style they have, and how they approach customer evaluations.

Sourcing initiatives should be led by RCM and finance teams, not the supply chain department. Choosing an RCM vendor isn't only about pricing; it requires the expertise of seasoned revenue cycle professionals.

This information can then be used to refine requirements further and to prepare a spec sheet, which should include basic information such as volumes, average balances, and account aging. Specs should also include items vendors will be providing like pricing, references, experience with Epic, and cyber-security processes. Many hospitals get bogged down during this stage of sourcing by focusing on completing old RFP templates. This is typically unnecessary since most information on the hospital is readily available via AHS or other subscription sites.

INVITING PRESENTATIONS

During the information-gathering process, hospitals should be able to pinpoint the vendors they would like to present. It can be easy to go overboard here and invite too many vendors. However, this can slow the process and does not add value in the long run. Hospitals should narrow the field to four to six presentations at most. A traditional approach is to stack vendor presentations back to back, then review them all at the end of the day. But important details can get lost along the way. It is better to keep the presentations short—no more than an hour each—and then review and compare notes immediately after. Using a scoring grid based on requirements makes the process more efficient and ensures the conversation remains on track.

CHOOSING THE BEST FIT

Many organizations narrow the playing field based on price. This is a mistake that can have long-term consequences. Instead, hospitals should make their decision by first focusing on vendor functionality, company culture, and leadership. Using these criteria without consideration to price provides better insight into the best vendor with which to build a mutually beneficial, long-term relationship. Discussing price too soon can cause hospitals to overlook important, but less tangible elements. For example, choosing a collections vendor that does not value the patient financial experience can damage a hospital's reputation and cause patients to go elsewhere in the future. In this way, the best-price vendor may cause more harm to an organization's bottom line than a more expensive vendor that embraces a patient-centric approach.

ESSENTIALS OF NEGOTIATION

Defining and achieving the best terms is a process that varies little from industry to industry. There are specific strategies that are proven to work and others that are known to derail the process.

For hospitals that have few resources, to begin with, the focus is often to get it over with as fast as possible for as cheap as possible. Adopting this mindset almost ensures the hospital will end up with less than favorable terms.

Another issue that can inhibit negotiations is to use previous contracts as the basis for new contracts. While it is not a problem to review what was done in the pastv, this information should only be used to identify lessons learned and to use that to inform a new strategy. Hospitals must look at their current and future needs to determine the best possible scenario for their organization for each new contract.

PREPARING THE GAME PLAN

Only after a hospital has determined what a "win" looks like for their organization are they ready to move forward. The next step is to identify each entity's assets and weakness and how they can be leveraged or exploited during the negotiation process. Many hospitals overlook this step to their detriment. Without identifying gaps in assets, hospitals can unknowingly engage multiple vendors for duplicate services or for services they don't need. It is equally important to understand the pricing landscape. Hospitals need to know the true market value of a vendor's services compared to other vendors with the same level of experience, and they need to understand industry standards for SLAs. Understanding the leverage landscape ensures hospitals have the insight they need to negotiate from a place of strength and to better prepare for counteroffers.

Once hospitals have defined their strategic game plan, key revenue cycle stakeholders must be informed. Everyone involved in the negotiations—either directly or indirectly—needs to understand the importance of "standing together." One weak link can cause hospitals to lose their leverage, which then undermines the entire process.

The negotiating process requires discipline, which is challenging. But it's critical for winning.

NEGOTIATIONS IN ACTION

The following are proven tactics for winning negotiations:

Negotiate with integrity. Hospitals that achieve the best negotiation outcomes are those that embrace integrity. Negotiating in bad faith destroys a hospital's credibility from the start. It helps to begin with a positive opening statement that clearly defines the hospital's requirements. Demands presented should be legitimate or only slightly stretched.

Be reasonable. Using comparisons can give hospitals an advantage during negotiations as it forces vendors to provide their best offer. When doing so, hospitals need to be prepared if the vendor will not meet or exceed the comparisons. This is actually expected at this point. Hospitals need to remain patient and move forward.

Never accept the first offer. Many experts believe negotiations do not begin until the first "no." That means that even if the first offer meets the criteria, it is beneficial to hone the details further. That said, it is also important to be careful not to push too far so as not to inhibit future negotiations or interactions with the vendor. This is not just about price. This is about building a long-term, win-win relationship.

Remain steady. Negotiating a contract is a business transaction and nothing more. Giving in to emotions can cloud judgment and cause the negotiating team to lose its leverage. It is better to focus on improving the argument. If someone is going to get emotional, let it be the vendor.

Silence is golden. Long gaps in a conversation make many people uncomfortable, so much so that they will say anything to fill the void quickly. But in negotiations, the person who acts first to fill that silence actually takes a step towards retreating. In fact, talking too much can expose information that vendors can leverage to gain the upper hand. Negotiators must remember to stay focused, say only what needs to be said, then stop talking. If negotiations are taking place over the phone, negotiators can use the mute button to help prevent the team from speaking too soon.

Prepare for a called bluff. While most negotiations include bluffing on the part of one or both parties at some point, it can quickly deter the progress and damage credibility. If a hospital is going to bluff, it needs to have a contingency if challenged.

Stay focused. Contract terms are rarely agreed upon during the first discussion. Negotiating teams must keep the big picture in mind and not get caught up in the moment. If necessary, they should go back to their opening statement to remind themselves what they are trying to accomplish and why this level of effort is needed. Winning the negotiation is about more than closing the deal. It is about long-term viability for the hospital.

SUCCESS STORY

CHRISTUS Trinity Mother Frances Health System, located in Tyler, Texas, is a faith-based, not-for-profit organization dedicated to creating healthy lives for people and communities. CHRISTUS is a national leader in patient satisfaction, advanced technology, and quality initiatives, and has served the people of Eastern Texas for more than 80 years. Facing increasingly complex revenue cycle operations, Drew Von Eschenbach, Vice President Revenue Cycle at CHRISTUS, turned to outside vendors to help maximize reimbursements. However, Von Eschenbach believed the organization needed a higher level of vendor transparency to ensure they were receiving a positive return on their outsourcing investment.

CHRISTUS engaged Healthfuse to establish a Vendor Management Office to serve as a centralized resource to oversee vendor performance and enforce accountability. As part of this initiative, Healthfuse implemented controls to ensure reconciliation of invoices and A/R inventories; established best practice SLAs on all contracts; and helped source and implement new vendors and innovative bolt-on technologies.

With Healthfuse, CHRISTUS was able to achieve:

$12.2 in additive net collections and cost savings

59.6 Million patient account audits and **54%** process compliance improvement

15.7:1 return on investment

"Healthfuse has helped ensure we have an environment of transparent accountability with our solutions while optimizing the value each brings to our organization and the patients we serve."

Drew Von Eschenbach
VP Revenue Cycle
CHRISTUS Trinity
Mother Frances Health System

CHRISTUS TRINITY MOTHER FRANCES Health System

A NEW APPROACH

Vendors play a critical role in helping hospitals reduce costs and maximize reimbursements. Identifying the right vendor and negotiating the best terms is a complex process that requires resources and technology many hospitals simply do not have. Partnering with industry experts like Healthfuse can streamline the entire process. With vast visibility into vendor pricing, SLAs, service and product summaries, and hospital-specific results, Healthfuse can match the right vendor to each hospital's unique needs. In addition to negotiating new contracts, Healthfuse can identify noncompliance among current clients, as well as existing vendor contracts that should be renegotiated. Healthfuse helps clients increase net revenue, reduce costs, and achieve optimal return on their outsourcing investments.

Healthfuse helped CHRISTUS Trinity Mother Frances achieve $7 million in net collections in the first 2 years.

HEALTHFUSE GETS RESULTS

Schedule Your Free Assessment Now

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SOURCES

[1] https://www.healthcarebusinessinsights.com/wp-content/uploads/2017/10/HBI-Fall-2017-Member-Retreat-Vendor-Management-with-Healthfuse.pdf?x34219