



Vendor Relationships Built On Trust

Choosing a New Vendor Can Make or Break a Hospital's Bottom Line

Having Broad Insight Into Vendor
Pricing and Performance Up Front
Can Help Insure the Best Return
on Outsourcing Investments

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Hospitals across the country are facing financial pressures as never before. Self-pay patients, value-based care, and administrative burdens have significantly increased the risk of bad debt write-offs, stagnant cash flow, and crippling margin erosion. The true cost to collect has increased 71%. To help protect their revenue stream, many hospitals are turning to outsourcing vendors. Today, nearly a third of hospitals employ between ten and 15 vendors, and the largest majority spending between 21 – 30% of their budget on those partnerships. While this can be a viable approach, the value these relationships deliver often falls short of expectations. Today, 64% of hospitals report being unsatisfied or unsure of their vendors' performance. With \$30 billion spent on revenue cycle vendors each year, one must ask how hospitals can afford to continue in relationships without proof of return on investment.

According to Healthfuse, the industry's first "at-risk" vendor performance management company, the primary reason ROI is so elusive on these relationships is the lack of accurate, comprehensive, standardized data with which to identify true results. According to Healthfuse, many vendors develop their own reporting metrics that, not surprisingly, are skewed in their own favor. Without access to in-depth vendor performance analytics, a hospital will never know for sure whether they are receiving a positive return on their outsourcer investments. And with today's financial environment, that should not be an acceptable option.



FINDING THE RIGHT VENDOR

A successful vendor relationship is one that begins before the contract is signed. The dialogue should be open and honest from the very first engagement. If the vendor tries to manipulate the conversation or push for a decision too quickly, that may be an indication they are more concerned about getting the deal signed than in understanding your organization's needs.

The best vendors will be forthcoming with proven results and client testimonials. Having this information is critical to making the best decision. First, it shows the vendor understands the importance of accountability and that they employ analytics to monitor and maintain their performance level. It also helps hospitals spot potential issues and non-compliance, which are significant problems that lead to poor return on vendor investments.

NON-COMPLIANCE AND NO-ACTIVITY ACCOUNTS

Healthfuse recently conducted a study on data from more than two billion hospital accounts with 8.31 million unique guarantors spanning 91 facilities in 29 states. Using their proprietary analytics technology, they were able to identify a broad view of vendor effectiveness on a national basis.

What they uncovered is concerning:

- 51%** Self-pay accounts not compliant with best practices, SLAs or regulatory requirements
- 36%** Accounts placed with vendor for 31 – 60 days that are never worked
- 23%** Accounts past 121 days placed with vendors that are not worked
- 19%** Accounts with less than \$250 balance that are not worked

Many self-pay vendors depend on patient segmentation scoring, which can cause patients to be labeled as "non-payer" forever. If a patient's financial situations changes—which most do over time—and they become able to pay, hospitals miss out on potential revenue. It can also cause paying patients to be turned over to aggressive collections processes unnecessarily, which can hurt the patient's relationship with the hospital and result in their choosing to use a different provider in the future. This may seem like an insignificant problem for some hospitals, but it only takes a few negative online reviews to damage a hospital's reputation. Likewise, negative patient survey scores add up over time and hurt a hospital's HCAHPS scores.

Hospitals should require vendors to provide detailed information:

- Patient segmentation and scoring methodology
- Percentage of non-activity accounts
- Portion of total client accounts aged beyond 30, 90, and 120 days

ACCOUNTS RECEIVABLE

Aging accounts receivable is another area hospitals need to evaluate closely when choosing a new vendor. Across all organizations, aging self-pay accounts have become a growing problem. Nearly 23% of all accounts placed with vendors are aged beyond 120 days. A lack of data insight and poor inventory management is a key factor leading to poor performance. The appropriate technology can reduce the need for error-prone, manual inventory reconciliation, but it requires seamless integration between the vendor and the hospital's accounting systems. Without it, it is impossible to close the loop on all accounts and to hold vendors accountable.

It can be challenging for organizations to accurately measure the effectiveness of their vendors. For those that attempt to do so, they often test only a small sub-set of accounts. This can leave gaps in information necessary to get a complete picture of a vendor's performance.

The best vendors will be able to provide:

- In-depth data to support root-cause analysis for proactive inventory management
- Visibility into accounts once received from the hospital
- Process for managing account holds and billing disputes

Nearly 23% of all accounts placed with vendors are aged beyond 120 days.

PATIENT FINANCIAL EXPERIENCE

Hospitals are finally realizing the importance of delivering a great patient financial experience in addition to a positive clinical experience. One poor collections encounter does not just hurt patient satisfaction scores. It can also cause patients to put off needed care in the future, a decision that can result in poor quality outcomes, an increased risk of hospitalization and readmission, or worse—all of which negatively impact a hospital's bottom line.

For a vendor to deliver an optimal patient financial experience, they need to have a culture closely aligned with the hospital's. They need to embrace performance improvement as an ongoing quest. Vendors should also be able to demonstrate their commitment to delivering the highest quality patient engagements and to make patients feel they are valued customers of the hospital. As such, patient satisfaction scores around financial engagement should be a part of the vendor's Service Level Agreement.

To achieve the best patient financial experience, hospitals should choose vendors with the following qualities:

- Understand their impact on the hospital's reputation
- Take ownership in the patient relationship
- Hold themselves accountable
- Employ collections best practices
- Are open to feedback
- Audit collections calls
- Invest in ongoing education for collections reps



SUCCESS STORY

West Virginia University Medicine (WVUM), located in Morgantown, West Virginia, includes the physicians, specialists, and sub-specialists of the West Virginia University School of Medicine; the affiliated schools of the WVU Health Sciences Center; four community hospitals; three critical access hospitals; and a children's hospital, all anchored by a 690-bed academic medical center that offers tertiary and quaternary care. WVUM had more than a dozen long-term vendor partnerships across its vast health system but believed it was receiving little return on investment from those relationships. An initial assessment discovered vendor over-invoicing and most outsourced accounts were not being worked per best practice standards. WVUM also identified bolt-on technologies that needed to be sourced and replaced.

WVUM engaged Healthfuse to establish a Vendor Management Office (VMO) to serve as a centralized resource focused on overseeing vendor performance and enforcing accountability. The VMO worked with each vendor to update processes, utilization, and expectations. Reporting processes were developed to monitor account-level activity, collection performance, and the patient experience. This level of vendor engagement ensured that each vendor was aligned with the health system's revenue cycle objectives and in the best position to maximize collections at the lowest cost for WVUM.

With Healthfuse, WVUM achieved improved transparency that elevated confidence and trust in their vendor relationships. Together, they designed a new vendor strategy to include automated processes, enhanced vendor work queues, and streamlined vendor communication. They implemented controls to ensure reconciliation of invoices and inventories; established best practice service level agreements on all contracts; sourced best-fit vendors for a new self-pay strategy; and purchased new bolt-on technologies in patient access and the business office.



Additional achievements included:

- 10x increase in outsourcer performance
- \$27 million in net collections in 3 years
- 250,000 recovered from invoice disputes
- 400%+ increase in account-level process compliance
- 30% reduction in self-pay collection costs
- Doubled net liquidation and cash recoveries

ABOUT HEALTHFUSE

Healthfuse uses its proprietary technology and analytics solutions to deliver end-to-end revenue cycle vendor management. From insight to action, Healthfuse provides hands-on expertise, acting as an extension of the revenue cycle department. Enabled by technology and analytics, Healthfuse drives incremental value for both hospitals and their vendors while creating stronger relationships that yield a higher level of trust for the partnership.

- Performance information and best practices gleaned from 3,000+ vendors
- Insights derived from weekly audits of more than 12 million patient accounts
- Only company concentrating solely on objective, impartial vendor management

Using Healthfuse, hospitals can expect average margin increases of 14%.



A BETTER APPROACH

Great vendor relationships play a vital role in helping hospitals reduce costs and maximize reimbursements while improving the patient financial experience. But identifying the best vendors up front and negotiating the most favorable terms can be challenging. As hospitals are being asked to do more with less, many simply lack the technology and resources necessary to adequately evaluate and select the best vendors.

The process of sourcing and contracting vendors is complex and requires broad insight that enables accurate comparisons among a hospital's peers against multiple vendors' pricing and services. Partnering with an at-risk vendor management company like Healthfuse can simplify and shorten the 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 compliance 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.

SOURCES

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

² <https://cdn2.hubspot.net/hubfs/498900/RSM%20September%202018%20Whitepaper.pdf>