Healthfuse

Transparency. Relationship. Trust.

Vendor Relationships Built On Trust

# Hospitals Cannot Afford to Settle for Underperforming Collections Vendors

## How Vendor Reconciliation and Remediation Impacts Financial Performance

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**Hospitals today are challenged to do more with less. In an age of rising self-pay, MACRA/MIPS requirements, and increasing administrative burdens, many find themselves struggling against margin erosion. To mitigate these stressors, they often turn to outsourcing. Nearly $30 billion is spent each year on outsourcers, an increase of 50% over the past five years. While studies show outsourcing can improve financial performance, the level of effort it takes to effectively manage those vendor relationships can be difficult. This may be why 64% of hospitals report being dissatisfied or unsure about their vendors' performance.[1]**

**Getting the most value from vendors requires open, honest communication from both sides and a willingness to work together to build a strong, mutually beneficial relationship. But this effort needs to extend beyond the contracted business agreement. Just as with any successful relationship, there needs to be ongoing efforts to identify issues and address them with equal commitment from both parties. This can be difficult, especially when the relationship has been in place for a long time. But with the right processes, both the vendor and the hospital can optimize financial performance.**

## VENDOR COMPLIANCE

According to research conducted by Healthfuse, the industry's first "at-risk" vendor performance management company, most vendors—especially collections agencies—are not compliant with either their contract or industry best practices. Aging accounts receivable is especially problematic. Healthfuse collected comprehensive data from more than two billion hospital accounts, which includes to 8.31 million unique guarantors from 91 facilities in 29 states. They found nearly 23% of all accounts placed with vendors were aged beyond 120 days.

This level of non-compliance is rampant because hospitals lack the ability to reconcile inventory. Without this insight, they cannot effectively audit and monitor account activity to identify root causes. Because of this, hospitals have to rely on the vendors themselves to report their own success. Since each vendor has its own unique process for measuring performance, hospitals have no way to establish realistic benchmarks and KPIs for their vendors. Hospitals remain in the dark as to the financial return on their vendor investments.

### VENDOR NON-COMPLIANCE

**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 place with vendors that are not worked

**19%**
Accounts with less than $250 balance that are not worked

## THE PATIENT FINANCIAL EXPERIENCE

Another area self-pay outsourcers fall short—an area many hospitals overlook—is the patient financial experience. A negative collections encounter can lower patient satisfaction scores and cause patients to look elsewhere for future medical needs. When the hospital is the only facility in the area, a negative financial experience can also lead patients to put off needed care, which can cause an increase in readmissions and a decrease in quality outcomes. And when clinical outcomes take a hit, so does the bottom line. Aggressive collections processes can also impact the hospital's brand. It takes just a few negative online reviews to damage a hospital's reputation. Likewise, negative patient satisfaction surveys can impact HCAHPS scores and, once again, the bottom line.

Delivering a positive patient financial experience, therefore, should be considered an essential part of the vendor's value. Vendors need to understand that they are an extension of the hospital's brand and should embrace the hospital's culture. Performance improvement in this area should be ongoing and vendors need to enthusiastically participate in efforts to monitor their patient engagement practices.[2]

## PROCESS IMPROVEMENT AND REMEDIATION

Since vendor noncompliance is so common, hospitals should have an established process for remediation. Unless issues found are severe, it is typically more financially desirable to correct the problem than to replace the vendor. Sourcing, contracting, and implementing a new vendor is resource-heavy, time-consuming, and expensive. The transition can also be disruptive to operations. And there is still no guarantee the next vendor will not have issues of their own.

While many hospitals would agree that remediation is beneficial, the thought of undertaking such an endeavor can be overwhelming. This is rightly so as the process can be arduous and demand a high-level of commitment and effort from both parties. They must work together to establish process improvement goals and may even need to update KPIs and contract terms. They will need to implement ongoing performance evaluation with weekly or monthly reviews. Additionally, hospitals may need to council their vendors in industry best practices and perform education and training to the vendor's team members.

The heavy lift required for effective remediation can inhibit hospitals from moving forward. Recognizing the value remediation has in attaining optimal financial performance should offset that hesitation. One opportunity embraced by more successful hospitals is to partner with a performance improvement expert like Healthfuse to manage the remediation process for them. With their breadth of industry insight, Healthfuse has access to vast vendor information such as contract details, performance analytics, and pricing. They understand how vendors should be performing and have successfully remediated hundreds of performance improvement initiatives. Healthfuse has a well-honed remediation process that includes identifying issues, measuring performance, overseeing communications, and establishing ongoing training and education.

## SUCCESS STORY

Northwest Community Hospital (NCH) has been serving the Northwest Chicago area for nearly 60 years. The health system has 489 beds, four immediate care centers, seven outpatient imaging centers, and serves more than 20,000 patients. NCH used several vendors to manage its portfolio of accounts, but the health system lacked a reliable process to monitor and reconcile these accounts. There were few KPIs or best practices in place and vendor contracts hadn't been reviewed for market parity for years. Tracy Bonnell, Executive Director of Revenue Cycle at NCH, knew many vendors were underperforming but had limited means to analyze and drive performance improvement. She needed help identifying pain points with vendors and putting processes in place to ensure NCH receives the best return possible.

NCH chose Healthfuse in part because of its AutoRecon inventory reconciliation service. With AutoRecon, Healthfuse can quickly track historical compliance rates to identify trends and monitor improvements. Through cross-reconciliation, Healthfuse is also able to identify accounts placed with multiple vendor inventories at the same time. This is essential to ensuring vendor compliance and avoiding vendor fees for the same payment. Healthfuse has and continues to review NCH's vendor contracts for cost savings opportunities.

With Healthfuse, NCH was able to renegotiate contracts and apply performance-based pricing models. They also implemented KPIs and best practices, reduced call abandonment rate and customer complaints, eliminated duplicate vendor fees, lowered costs, and reduced bad debt write-offs.

**"Engagement with Healthfuse was very eye-opening. When you have that many vendors, you have no real way of understanding what true vendor performance means. Healthfuse aligned it all and made it easy. We've been able to reduce our bad debt numbers, benefitting the organization greatly."**

Tracy Bonnell
Executive Director of Revenue Cycle
Northwest Community Hospital

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**With Healthfuse, Northwest Community Hospital achieved a $10.9M incremental cash improvement.**

## ACHIEVING A POSITIVE ROI IS POSSIBLE

**To fuel growth, hospitals need a profit margin of 3.5%.[3]**
Vendor partnerships should enhance, not hinder, those profits by improving process efficiencies, lowering costs, and increasing self-pay collections. Developing and maintaining a high-return vendor relationship requires ongoing efforts. Partnering with industry experts like Healthfuse can help. Healthfuse works alongside clients and their vendors to establish performance goals and perform remediation to ensure those goals are met. Healthfuse advisors have extensive knowledge of best practices across the industry and peer groups. Using this insight, they help hospitals increase their return on vendor investments and achieve long-term financial improvements.


## SOURCES

[1] https://healthfuse.com

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

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