Healthfuse
Transparency. Relationship. Trust.

Vendor Relationships Built On Trust

Revenue Cycle Outsourcing and Vendor ROI

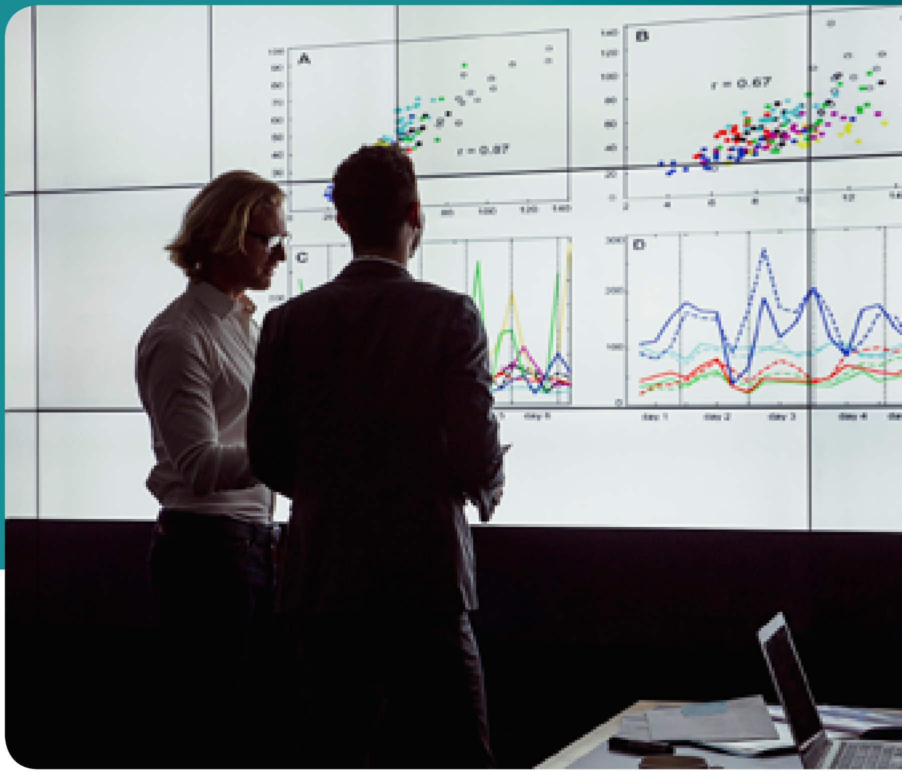
The playbook for healthcare revenue cycle vendor management

Playbook: October 2019

Revenue Cycle Outsourcing and Vendor ROI

The playbook for healthcare revenue cycle vendor management

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, with the largest majority spending between 21 – 30% of their budget on those partnerships.[1] While this can be a viable approach, the value these relationships deliver often falls short of expectations. Recent reports say 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 these relationships without proof of return on investment.



THE PLAYS

Components of the playbook

PLAY 1:
FINDING THE RIGHT VENDOR

Having broad insight into revenue cycle vendor pricing and performance upfront helps ensure the best return on outsourcing investments

PLAY 2:
VENDOR COMPLIANCE

Holding revenue cycle vendors accountable extends beyond the contract agreement, requiring a solid remediation and process improvement KPIs to drive compliance

PLAY 3:
VENDOR PERFORMANCE

Taking a proactive approach to revenue cycle vendor reconciliation ensures vendors are performing at an optimal level, improving efficiencies, and lowering costs

PLAY 1:
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. Second, 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

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**

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 placed with vendors that are not worked

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

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.

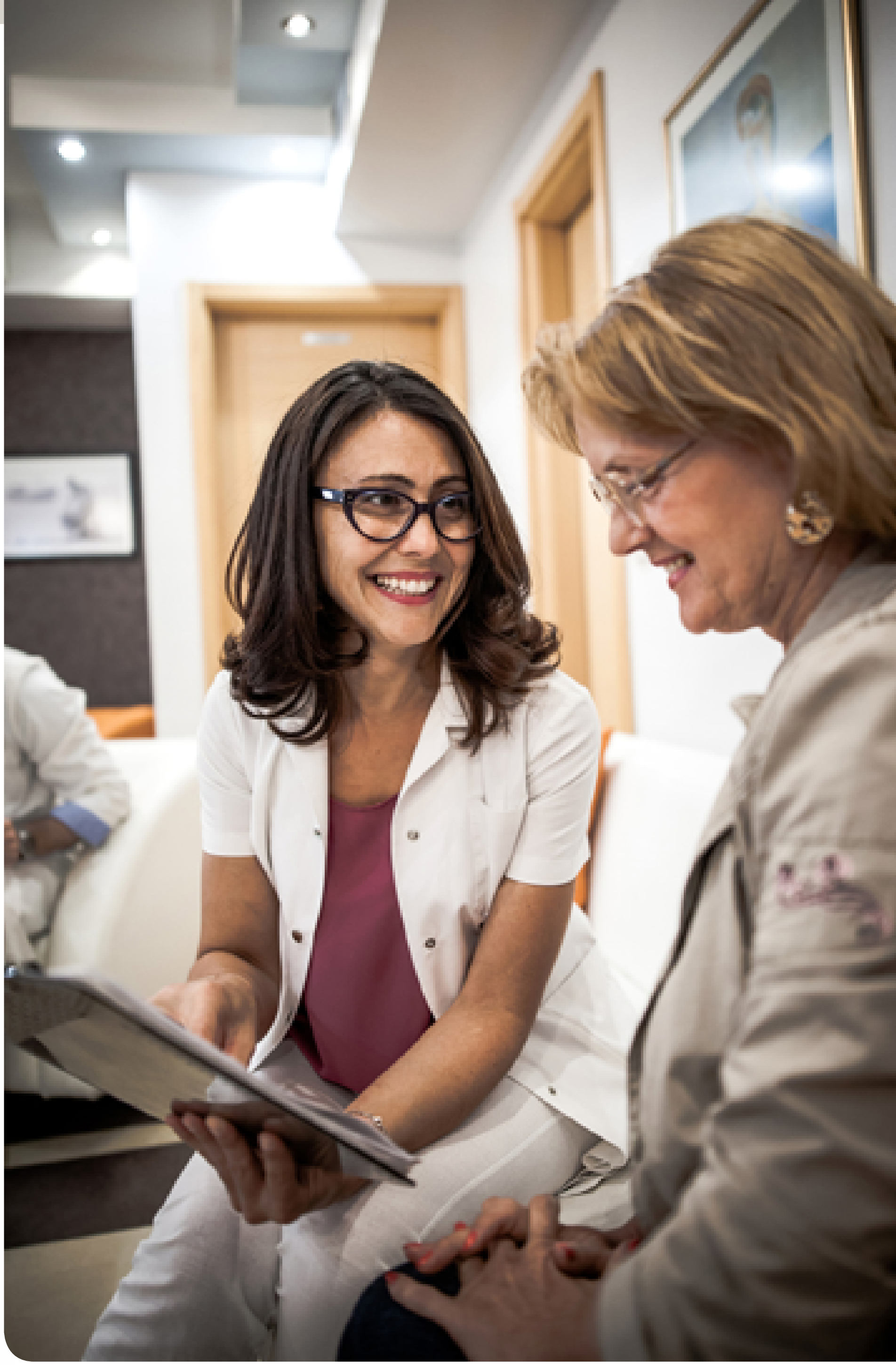
PATIENT FINANCIAL EXPERIENCE

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.[2] 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**



WVUMedicine

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**

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.

PLAY 2:
VENDOR COMPLIANCE

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.[3]

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 NON-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 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.

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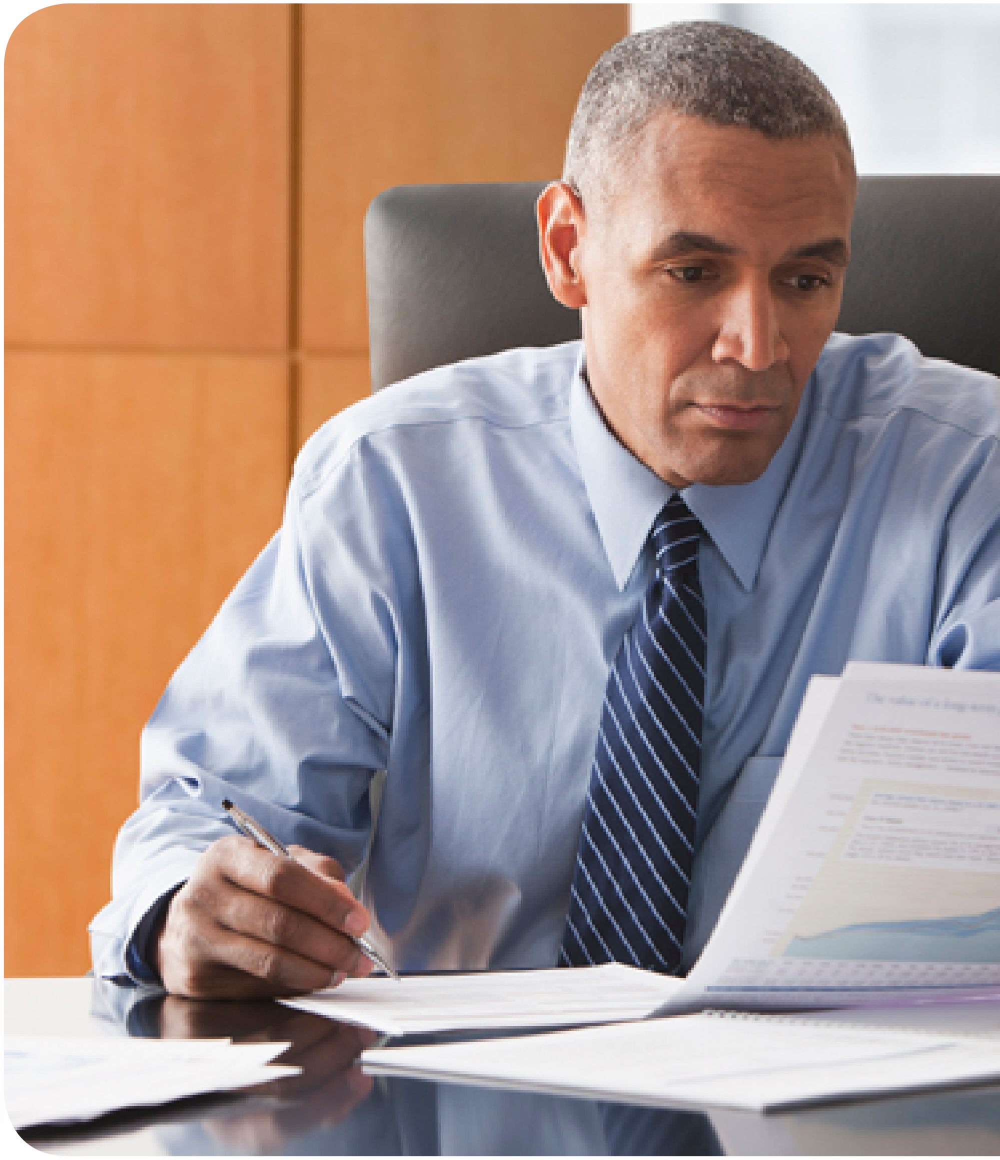

DELIVERING A POSITIVE PATIENT FINANCIAL EXPERIENCE

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.[4]

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.

nch Northwest Community Healthcare

"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

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

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ACHIEVING A POSITIVE ROI IS POSSIBLE

To fuel growth, hospitals need a profit margin of 3.5%.[5] 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.

PLAY 3:

VENDOR PERFORMANCE

The revenue cycle has grown increasingly complex with hospitals now challenged to do more with less—especially tricky in an age of value-based care and increased self-pay. It is a scenario playing out in hospitals and health systems across the country. Today, nearly $7.5 billion of patient responsibility goes unpaid.[6] To stay ahead, many are turning to self-pay vendors to help improve efficiencies and lower costs. While this can be a viable solution, it can also bring challenges of its own as hospitals struggle to achieve a full return on their outsourcing investment. Lack of transparency, lack of data, and simply a lack of time to manage those relationships are part of the problem.

According to Healthfuse, the industry's first "at-risk" vendor performance management company, more than half of early-out, self-pay accounts are not compliant with best practices, SLAs, or government regulations. Healthfuse recently conducted in-depth research on vendor effectiveness, reviewing comprehensive data from more than two billion hospital accounts. This equated to 8.31 million unique guarantors, or roughly 3.4% of the entire adult population in the U.S. The analysis, which spanned 91 facilities in 29 states, uncovered some surprising statistics.

How is it possible that such underperformance can be so rampant? It is not surprising when you consider that most hospitals cannot accurately perform vendor reconciliation. Most have to depend on the vendors' own analysis, which is often inaccurate. On top of inaccureate analysis, each vendor has its method for measuring performance, making it difficult for hospitals to identify enterprise-wide ROI on their outsourcing dollars.

VENDOR PERFORMANCE FACTS

$30 BILLION
Annual spend on revenue cycle vendors

64%
Hospitals that report being dissatisfied or unsure about their vendors' performance

NATIONAL AVERAGE EARLY-OUT VENDOR PERFORMANCES

36.1%
of accounts 31-60 days are never worked

23%
of accounts past 121 days are not worked

19%
of accounts with balances <$250 are not worked

THE TRANSPARENCY CONNECTION

The reconciliation process begins by identifying all unpaid invoices as of a certain date and then matching them to the hospital's documents within their system. Those that don't match are vendor errors that need to be addressed. If vendors are not held accountable for these types of errors, hospitals are needlessly leaving money on the table.

Lack of transparency also makes proactive monitoring of the process and file exchange issues difficult, which then increases the likelihood of unresolved late discoveries and issues with noncompliance. Also, when errors go unresolved, they exponentially increase the impact on cash flow and revenues. Increasing transparency allows hospitals to proactively monitor and report activities all the way down to the account level.

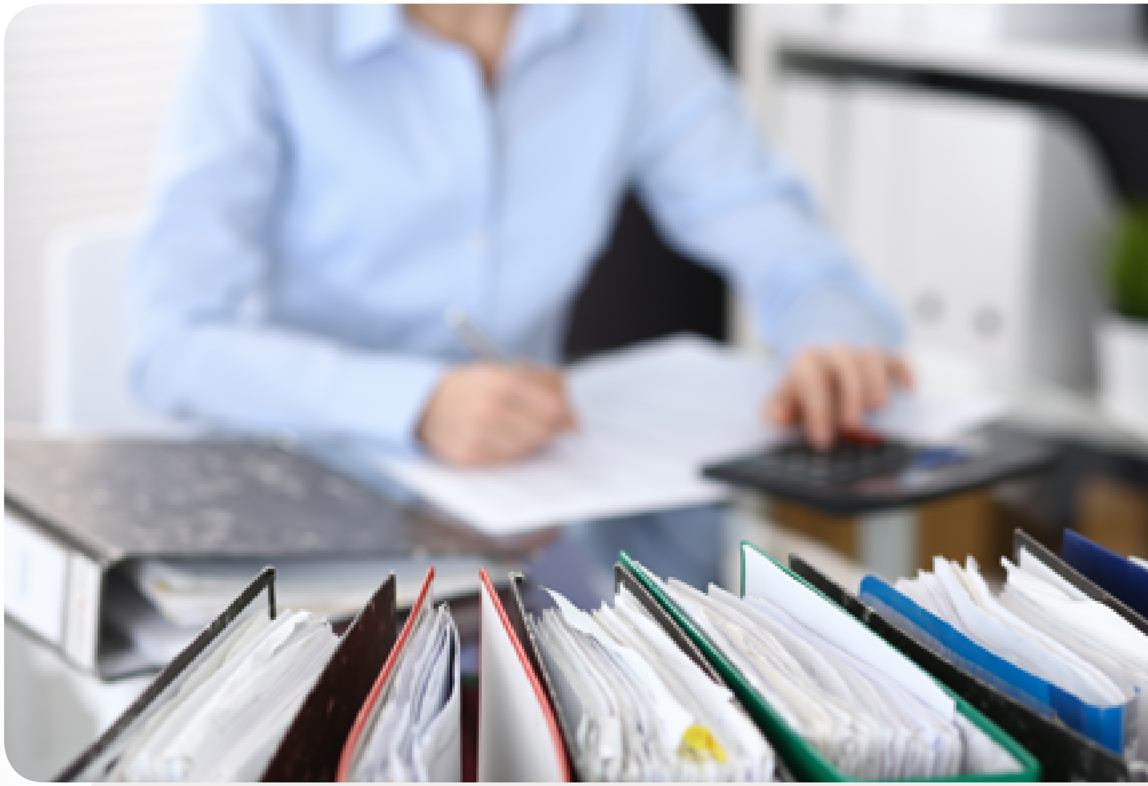
Without full insight into vendor activity, blips in a hospital's accounting system can cause payments to be misdirected, causing them to go to the wrong vendor. This can lead to duplicate payments, something hospitals cannot afford and which negatively impacts outsourcing ROI. However, it is not always the hospital's fault as vendors can have issues in their own systems, resulting in duplicate invoices. Regardless of where the duplication originated, it will be impossible to resolve and recover payments without transparency of the entire process.

50.7% of early-out vendors are not compliant with best practices, SLAs, or government regulations.

HOLDING VENDORS ACCOUNTABLE

At the heart of vendor reconciliation is the need to hold vendors accountable—even when the vendor has been employed for many years. While most hospitals say they have a method for monitoring vendor performance, the majority of them do not audit 100% of their outsourced accounts. Instead, they rely on just a sub-set of accounts. However, this only uncovers a sub-set of issues. To get an accurate picture of vendor performance and compliance, hospitals need the ability to audit 100% of accounts. This provides more precise and actionable insights.

Volume discounts are an area where accountability is critically important. It can be challenging to choose a self-pay vendor, so many hospitals go by volume discounts. While this is not necessarily a bad approach, it becomes totally irrelevant if hospitals cannot monitor whether those discounts are being appropriately applied. This is why vendor reconciliation is so essential. Without it, hospitals may be unknowingly—and unnecessarily—damaging margins. Although this type of noncompliance may be a tactic of unscrupulous vendors, it can also happen with long-time trusted vendors.



Bottom line: Hospitals need to know which payments have been made but that the vendor has not yet received, and whether the appropriate discounts have been processed. They also need to be able to identify returns that have not been credited at the time.

SUCCESS STORY

Southeast Hospital, managed by SoutheastHEALTH, and a member of the TPC network, is a not-for-profit community hospital serving over 600,000 people in 22 counties in Southeast Missouri and Southern Illinois. SoutheastHEALTH's extensive care network includes 50 locations in ten communities and more than 30 specialty care clinics.

As the largest provider for community healthcare in the region, Southeast Hospital partnered with several community-based collections vendors, including early out self-pay, bad debt, and A/R Follow-up. Their new Director of Revenue believed they were not achieving the maximum return on those partnerships, especially with the early out self-pay outsourcers. An initial audit conducted by Healthfuse revealed that current self-pay outsourcers were only working 40% of their assigned inventory. They were not performing to current industry best practices or workflow standards. Also, numerous patient accounts were found stuck in a black hole that never appropriately made it to bad debt vendors.

Southeast Health's revenue cycle team aimed to increase cash flow, reduce cost, and improve the overall performance of its revenue cycle vendors. They partnered with Healthfuse to build and operate its Revenue Cycle Management Office (VMO). Using AutoAudit, a proprietary, rules-based auditing tool, Healthfuse quickly discovered and flagged critical self-pay issues such as cash recovery practices that were not being followed and invoicing processes that made it difficult to certify accuracy. With a keen understanding of the Cape Girardeau community and culture, Healthfuse used its Vendor Source Knowledge Base to identify and implement a new high-performing early out self-pay vendor with competitive rates, expertise in patient billing education, and a patient payments portal, reducing the need to source another vendor. Healthfuse also performed invoice certification and inventory reconciliation across all vendors to ensure accounts were worked appropriately, and erroneous and duplicate charges eliminated.

Healthfuse was able to find and resolve both current and past vendor issues, helping Southeast Hospital develop and maintain results-focused vendor relationships and deliver a better patient self-pay experience. Today, Healthfuse provides ongoing, single-source vendor performance and accountability with real-time analytics to ensure controls remain in place.

SoutheastHEALTH

In just ten months, Healthfuse helped Southeast Hospital achieve:

- **$109K in total cost savings from contract negotiations and invoice recoveries**
- **$3.04 Million in net collections improvement**
- **Reduction in monthly baseline cost-to-collect from 7.3% to 6.5%**
- **73% average increase in self-pay process compliance**

ACHIEVING OPTIMIZING VENDOR ROI

In a time of increasing downward pressure on revenue, hospitals cannot afford to overpay vendors or to forfeit collections dollars they're owed. Vendor reconciliation is the answer and is the ultimate determinant of a successful outsourcing program. Without it, hospitals are looking the other way and trusting that vendors are achieving what they've been contracted to produce. This type of self-imposed blindness makes it impossible to reconcile statements to their own system and close the loop on outsourced accounts.

Healthfuse, the nation's first "at-risk" vendor performance management company, uses its AutoRecon solution to monitor occurrences of imbalance or file transfer errors to ensure 100% of accounts placed with outsourcers were received and processed appropriately.

Hospitals that have partnered with Healthfuse have achieved:

- Enhanced compliance by **50%**
- Increased patient satisfaction by **50%**
- Reduced costs by **10–20%**
- Improved collections by **20–30%**
- Increased margins by **14%**

When vendors are performing at optimal performance, hospitals achieve a better return on their outsourcing investment.

HEALTHFUSE GETS RESULTS

Schedule Your Free Assessment Now

SCHEDULE NOW

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

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

[6] https://www.pymnts.com/healthcare/2019/hospital-payment-plans-medical-debt/

324 E. Wisconsin Ave, Suite 1300
Milwaukee, WI 53202
414-988-1130 | healthfuse.com