



FUTURE PROOFING YOUR REVENUE CYCLE OPERATIONS

How to achieve optimal ROI on your vendor relationships

WHITE PAPER: April 2022

For decades, hospitals have been modifying operations to keep pace with the challenges faced within an evolving industry. Outsourcing parts of revenue cycle management has long been a viable solution. In 2020, however, the pandemic served as a catalyst, rapidly escalating the pace of change, altering the landscape, and prompting unparalleled leaps in innovation. Notably, staffing emerged as a significant issue impacting hospital operations across the board, including revenue cycle.

A recent survey conducted by Kaufman Hall found that 75% of hospitals “have experienced adverse revenue cycle impacts” due to the pandemic and 92% say they’re finding it difficult to attract and retain support staff.¹ The report states that “Few health systems will have the resources to take on these challenges alone” and suggests there is a growing need for strategic partnerships.

What can hospitals do? Among the report’s suggestions is for hospitals to consider which responsibilities could be outsourced and then to “increase focus on scrutiny

Top Issues Driving Revenue Cycle Impact During COVID²

- Increase in percentage of Medicaid patients
- Increased denials
- Fewer commercially insured patients
- Increase in bad debt and uncompensated care

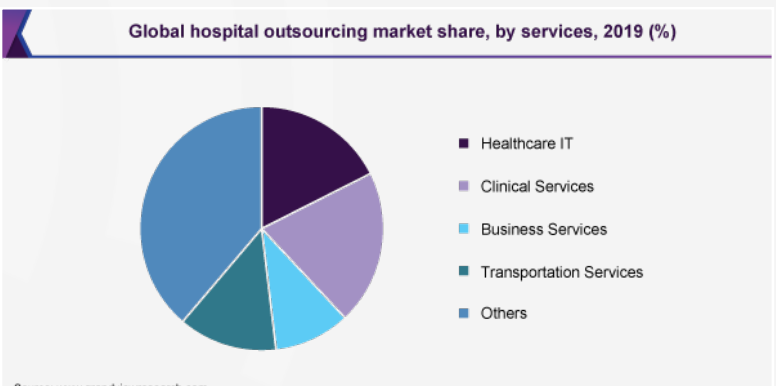
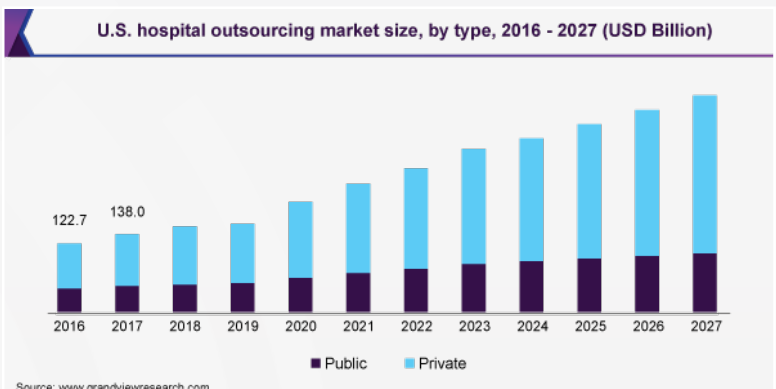
of revenue cycle vendors.” This last recommendation is especially important according to Nick Fricano, founder and Chief Executive Officer of Healthfuse. “We’ve found that between 60% to 70% of all accounts placed with collection outsourcers are not being worked in accordance with contract terms, SLAs or federal regulations.” Fricano also says that 90% of hospitals are paying over market rates for their vendors’ products and services and that five to seven percent of monthly vendor invoices are duplicative or inappropriate. “Hospitals simply cannot afford this type of poor performance and noncompliance, especially now.”

OUTSOURCING TRENDS

Just 20 years ago, the typical hospital had only a handful of revenue cycle vendors, primarily collection agencies. Today, that number is likely to be at least 10 or more. That equates to \$25 to \$35 billion spent each year.



GROWTH TRENDS IN RCM OUTSOURCING





While reliance on outsourcers was growing long before COVID, Fricano believes the trend is accelerating. “The healthcare revenue cycle has grown increasingly complex with changing regulations like surprise billing, continually fluctuating payer guidelines, and increased self-pay patients,” Fricano says. “It makes all the sense in the world why hospitals are leveraging full-time technology outsourcers and other vendors to support their revenue cycle operation while they work toward post-pandemic recovery.”

Hospitals are struggling with limited resources and any increase in FTEs is most likely to be for clinical operations, not the revenue cycle.

RETHINKING VENDOR MANAGEMENT, FROM SOURCING TO PERFORMANCE

With such limited resources with which to manage vendors, many hospitals take a “set it and forget it” approach. Once a partner is chosen, hospital RCM leaders rarely have the time to manage them and simply don’t have the tools to track, measure and analyze vendor performance. They must rely on the vendors themselves for that information. Each vendor, not surprisingly, has its own methods for tracking performance, the results of which are often skewed in their favor.

According to Fricano, the best thing hospitals can do is to rethink what it means to manage vendors. He suggests breaking it down into the following **four categories**:

1. CREATE A VENDOR STRATEGY

Achieving a positive ROI on your vendor partnerships isn’t possible without setting a strategy for how, when, where, and what to outsource. Creating an enterprise-wide vendor strategy is the only way to drive optimal ROI on every vendor relationship. The best vendor strategy should include:

- Developing the business case
- Defining best practice categories and process improvement
- Identifying where and when to use technology
- Determining when to insource vs outsource
- Identifying gaps and opportunities to leverage niche solution providers

Collections/Performance Improvement



Improve performance of existing collection outsourcers to increase collections



Increase collections by implementing new vendor strategies previously not done internally or externally

Cost Savings/Containment



Renegotiate vendor fees to best-in-class market rates to reduce vendor cost



Identify vendor invoice discrepancies and recover inappropriate and duplicate fees

2. SOURCING & IMPLEMENTATION

Sourcing is often 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 and events such as leadership changes can often derail the process completely. Fortunately, there are three strategies that can help streamline and simplify the entire process.

- Leverage industry databases and vendor comparison grids before choosing who to invite into the process
- Determine best-fit vendors based on factors that include best-in-class performance, service level agreements, and rates
- Facilitate the RFP process only after you've determined potential best-fit-partners

Sourcing initiatives should be led by RCM and finance teams, not the supply chain department. Choosing an RCM vendor is about more than just pricing and requires the expertise of seasoned revenue cycle professionals.

3. CONTRACT NEGOTIATION & MANAGEMENT

For hospitals with limited resources, the approach for negotiation is often to get it over with as fast and as cheaply as possible. Adopting this mindset, however, almost guarantees you will end up with less than favorable terms that then lead to less than favorable ROI. The following strategies have proven successful in negotiating the best contracts.

- Determine best-in-market rates prior to accepting bids
- Establish clear, industry standard service level agreements
- Provide freedom and flexibility for both sides to negotiate the most favorable terms while keeping the big picture in mind

BUILDING THE IDEAL TEAM

Humble

Know strengths and weaknesses (soft & strong spots)

Servant's heart: Are they open to feedback & continuous improvement?

Hungry

Is there a commitment to working hard?

Competitive drive + innovation: Will they go the extra mile when necessary?

Smart

Not really about EQ vs IQ; it's about doing business with people we like

Intelligence: Can't make these relationships transactional, especially in finding solutions for very challenging issues.



4. VENDOR PERFORMANCE MANAGEMENT

One of the most important steps toward achieving optimal vendor value is by creating full transparency at every step of the RCM process. The best vendors will welcome this approach as it helps them improve their own processes and bring greater value to the relationship.

- Perform regular audits of every account to ensure process compliance
- Create an invoice certification process to measure contract compliance and avoid duplicate invoicing
- Establish inventory reconciliation processes to prevent missed placements and duplication

Contract compliance red flags: non-payment transactions, fees inconsistent with contract rates, duplicate fees, and cross-vendor duplication.

LESSONS LEARNED FROM TAMPA GENERAL

Tampa General Hospital is a private not-for-profit hospital and one of the most comprehensive medical facilities in West Central Florida serving a dozen counties with a population in excess of 4 million. As one of the largest hospitals in Florida, Tampa General is licensed for 1,041 beds, and with more than 8,000 team members, is one of the region's largest employers.

As a large hospital, Tampa General depends on its 50+ vendors for everything from technology to record storage to collections to consulting and more. Due to staffing constraints—which became even more dire during the most recent wage inflation and “great resignation” movements—it was challenging to manage so many vendors. Anthony Escobio, Vice President of Revenue Cycle at Tampa General, says his team was pulled in so many directions that they just couldn't keep up. He thought about building a new vendor management program but knew it would take at least a year, realistically, to find and hire the right people. That was time he just didn't have. He needed a way to ensure Tampa General was receiving optimal return on its vendor investments without having to build a program from the ground up.

“I never realized how much time I was spending on vendors until I saw what Healthfuse gave me back.”

—Anthony Escobio, VP of Revenue Cycle,
Tampa General Hospital

Tampa General chose to partner with Healthfuse to do an in-depth audit of all vendor agreements and to perform inventory reconciliation across all vendors to ensure accounts were being worked and processed appropriately. Healthfuse performed 100% account-level auditing across all outsourced accounts and implemented new strategies to increase collections. Healthfuse also scrubbed and certified 100% of vendor invoices to identify inappropriate or duplicative fees, reconciled inventories, and renegotiated vendor contracts to best-in-market rates.

With Healthfuse, Tampa General was able to right-size all its vendors and build new relationships based on transparency. Because Healthfuse has broad insight into contracts and SLAs from healthcare organizations across the country, they were able to identify opportunities for contract renegotiations and well as for process improvements.

With Healthfuse, Tampa General Hospital achieved nearly \$2M in vendor performance improvements.

“We have gone from doing almost nothing or bare minimum to having a well-defined vendor management platform, an effective process for new vendor additions, keeping current vendors performance in line, and reporting consistency through standardization,” said Escobio. “Now, anytime we need something new or need to have a tough conversation with a vendor—when there is any issue, our first call is to Healthfuse!”

- ~\$2M in vendor performance improvements
- \$1M in invoice recoveries
- \$300K annual savings in contract renegotiations

THE ROAD AHEAD – FUTURE-PROOFING YOUR HOSPITAL

Vendors will play a critical role in supporting hospitals on the road to financial recovery. But with staffing shortages expected to continue, it may prove difficult to make sure those partnerships are working as intended. With the right framework, data transparency, and insight, hospitals like Tampa General will have the tools they need to achieve true value and a positive return on their vendor investments on the path forward.

SOURCES

¹ <https://www.kaufmanhall.com/insights/research-report/2021-state-healthcare-performance-improvement-report-covid-creates>

² *ibid.*