

# Best Practices in Revenue Cycle Vendor Management

The Most Underserved  
Area in Revenue Cycle

Healthfuse helps hospitals **build, operate, and optimize** their **revenue cycle vendor management office** to drive **bottom-line improvement**.

## GUARANTEED COST SAVINGS & COLLECTIONS IMPROVEMENT



Reduce  
Vendor Cost



Increase  
Collections



100%  
Performance  
Visibility



Ensure Compliance  
With SLAs &  
Regulations



Save Time  
via Automation  
and our Team



Enhanced  
Patient  
Relations

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TECHNOLOGY | RESEARCH | ADVISORY SERVICE

# State of the Industry

Revenue Cycle has grown increasingly complex and expensive.

**Increased reliance on vendors**, such as collection vendors, bolt-on technologies, and other vendor types fueled by:

- **Shrinking hospital margins**  
Better, Faster, Cheaper
- **The Great Resignation**  
War For Talent
- **Increased regulations**  
No Surprises Act

RESULTING IN:

**90%**

of hospitals are paying more than market rates for revenue cycle products and services



**50% - 65%**

of accounts placed with collection outsourcers are not being worked in accordance with contract terms, service-level agreements, or state & federal regulations

**5% - 7%**

of monthly vendor invoices are duplicative or inappropriate



**Performance gaps** – disconnect between expected vs. actual results

**Limited time & tools/technology** to hold vendors accountable

**Lack of transparency and trust**

# Vendor Portfolio

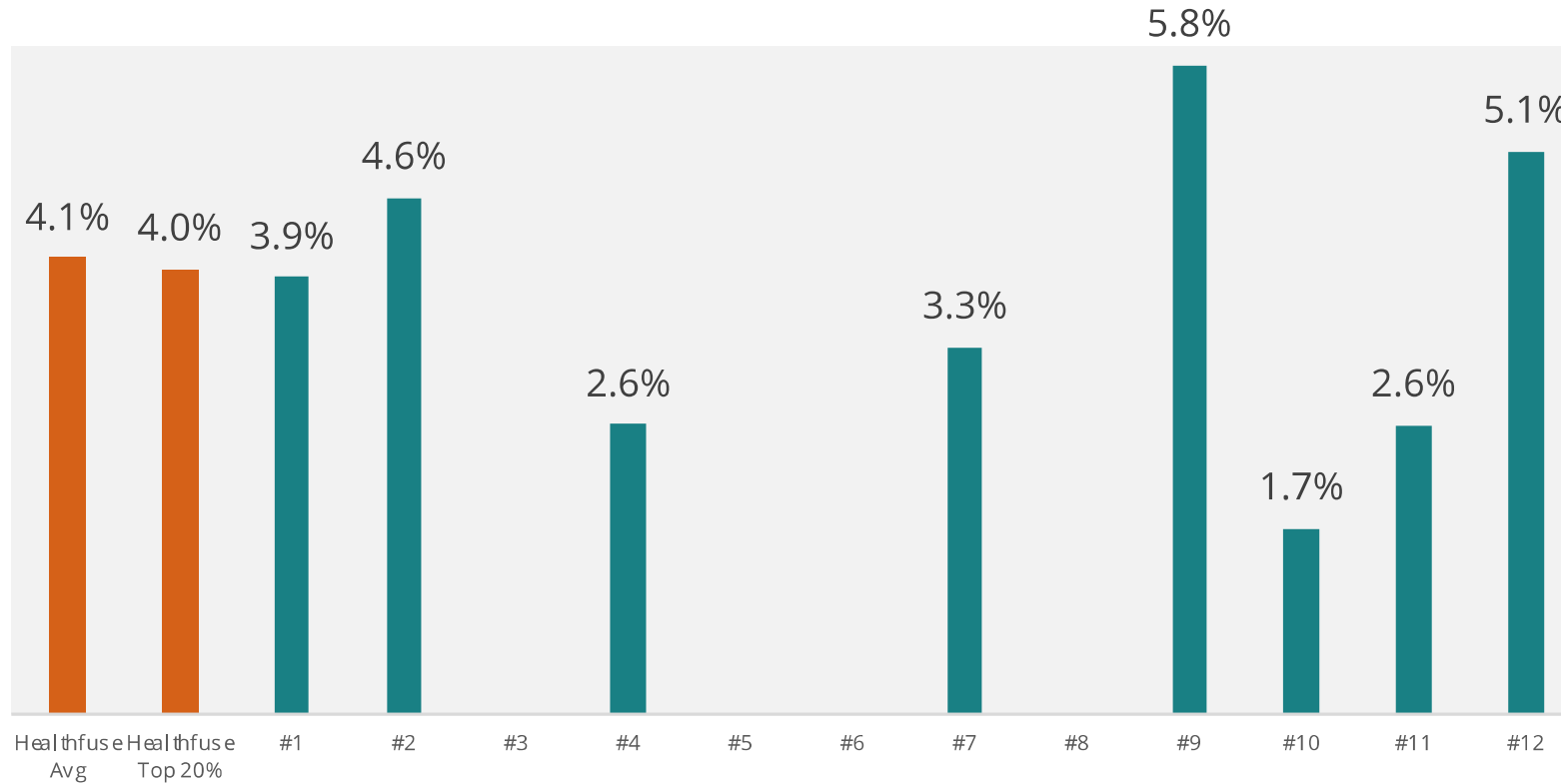


Patient Access	HIM & Case Management	Business Office	Support Functions
<ul style="list-style-type: none"> <li><input type="checkbox"/> Scheduling</li> <li><input type="checkbox"/> Appointment Reminders</li> <li><input type="checkbox"/> Order Management</li> <li><input type="checkbox"/> Pre-Registration</li> <li><input type="checkbox"/> Registration Accuracy</li> <li><input type="checkbox"/> Financial Counseling</li> <li><input type="checkbox"/> Medicaid Eligibility</li> <li><input type="checkbox"/> Insurance Verification/Discovery</li> <li><input type="checkbox"/> Pre-Authorization</li> <li><input type="checkbox"/> Medical Necessity</li> <li><input type="checkbox"/> Propensity to Pay</li> <li><input type="checkbox"/> Point of Service Collections</li> <li><input type="checkbox"/> Financial and Charity Counseling</li> <li><input type="checkbox"/> Public Benefit Assistance</li> <li><input type="checkbox"/> Presumptive Charity</li> <li><input type="checkbox"/> Patient Balance Estimation</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Clinical Documentation Improvement</li> <li><input type="checkbox"/> DRG Validation</li> <li><input type="checkbox"/> Charge Capture Audits</li> <li><input type="checkbox"/> Coding Overflow</li> <li><input type="checkbox"/> Coding Quality &amp; Audits</li> <li><input type="checkbox"/> Transcription</li> <li><input type="checkbox"/> Physician Advisor</li> <li><input type="checkbox"/> Release of Information</li> <li><input type="checkbox"/> Computer-Assisted Coding</li> <li><input type="checkbox"/> Document Scanning &amp; Indexing</li> <li><input type="checkbox"/> Document Storage &amp; Shredding</li> <li><input type="checkbox"/> Encoder/Grouper</li> <li><input type="checkbox"/> Record Management</li> <li><input type="checkbox"/> Dictation &amp; Voice Recognition</li> <li><input type="checkbox"/> Audit Tracking &amp; Reporting</li> <li><input type="checkbox"/> Length of Stay Management</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Patient Statements</li> <li><input type="checkbox"/> Online Payment Portal</li> <li><input type="checkbox"/> Patient Loan Financing</li> <li><input type="checkbox"/> Early-Out Self-Pay or Pre-Collect</li> <li><input type="checkbox"/> Probate Recovery</li> <li><input type="checkbox"/> International Billing &amp; Collections</li> <li><input type="checkbox"/> Philanthropic Funding</li> <li><input type="checkbox"/> Complex Claims (Work Comp, MVA)</li> <li><input type="checkbox"/> A/R Follow-up (3<sup>rd</sup> Party)</li> <li><input type="checkbox"/> Charity Care Processing</li> <li><input type="checkbox"/> Denials Management</li> <li><input type="checkbox"/> Claims Management</li> <li><input type="checkbox"/> Electronic Posting</li> <li><input type="checkbox"/> Ins. Discovery/Last-in-line Eligibility</li> <li><input type="checkbox"/> Bad Debt (Primary or Secondary)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Credit Balance Recovery</li> <li><input type="checkbox"/> Underpay Recovery</li> <li><input type="checkbox"/> Physician Enrollment &amp; Credentialing</li> <li><input type="checkbox"/> CDM &amp; Pricing Audits/Management</li> <li><input type="checkbox"/> Medicare Bad Debt/Cost Reporting</li> <li><input type="checkbox"/> A/R Reservice Modeling</li> <li><input type="checkbox"/> Strategic Pricing</li> <li><input type="checkbox"/> Transfer DRG &amp; IME Recovery</li> <li><input type="checkbox"/> Staff Education &amp; E-Learning</li> <li><input type="checkbox"/> Contract Modeling/Management</li> <li><input type="checkbox"/> Performance Reporting</li> </ul>



# Industry Benchmarks and Discussion

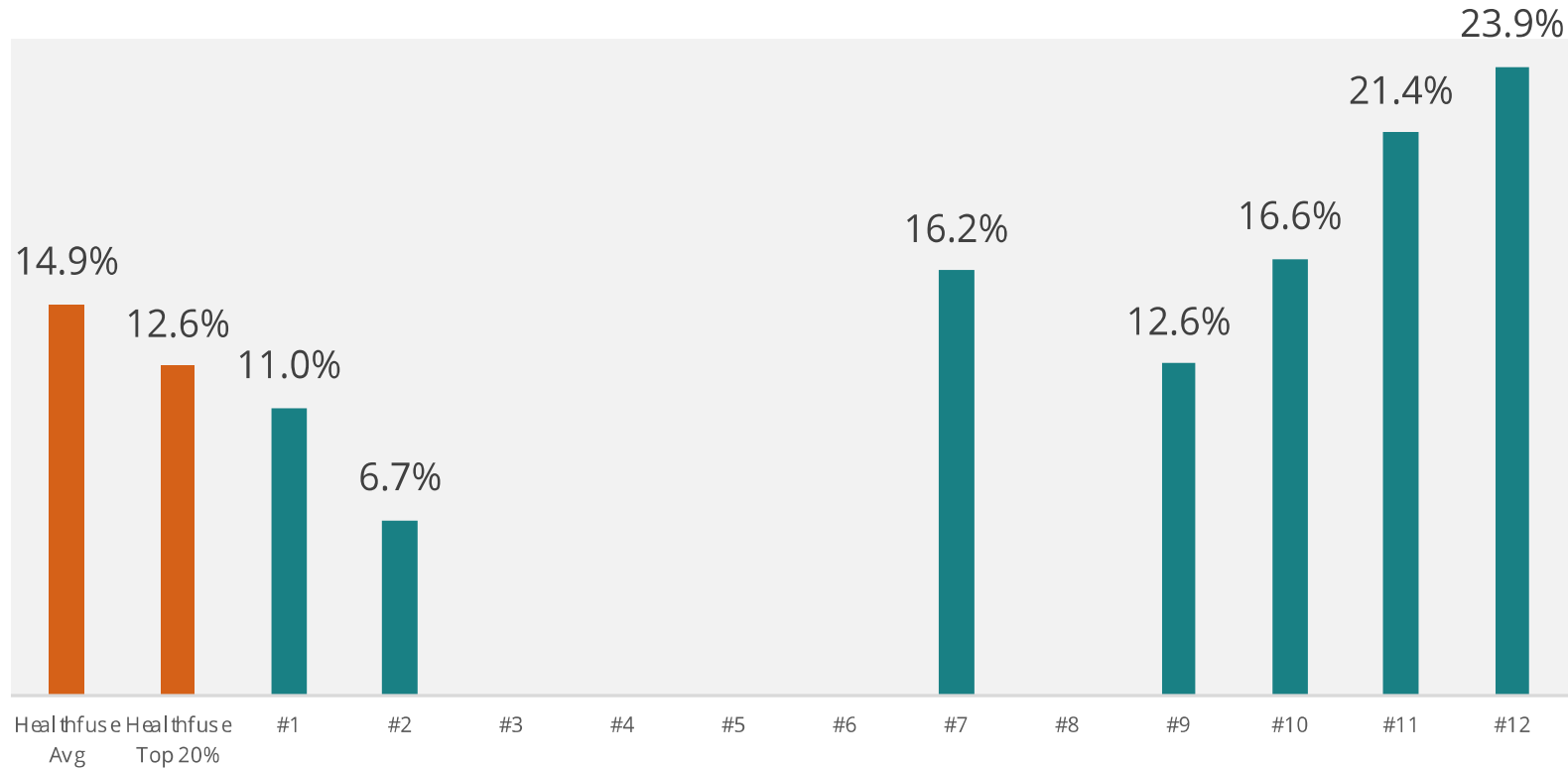
## RCM Budget vs NPR



**Average = 3.8%**

- Resembles cost to collect benchmarks
- Inputs may vary; Healthfuse averages include:
  - Access
  - HIM
  - Business Office
  - And: talent, bolt-on tech, and outsourcing spend

## Vendor Spend vs Budget

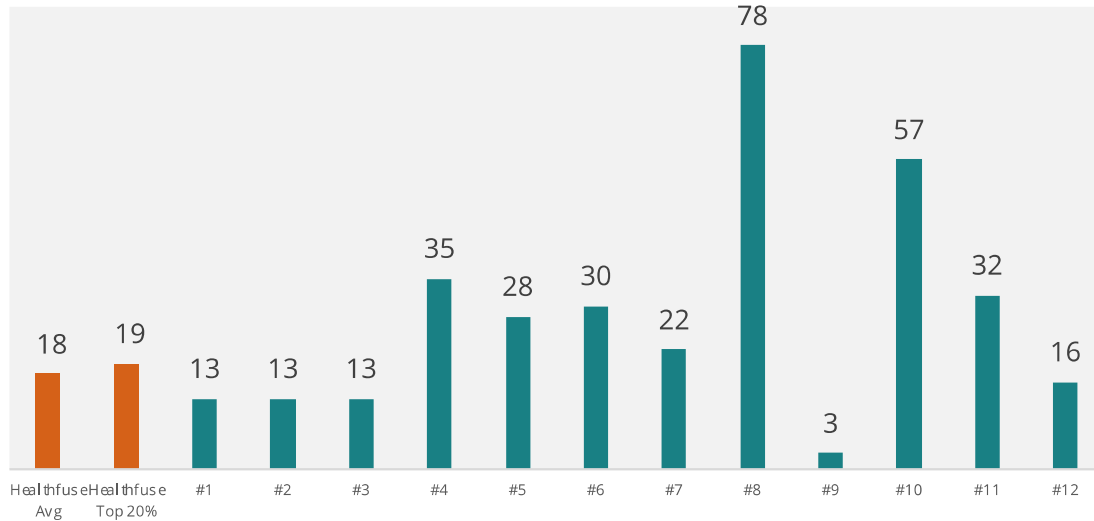


**Average = 15.1%**

- Vendor reliance has increased and continues to trend up
- ***Annual spend per vendor ranges from \$295k to \$970k, with a median of \$540k***

# Vendor Make-up

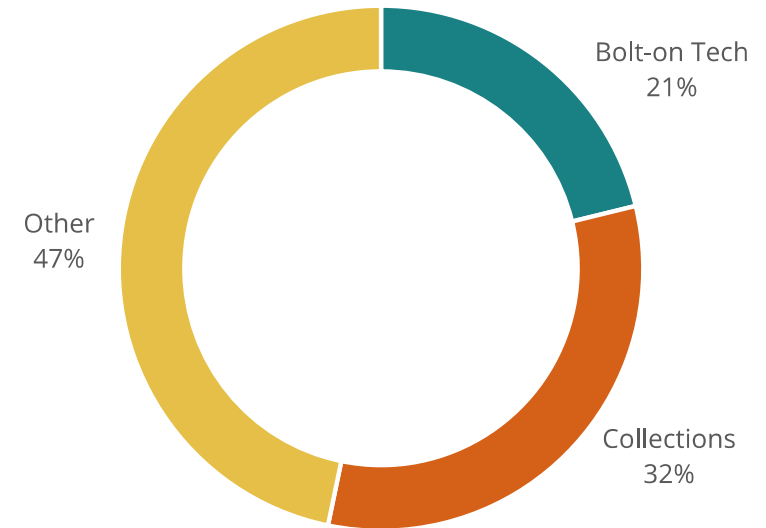
Number of Vendors



**Average = 28**

- **How has your vendor strategy changed over the last few years?**

Vendor Types



- 32% of vendors are collections outsourcers – companies that are responsible for collection on A/R or bad debt, including public benefit assistance
- 21% are bolt-on technologies, such as claims management and eligibility software
- 47% of vendors are classified as “other,” most typically coding and mid-cycle vendors



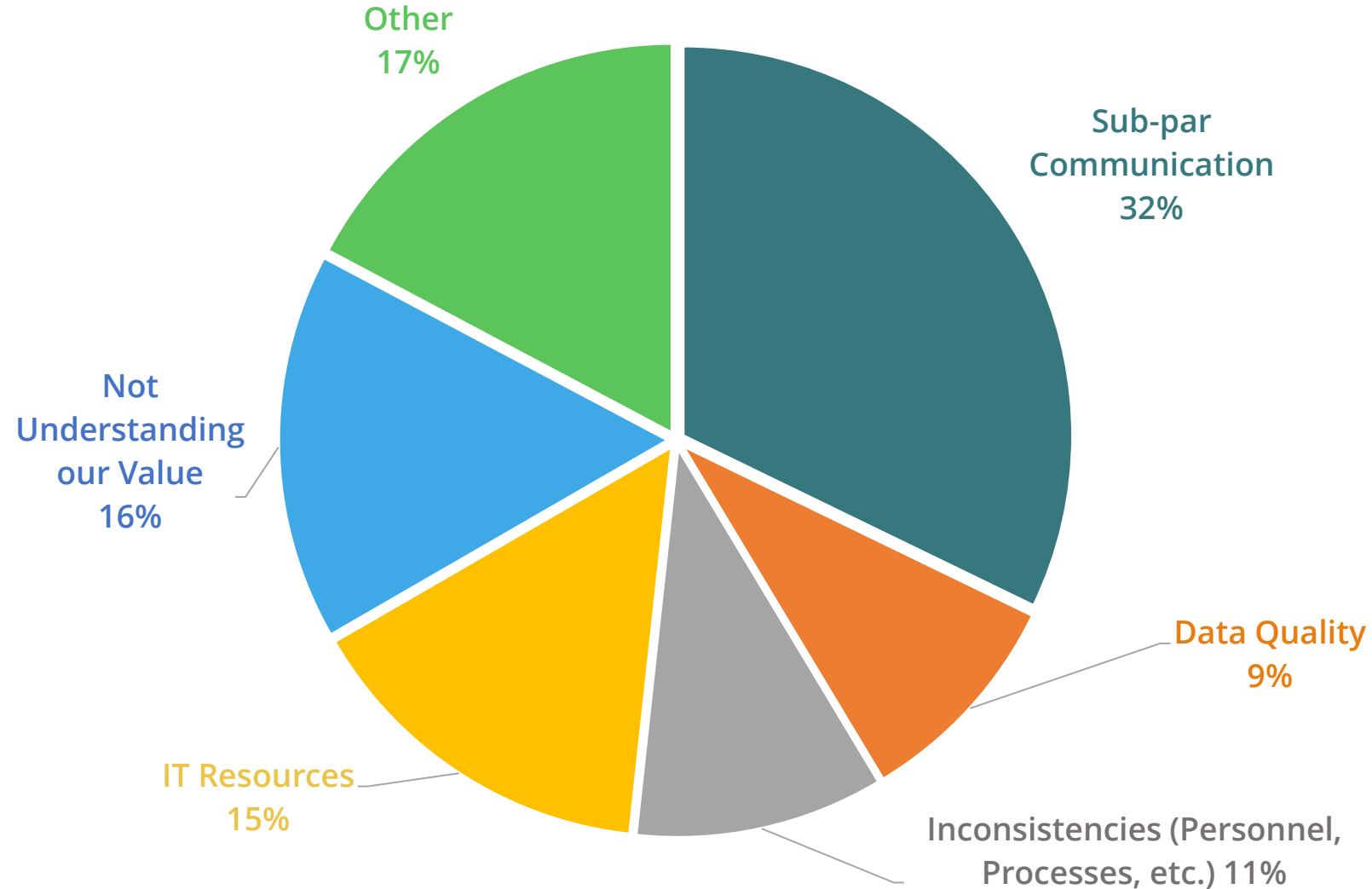
# What Vendors Are Saying

**WHAT IS THE  
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## WHAT IS THE BIGGEST CHALLENGE YOU ENCOUNTER WORKING WITH HEALTHCARE PROVIDERS?

“ **Transparency** and **consistent performance feedback**.

*Having to overeducate them repeatedly.*

*Meeting with the right people on a regular basis.*

*Lack of **continuity** for improving procedures/performance due to change of hospital personnel and communication.*

***Understanding** importance of scorecards and **performance** for network agencies and how to use that to increase bad debt collections.*

*Handing off accounts to work in a timely manner.*

*Their **time** and **resources** and competing projects.*

*Keeping us **informed** of upcoming changes.*

*Not **following up** on themselves for billing issues/errors which results in untimely filing, lost revenue.*

”

# What Vendors Are Saying

**WHAT'S THE ONE CHANGE  
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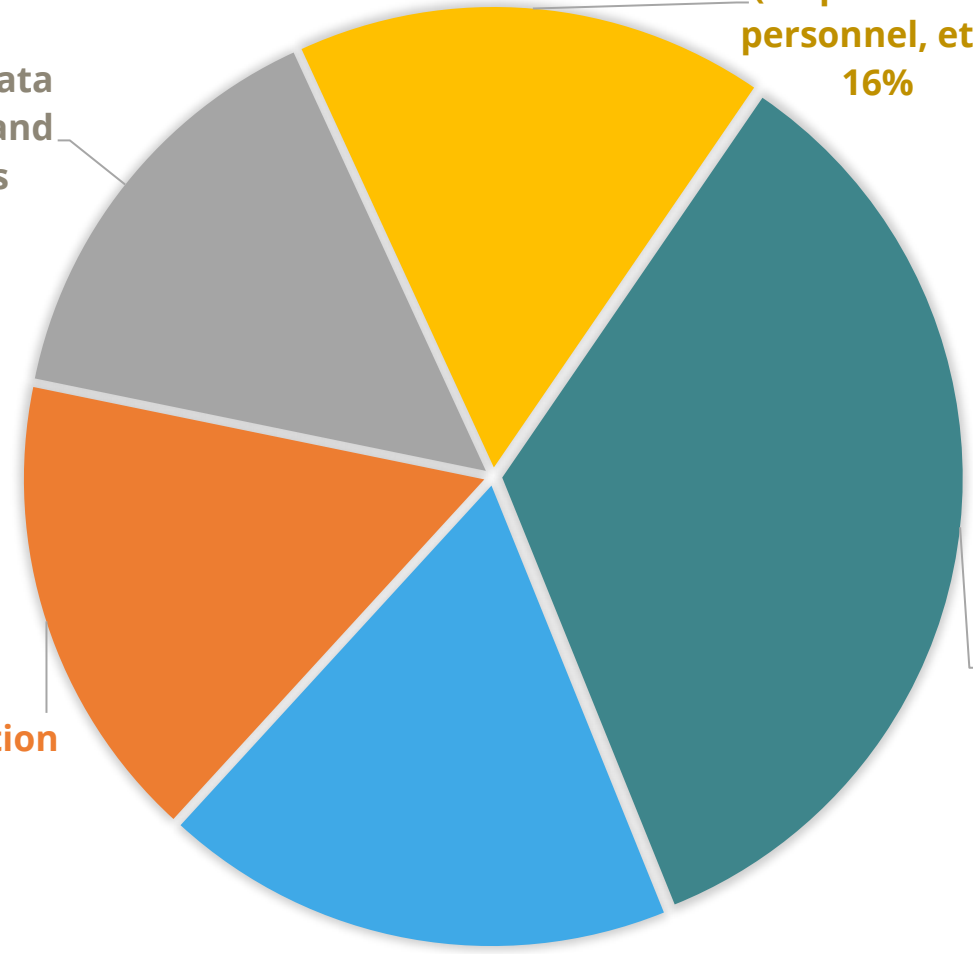
Standardization  
(w/ processes,  
personnel, etc.)  
16%

Better Data  
Quality and  
Access  
15%

Communication  
17%

Collaboration  
18%

Transparency  
34%



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“

*Commit to us as an active **partner**: The clients who are fully engaged tend to be the ones that are also performing at the highest levels.*

***Consistency** with policies.*

*Elevate registration processes to capture and bill correct insurance prior to dropping to patient responsibility.*

*Periodically report on where they stand with goals.*

***More strategic** meetings to **align their goals and objectives** with ours.*

***More open to new ideas** and solutions. You should take advantage of every opportunity provided in order to obtain best results and ROI.*

*More **responsive** and available for regular meetings.*

*Keep the same contact person.*

*Only send accounts that are timely so that we are not wasting time on old AR.*

*Data and **reporting transparency** to assist with problem areas.*

”



# **Driving Value**

## At Your Health System

# Where Will Value Come From?

## Collections Improvement



### 1. Current Vendors

Audit accounts placed with collection vendors to identify gaps and coach vendors to remediate issues and optimize collections performance



### 2. New Initiatives

Identify & implement emerging solutions to increase collections via niche, innovative, or otherwise missed opportunities

## Cost Savings



### 3. Contract Savings

Benchmark vendor contracts, develop negotiation plans, and negotiate best-in-market rates, terms, and SLAs to reduce vendor cost, ensure freedom & flexibility, and first-class service



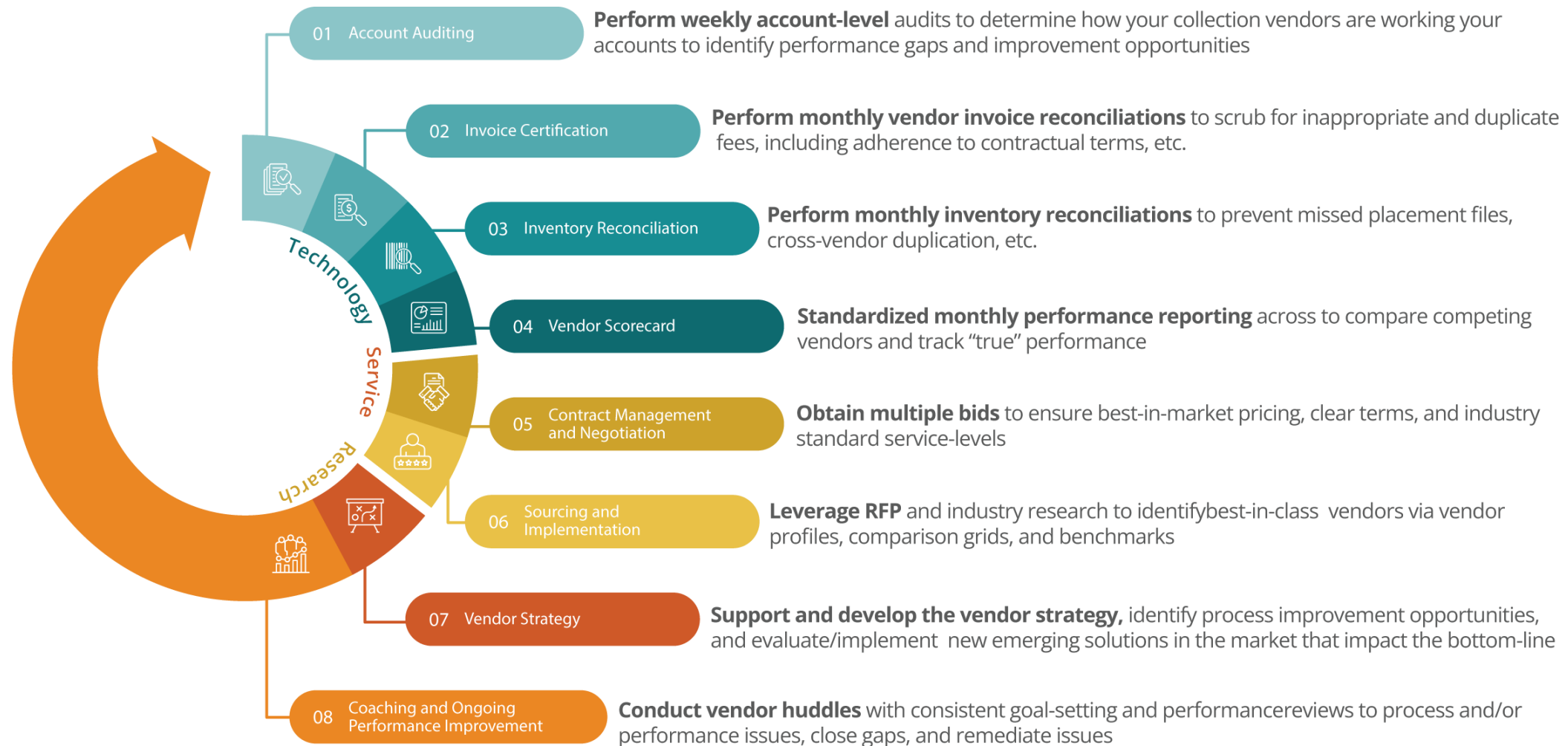
### 4. Invoice Recoveries

Scrub vendor invoices to identify and recover duplicate and/or inappropriate vendor fees, and mitigate erroneous costs



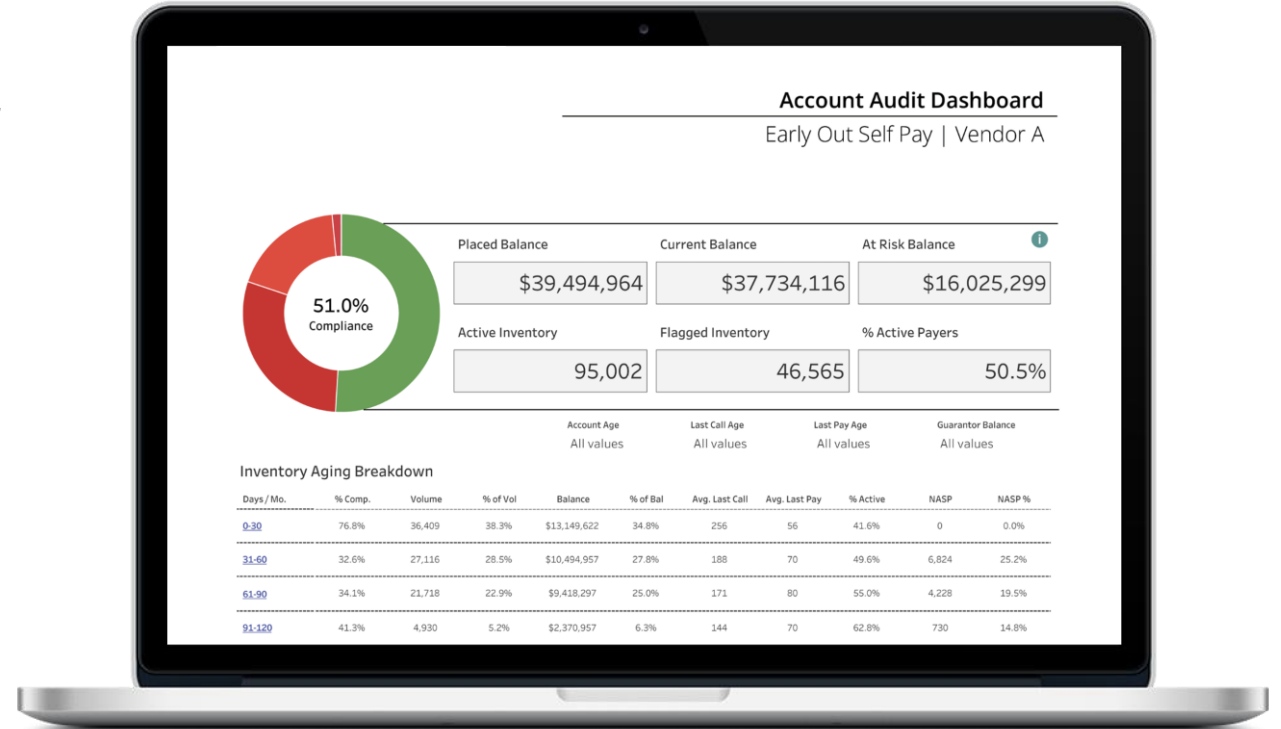
# Road Map to a Successful VMO

## 8 best practices of a high-functioning vendor management office that can be applied by any organization



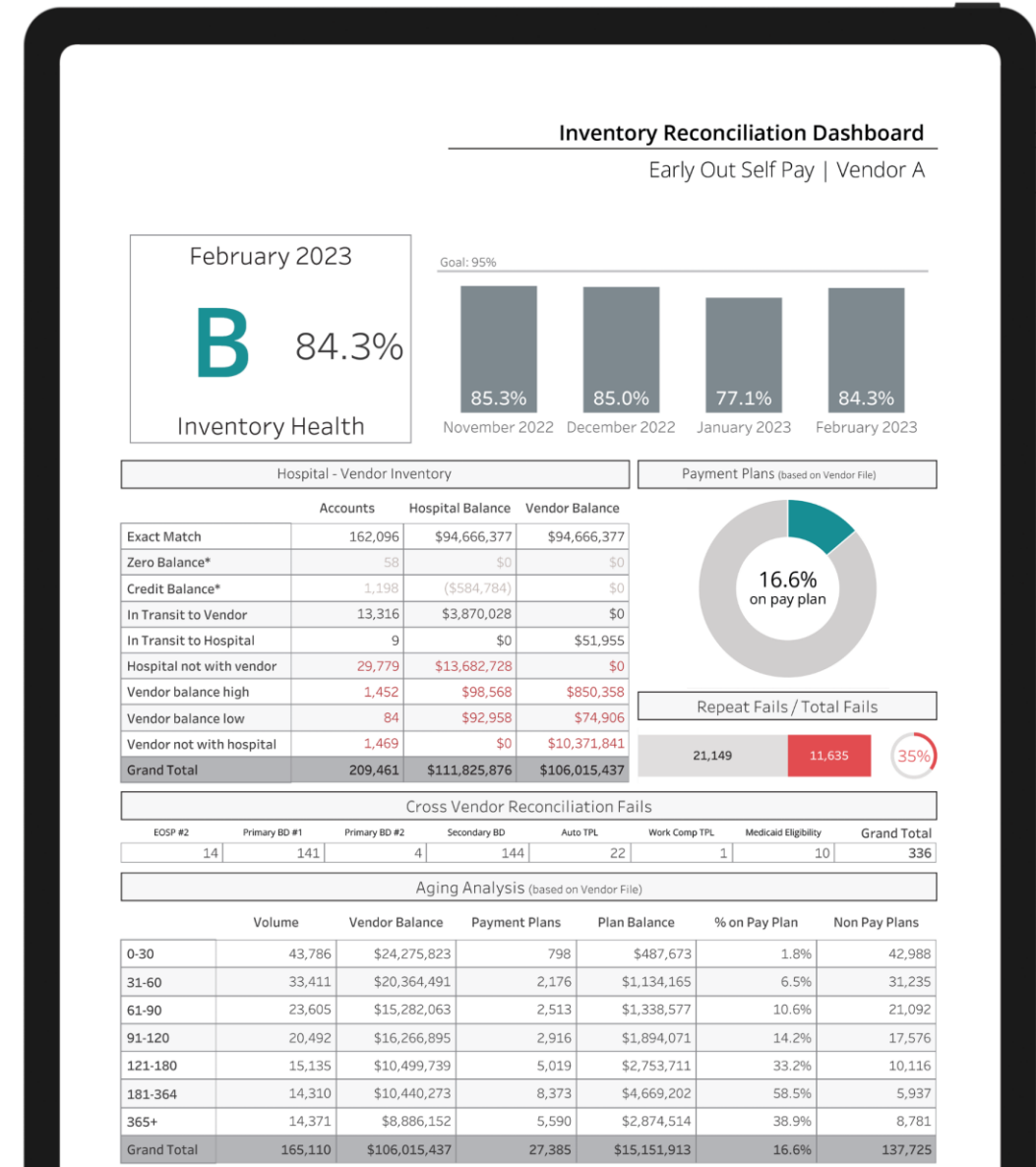
# 1. Account Auditing

- **Defining it.** Account-level auditing of activities and frequency of activities performed on accounts (applies most to collection vendors)
- **Setting it up.** Collect hospital transaction file, vendor activity/dialer file, hospital recon/placement file
- **Expect what you inspect.** Review compliance with SLAs, activity since placement, status code, financial class, patient type, etc.
- **Spend time fixing issues not finding them:**
  - Better understanding of workflows
  - Productive and efficient vendor meetings
  - Clear KPIs and expectations for vendors
  - Validation to what vendors are saying
  - Cleaner contracts
  - Better patient experiences



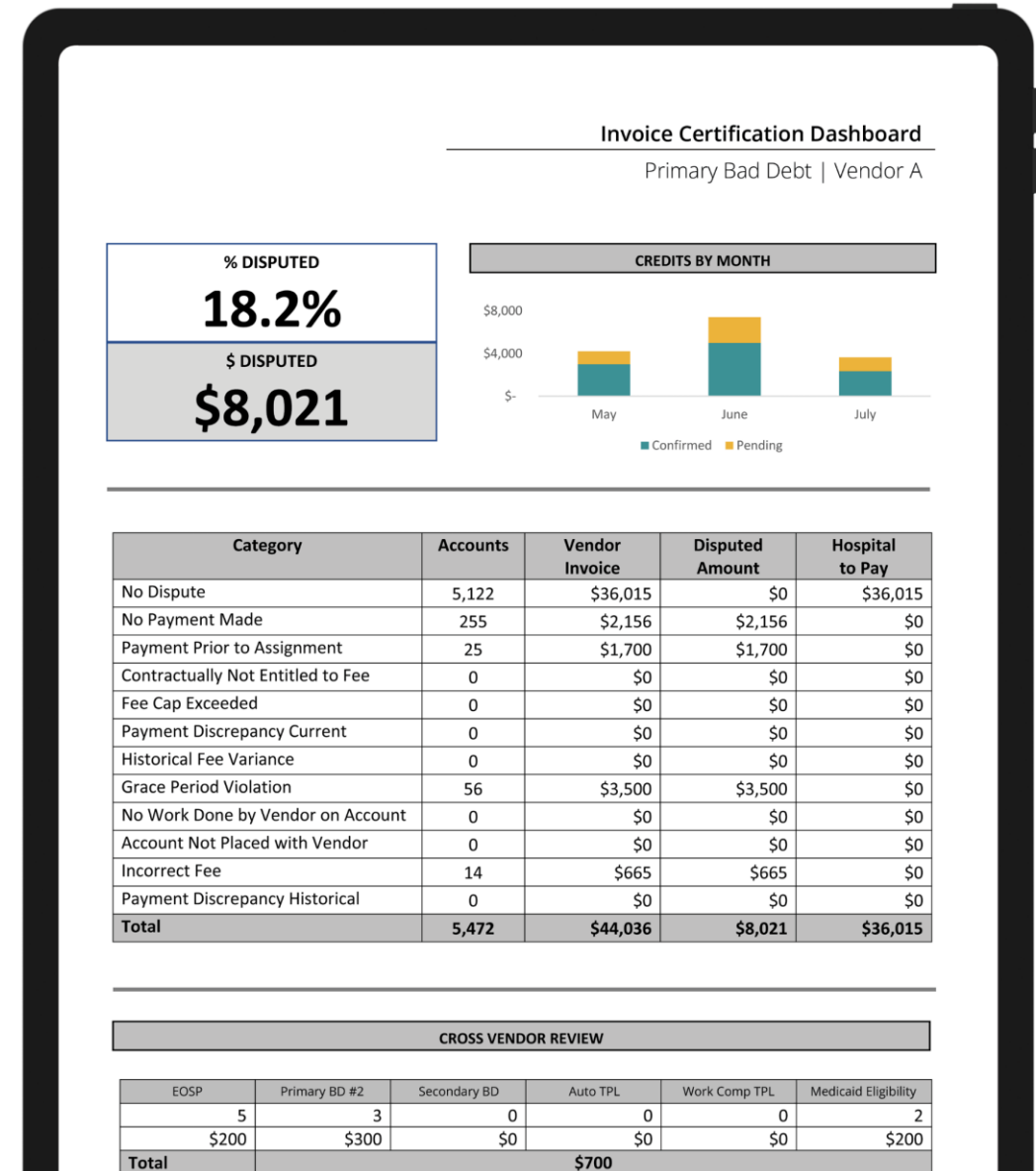
# 2. Inventory Reconciliation

- **Defining it.** Balance A/R inventories – balance and quantity of accounts (applies most to collection vendors)
- **Setting it up.** Collect hospital transaction file, vendor activity/dialer file, hospital recon file, vendor inventory file
- **Avoid black holes and duplicative vendor invoices.** Look across vendors not just hospital to agency
- **Ensure optimal financial performance and avoid compliance risks:**
  - Better understand inventory health by vendor and recurring issues, for prevention management
  - Better understand payment plan status and aging due to status holds
  - Support reserve calculations for agencies



# 3. Invoice Certification

- **Defining it.** Thorough auditing of vendor invoices upon receipt, or creation of vendor invoice proactively
- **Setting it up.** Load vendor contract, collect vendor invoice, hospital transaction file, hospital recon file, and vendor inventory file
- **Pay the right amount, for work performed.** Compare invoice to contract terms, work performed, historical invoices; cross-vendor
- **Reduce vendor cost to collect by 5-7%:**
  - Strengthen contract terms (e.g. grace periods for when work is not performed and payments come in)
  - Develop a review plan by vendor – who is doing what, with a focus on what
  - Develop follow-up procedures to ensure credits are received when deemed appropriate
  - Review & understand contract terms & history



# 4. Consolidated and Uniform Reporting

- **Defining it.** Uniform, consolidated, and developed vendor performance and spend scorecards
- **Setting it up.** Load vendor contract, vendor invoice, hospital transaction file, hospital placement file, and collection performance
- **True performance transparency.** Ensure consistency to patient accounting system; view raw data by vendor type and time period
- **Create a single source of truth:**
  - Standardize format for reviewing trends
  - Understand the calculations to ensure apples to apples comparisons
  - Ask vendors to explain, interpret, reflect, and share actionable insight
  - Focus on the most meaningful metrics
  - Identify winners/losers

### Vendor Scorecard

#### Liquidation Trending by Vendor Type

Vendor Type	Baseline	Project Year 1	Project Year 2
Vendor Type 1	4.8%	6.9%	8.3%
Vendor Type 2	9.0%	6.5%	9.8%
Vendor Type 3	9.2%	7.2%	8.2%
Vendor Type 4	11.3%	15.8%	16.2%

#### Performance Based Vendors

Vendor	Net Collections	Total Collections	Net Liquidation	Cash Factor	Change	Growth
Vendor A	\$1,963,063	\$3,895,554	\$1,963,063	\$3,895,554	\$1,963,063	\$3,895,554
Vendor B	\$1,836,948	\$5,335,097	\$1,836,948	\$5,335,097	\$1,836,948	\$5,335,097
Vendor C	\$9,548,066	\$2,390,495	\$9,548,066	\$2,390,495	\$9,548,066	\$2,390,495
Vendor D	\$1,955,555	\$32,933,499	\$1,955,555	\$32,933,499	\$1,955,555	\$32,933,499
Vendor E	\$1,987,365	\$85,309,495	\$1,987,365	\$85,309,495	\$1,987,365	\$85,309,495

#### Audit Compliance By Vendor

Vendor	Healthfuse Start	Current	Peer Average
Vendors Total	15%	45%	35%
Vendor A	15%	65%	45%
Vendor B	55%	75%	25%

# 5. Contract Management & Negotiation

- **Pay market rates or better; don't sacrifice service levels.**
  - Avoid "blind" fee negotiations by monitoring how accounts are worked and/or how system functionality performs.
- **Proper contract management and negotiation practices can reduce costs by 10-20%.**
  - Review and document contract terms & history
  - Assess current state of the partnership to determine extent of possible negotiation
  - Benchmark vendor contracts (including fee structure & SLAs)
  - Develop negotiation plans clearly outlining leverage and strategy for success
  - Consistent and timely communication is key

## Service Level Agreements to Consider:

- ✓ Activities and frequency of activities to be performed
- ✓ Right to audit process, invoices, etc
- ✓ Right to change with notice
- ✓ Performance guarantees and bonuses (e.g. surpassing internal performance)
- ✓ Clearly defined calculation methodologies (e.g. net back/liquidation %)
- ✓ Grace periods and different fees based on when the dollar is collected
- ✓ Meeting frequency
- ✓ How to monitor performance after SLAs agreed upon

# 6. Sourcing & Implementation

- Attend, read, listen
- Consolidate where constructive
- Keep it all succinct & standardized
- Know what's manageable (new vendors per year, # of vendors per RFP, etc.)
- Define what's critical
- Be mindful of obligations & dependencies with existing vendors
- Secure an implementation roadmap during the sales process
- Know your internal checklist

	Vendor A	Vendor B	Vendor C	Vendor D
<b>Operating Model</b>				
Managed Service	✓	✓	✓	✓
Tech License	✓	✓	✗	✓
<b>Fee Structure</b>				
Implementation	No	No	Not Available	Yes
Monthly Commitment	No	No	Not Available	Yes
Contingency	25.0%	18.8%	12.5%	19.0%
License Fee	Optional	No	Not Available	Not Available
SOC2 Type 2	✓	✗	✗	✗
Speed to Value	45-60 Days	30-60 Days	Not Available	90 Days
<b>Implementation Lift</b>				
Est Hospital IT Time	20-40 Hours	< 2 Hours	Review in progress	Review in progress
Est Hospital Operations Time	4-8 Hours	<4-8 Hours	Review in progress	Review in progress

# 7. Vendor Strategy

- Vendors as consultants
- Tie to organizational vision
- Standardize the business case (or, “Will we really reduce FTEs?”)
- Adapt to changes (VA, inflation, etc.)
- Get a vendor risk management plan in place
- Create flexibility in agreements
- Schedule dedicated hours per year to innovation/R&D
- Assign a point person

		Benefit to Hospitals				
	Summary	Collections	Cost Savings	Time Savings	Patient Relations	Compliance
Solution 1	Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Tellus rutrum tellus pellentesque eu tincidunt tortor aliquam nulla. Nibh nisi condimentum id venenatis a condimentum vitae.	✓	✓	✓	✓	
Solution 2	Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Voluptat est velit egestas dui.	✓	✓	✓		
Solution 3	Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Interdum velit euismod in pellentesque massa.	✓		✓	✓	✓
Solution 4	Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Sed enim ut sem viverra aliquet eget sit amet. Interdum varius sit amet mattis vulputate enim nulla aliquet.		✓	✓		✓
Solution 5	Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Vitae justo eget magna fermentum iaculis eu non diam.	✓		✓		



# 8. Coaching & Remediation

## Consistent coaching and remediation is faster and less expensive than changing vendors:

- Create shared expectations/ground rules
- Meet regularly, with purpose
- Expect to know why: “always be ready to give an answer”
- Kindness & respect help—to a point
- Map activities between systems
- Document, document, document
- Don’t just tell, teach
- Communication matters: confirm understanding





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# Appendix



# The Community



**\$1.3 BILLION**  
In Bottom-line Improvement To-Date



# KLAS Research: 2023 Report

- **Overall Client Satisfaction:**  
**100% highly satisfied**, 0% satisfied, 0% dissatisfied
- **Time to See Outcomes:**  
**20% immediately, 80% within 6 months**, 0% 6–12 months, 0% over 12 months, 0% no outcomes yet
- **Outcomes Expected by Clients** (Achieved, Pending, Not Achieved, or Unexpected Outcome):
  - ✓ Improved vendor performance – **Achieved**
  - ✓ Better contract rates – **Achieved**
  - ✓ Better processes for invoice reconciliation – **Achieved**
  - ✓ Increased cost savings - **Achieved**



“[Healthfuse] saves a healthcare system like ours so much money, not just in contracts and improved outcomes, but also in infrastructure. I don’t need a lot of people managing the invoices...[or] creating reports for me because [with Healthfuse], I have a group that does.”

**VP Revenue Cycle**



- Quality of staff and consultants: **A+**
- Drives tangible outcomes: **A**
- Strength of partnership: **A+**
- Likely to recommend: **A+**
- **Would you buy again?: 100% yes**