



Vendor Management in Rev Cycle: *Centura Health Case Study*

January 2011



When We Say “Vendor” ...

- Third party resources working accounts on hospital behalf
- Across revenue classes
- Working outside your patient accounting system
 - Create data integrity gaps
 - Create process control gaps
 - Create activity insight gaps

Common “Vendors”

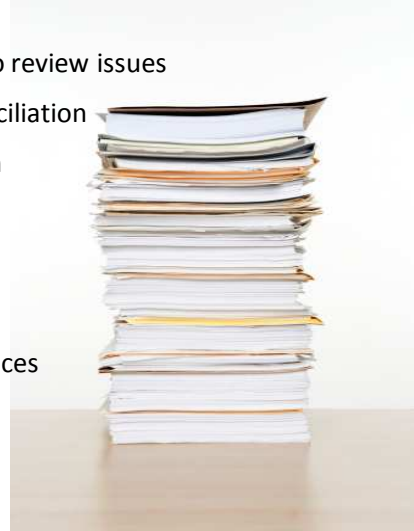
- *Collection Agencies*
 - *Self-pay EBO / “Early Out”*
 - *Small balance managed care follow-up*
 - *Workers Compensation*
 - *MVA*
 - *International billing*
 - *Eligibility vendors*
- ...and more*



Vendor Management Today

Commonly, “vendor management” equals...

- A weekly or monthly meeting to review issues
- A simple routine account reconciliation
- A one time contract negotiation
- A one time hand off
- A “Win-Lose” proposition
- Spot checking vendor activity
- Randomly auditing vendor invoices
- Relying only on vendor reports



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Vendor Management Today

Commonly, not meeting our needs...

Rev. Cycle VP #1	Rev. Cycle VP #2	CEO of Agency
<ul style="list-style-type: none"> • Challenge to accurately measure performance and effectiveness • Excessive time commitment to manage the process and reconciliation • Difficulty understanding and analyzing cost benefit 	<ul style="list-style-type: none"> • Difficult communication • No clarity on reports/key indicators • Difficulty keeping goals mutual • Insufficient trust 	<ul style="list-style-type: none"> • Unrealistic or uninformed expectations • Conflicting market data – industry publications, competitive vendor claims, dissimilar products, etc. • Understanding / correctly analyzing data • Bad debt expense vs. recoveries • Regulatory environment • Management transitions

HFMA Region #1 Conference 2010

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Redefining “Vendor Management”

- Redefining: an organizational capability for managing outsourced activity that leads to a trusting relationship with and systematic performance improvement from outsourced operations
- This type of vendor management delivers value
 - Cash gains of 10-30% early on... and then continuous improvement
 - Step-up in compliance and risk reduction
 - Reduced breakdowns, process hiccups
- A few attributes required for success
 - Provider ownership of the vendor strategy, process and objectives
 - Data to analyze and uncover insight
 - Technology to automate and streamline

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Centura Health



- **Largest Colorado health care provider**
 - \$1.8 Bn in revenues
 - 14,000 employees
 - Nearly 6,000 affiliated MD's
- **Services**
 - 12 hospitals
 - Clinics with ~ 200 providers
 - 7 senior living communities
 - Home care
 - Hospice



A spirit of innovation, a legacy of care.

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Centura Vendor Network Refresh

Thought explicitly about what kind, how many and who

Formal RFP Process

- Invited incumbents, regional and national players
- RFP packet with key statistics, dates, questions
- Written submissions
- Subset invited to in-person presentation
 - Vendor operation team required to participate
- Site visit for two finalists

Evaluation Criteria

- Work flow and account segmentation
- Measuring and monitoring patient satisfaction
- Workforce turnover and training
- Patient-friendly routines
- Track record of being accountable for performance
- Economics

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Centura Policy and Procedure Update

Policies and procedures were updated and aligned, with the involvement of vendors

- Account placement logic
- Recall timing
- Extension limits
- Payment plans, interest and settlement
- Patient bankruptcy or death subsequent to treatment
- Minimum letter and call attempts
- Bill dispute processes
- Liens and use of attorneys
- Use of credit scores and credit files
- Charity eligibility

...and many others

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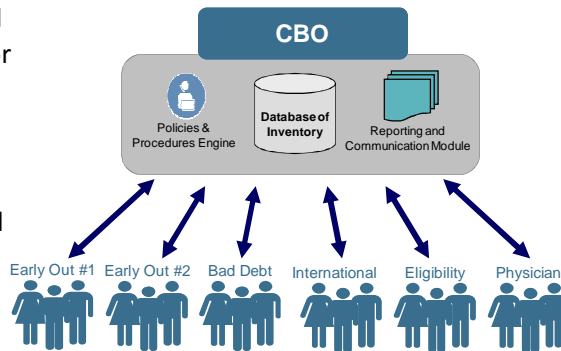
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Centura Technology Backbone

Technology solution to automate day-to-day account movement, data capture and reporting

- Web-hosted, no install
- Standard 2-way vendor connections
- Comprehensive account-level data
- Rule-driven
- Pushed up exceptional items
- Reporting and drill-down capability



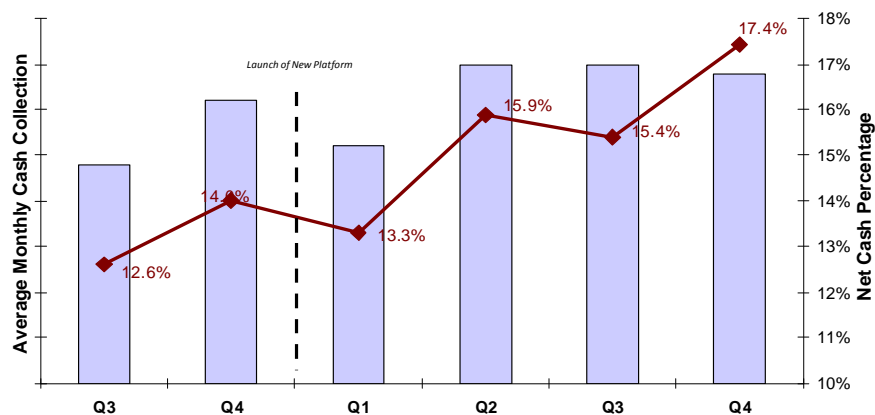
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Centura Initial Results

After a “break in” period, the new approach delivered significant yield increases



Source: Centura

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Centura Ongoing Performance Management

Performance is maintained in collaboration with vendors

- Reviewing the data, not simply working problems

- Centura representation
 - VP of Revenue Cycle
 - Directors
 - Managers
- Vendor leadership
 - Account manager
 - Operation leader
- Vendor platform team

Typical Agenda

- Placements for the month
- Placement trends
- Collections and trends
- Scorecard review
- Account demographics and deficiencies and trends
- Liquidation summary and trends
- IT system updates
- Other items

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Centura Ongoing Performance Management

Careful monitoring of placements

Collection Summary Hello, Rick

Basic Search
 Placement Date Start: 10/1/10 Placement Date End: 2/28/10

Advanced Search
 Delinquency Stage: All Pre-Placement Eligibility Agency: All Vend 3 Vend 2

Account Type: All Unsettled BAI Financial Class: All Auto Balance After Medicare

View By: All Agency Facility: Centura

[Generate Report](#)
[Save Query to Favorites](#)

Month	Agency	Gross Assigned		Recalled		Net Assigned		Adjustments to Date		Collections to Date		Open Inventory		Agency Invoice	
		Number	Amount	Number	Amount	Number	Amount	Amount	Amount	% Net	Number	Balance	Commissionable \$ in the Month	Commissions Remitted	
Oct. 2010	Vend 3 Early Out	11,210	6	222	\$1,023,642	10,988		\$5,015,372	\$1,809,604	11 %	5,789	\$	\$3,793,142	\$193,830	
Nov. 2010	Vend 3 Early Out	19,453	2	227	\$553,272	19,226		\$3,970,664	\$2,855,002	12 %	11,084	\$	\$3,764,809	\$192,382	
Dec. 2010	Vend 3 Early Out	15,928	5	80	\$242,455	15,848		\$3,420,095	\$1,287,913	6 %	12,776	\$	\$3,959,376	\$202,323	
Oct. 2010	Vend 3 Early Out	5,965	0	133	\$833,971	5,832		\$2,418,176	\$1,090,967	6 %	3,656	\$	\$1,757,475	\$103,356	
Nov. 2010	Vend 3 Early Out	9,482	5	111	\$357,358	9,351		\$2,324,864	\$1,715,322	8 %	6,030	\$	\$2,068,996	\$121,799	
Dec. 2010	Vend 3 Early Out	8,457	5	47	\$239,867	8,410		\$2,231,529	\$545,273	5 %	6,724	\$	\$2,333,478	\$138,332	

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Centura Ongoing Performance Management

Detailed “apples to apples” yield analysis

- Changed a vendor after one year due to relative performance

	150 Day Avg Liquidity Rate BAI						150 Day Avg Liquidity Rate SP	
	Vendor 1		Vendor 2		Vendor 1		Vendor 2	
	Go-Live -Q4 Placements	Q5-Q8 Placements	Go-Live -Q4 Placements	Q5-Q8 Placements	Go-Live -Q4 Placements	Q5-Q8 Placements	Placements	
Hosp 1	32.2%	27.8%	29.7%	2.5%	1.8%	2.8%	2.4%	
Hosp 2	24.3%	17.4%	19.0%	3.7%	1.7%	2.7%	2.3%	
Hosp 3	25.2%	21.0%	22.9%	3.1%	2.2%	2.5%	8.0%	
Hosp 4	43.0%	36.3%	38.2%	9.1%	6.3%	9.1%	3.7%	
Hosp 5	N/A	46.3%	50.5%	N/A	11.1%	11.3%	2.8%	
Subtotal		22.7%	25.9%		2.1%	3.2%	4.3%	

	120 Day Avg Liquidity Rate BAI				120 Day Avg Liquidity Rate SP		
	Vendor 1		Vendor 2		Vendor 1		Vendor 2
	Go-Live -Q4 Placements	Q5-Q8 Placements	Rubin & Raine	Go-Live -Q4 Placements	Q5-Q8 Placements	Go-Live -Q4 Placements	Q5-Q8 Placements
Hosp 1	34.0%	30.4%	32.4%	2.7%	2.2%	3.0%	2.5%
Hosp 2	29.3%	19.7%	22.3%	4.2%	2.1%	3.0%	2.6%
Hosp 3	27.4%	22.8%	25.4%	3.5%	2.6%	2.9%	3.6%
Hosp 4	46.2%	41.8%	43.3%	12.4%	7.3%	11.6%	9.2%
Hosp 5	N/A	51.2%	55.0%	N/A	12.6%	12.8%	13.3%
Subtotal		25.4%	29.4%		2.5%	3.6%	14.9%

Source: Centura



Centura Ongoing Performance Management

Reports help proactive cost management

- Commission tables driven by contract terms
- Drill-down to account level in virtually any dimension
- Accessible at any time in the month

Agency	Total Financial Transactions	Total Commissionable Transactions	Commission Amount	Applied to Principal	Applied to Court Cost	Applied to Illis Cost	Applied to Interest	Applied to Fees and Others
Vend 3	2,21	\$0.00	\$0.00	\$1.16	\$0.00	(\$21,015.95)	\$0.00	\$0.00
Vend 2	3,14	41	8	14	\$0.00	\$0.00	\$0.00	\$0.00
Vend 1	3,08	17,13	0	1,08	\$0.00	\$0.00	\$0.00	\$0.00
	1,43	19,54	7	7,38	\$0.00	(\$21,015.95)	\$0.00	\$0.00



Centura Ongoing Performance Management

Routine reconciliation processes

				Balance Errors			Location Errors			
Details	Reconciliation Date	File Source	Total Errors	Unresolved Incorrect Balance	Possible Incorrect Balance	Wrong Agency	Missing from Sender	Not in Agency Manager	Closed in Agency Manager	Scrubbed by Agency Manager
1/9/2011	Centura	16898	530	1505	837	1169	1340	11063	454	
			\$869,036	\$190,712	\$4,757,069	\$16,496,160	\$3,427,150	\$45,966,148	\$2,979,846	

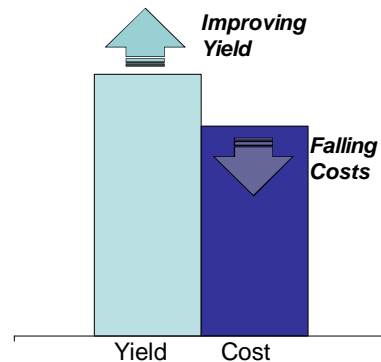
1 (1 total records)

- Reconciliation issues trending to <1.2% of inventory
- Able to segregate out issues due to patient accounting system lag
- Uncovers missed financial transactions, data entry error, incomplete system updates
- Information has drill-down

Centura Summary

Exceeding all expectations and continuing to be a source for improvement

- Cash up
- Several reporting/admin FTEs redeployed
- Faster month-end close and fully integrated reporting
- Inventories with vendors continuously reconciled / synched up
- Faster issue identification and resolution
- Ability to make changes easier
- Improved accountability by Centura employees



Attributes of High Performing Operations

Active Ownership

- Defined strategy and architecture
- Clear, actively managed, performance
- Articulated and current policies and procedures

Data Driven

- “Apples to Apples” performance and activity reporting
- Account-level drill-down visibility
- Full, regular inventory, invoice and account reconciliation

Technology Enabled

- Centralized data
- Rule driven, automated movement and pushing up “exceptions”

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Active Ownership: A Program Not A Project

Ongoing active senior business relationship between providers and vendors

- Defining, communicating and maintaining goals
 - Internally and with partners
- Refreshing the architecture
 - In house/outsourced
 - Generalists vs. Specialists
 - Policy and procedures
- Monitoring performance
- Problem ID and resolution
 - “one-offs” vs. systematic
 - Creating times of “reinvention”

As a Provider you...

- Have standing account management meetings with each vendor
- Routinely ask vendors for what you can do better
- Know the 3 things your vendors need to do their job better
- Know the newest ideas among your vendors business
- Understand the 3 performance initiative at your vendors

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Data Driven: Reporting Capability

Ready access to key dimensions of performance

Collections	Activity	Issues to Manage
<ul style="list-style-type: none"> How much am I collecting – by month? by vintage? How do my agencies compare on an apples-apples basis? What commissions do I owe? 	<ul style="list-style-type: none"> What activity (letters, call) has been performed on my accounts? Which accounts have not gotten collection activity? Why have accounts been closed? Cancelled? How many exceptional requests are agencies requesting? Am I approving? 	<ul style="list-style-type: none"> Which accounts don't reconcile? Why? Which accounts are overdue to be recalled? Which accounts got scrubbed at placement?

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Data Driven: Reporting on Performance

Have ready access to key dimensions of performance

Example of a Detailed Performance Report

Month	Net Placements	Net Placement \$	February - 2009	March - 2009	April - 2009	May - 2009	June - 2009	Grand Total
February	11,432	\$17,280,823	\$265,959	\$855,115	\$498,275	\$263,156	\$182,672	\$2,065,177
			1.54%	4.95%	2.88%	1.52%	1.06%	11.95%
March	11,294	\$23,516,158		\$495,903	\$1,019,390	\$426,745	\$198,106	\$2,140,143
				2.11%	4.33%	1.81%	0.84%	9.10%
April	11,149	\$21,198,329			\$420,044	\$892,535	\$425,991	\$1,738,570
					1.98%	4.21%	2.01%	8.20%
May	11,155	\$21,928,877				\$446,922	\$745,669	\$1,192,591
						2.04%	3.40%	5.44%
Grand Total	45,030	\$83,924,186	\$265,959	\$1,351,017	\$1,937,709	\$2,029,358	\$1,552,438	\$7,136,481
			1.54%	3.31%	3.13%	2.42%	1.85%	8.50%

- Key drill-ins
 - Separate BAI vs. Uninsured vs. Insurance Found
 - Separate by vendor
 - Separate by region
 - Separate by balance size

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Data Driven: Reporting on Activity

Have ready access to key dimensions of performance

Example of a Collection Activities & Results Report

Vendor	Placed Accounts	Activities			Results					Liquidation Rate to Date
		Incoming Calls	Outgoing Calls	Letters Sent	No Connects	Connects	Promises	Broken Promises	Payments to Date	
E/O 1	3,168	729	1,201	3,467	752	449	343	123	201	6.95%
E/O 2	3,310	1,409	1,407	2,485	731	676	453	42	281	8.01%
Total	6,478	2,138	2,608	5,952	1,483	1,125	796	165	482	7.49%

- Key drill-ins:
 - Accounts without any recent activity

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Technology Enabled: Database

Reporting requires access to full account-level information

- Placements
- Demographic updates
- Financial transactions
- Etc.



- Collection activity and results
- Financial transactions
- Demographic updates
- Collector notes
- Etc.

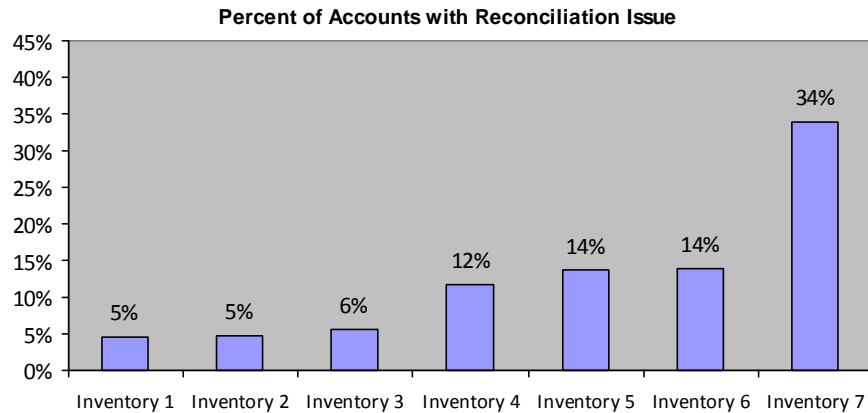
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Technology Enabled: Issues Grow Without Control

Inventory issues become sizable problems when regular data is not exchanged



Source: Connance

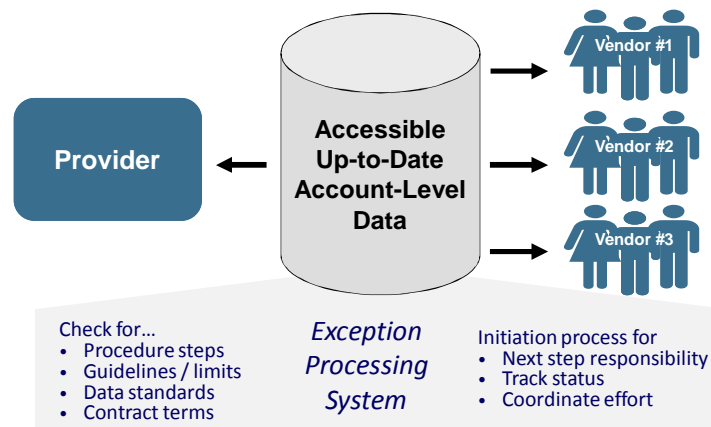
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Technology Enabled: Exception Processing

Leveraging the data to push out items meriting exceptional handling and maintaining visibility to next steps



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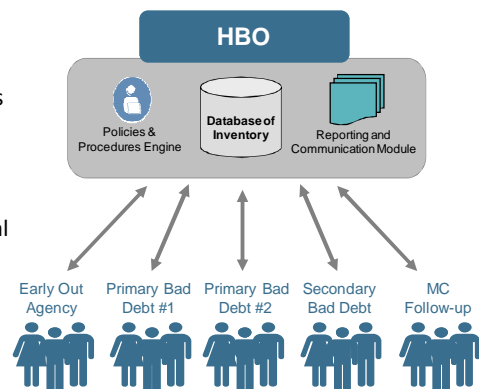
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Case Study: Atlanta

Embraced the idea of a data-driven, systematic program

- Policy and process update
 - Policy updating
 - Specific situations noted as exceptions with process maps and responsibilities
- Technology to automate administration and insight
 - Standard data
 - Including activity and financial
 - Common measures
 - Comprehensive reports
- Regular vendor-provider reviews
 - Performance
 - Issues/opportunities
 - Improvement planning



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Case Study: Atlanta

Work activity data uncovered hidden opportunities

Activity Type	Days Since Placement	# Open Placements	# w/o Activities	Days Since Last Activity							
				0-15	16-30	31-45	46-60	61-75	76-90	91+	
Calls	0-15	108	108	0							
Calls	16-30	183	107	75	1						
Calls	31-45	177	54	89	34	0					
Calls	46-60	156	30	49	44	33	0				
Calls	61-75	172	19	84	8	20	26	15			
Calls	76-90	219	70	51	39	7	10	42	0		
Calls	91+	431	58	9	14	89	61	44	104	52	
Total		1,446	446	357	140	149	97	101	104	52	

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Case Study: Atlanta

Within 8 months ...

- Cash recovery up 10%+
 - Continuing to rise
 - Gains in all segments of network
- More effective inventory control
 - Prevented loss of 100+ accounts that agency failed to load
 - Identified dozens of accounts listed with more than one agency
 - Visibility to account handling by agencies (i.e. payment plans, placement period extensions, etc)
- Systematic enforcement of standard policies and procedures
 - No early account closures
 - Avoiding retention of bad debt accounts past placement period
- Streamlining communication methods and file tracking

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“Vendor Management” Pays

- Generates cash
- Improves policy and regulation compliance
- Supports patient satisfaction
- Reduces administrative costs
- Improves financial control



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Telltale Signs To Revisit “Vendor Management”

- No improvement plan
- No recent review of hospital policy/contract
- Manual inventory reconciliation and invoice review
- Rely on agency reports and limited independent drill-in ability
- Cumbersome administration of day-to-day (hand-offs, emails,...)
- Constant file interface issues
- Frequent lost accounts
- No recent changes in vendors or vendor services



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