



**AAHAM Spring  
Conference 2018**

# **Vendor Management**

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# Agenda

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- **Introduction**
- **Why are we talking about vendors?**
- **Vendor success and horror stories**
- **Insource vs. outsource**
- **Successful vendor management**
- **Revenue cycle solutions, benefits and costs**
- **Sample of other solutions**
- **Questions, comments, examples from others**

# Vendor Management

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- Introduction
- Why are we talking about vendors?

# Success and Horror Stories

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- **The Horror Story**
- **The Success Story**

# Insource vs. Outsource

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## Outsource Advantages

- **Cost savings**
- **Revenue gains**
- **Access to specialized skills**
- **Reduced capital expense**

## Outsource Disadvantages

- **Limited control: management, experience and staff turnover**
- **Employee morale**
- **Patient satisfaction**
- **Conflicts between parties**

# Successful Vendor Management

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- Request for proposals
- Negotiation
- Service level agreements
  - Always higher than current performance
  - Set goals
  - No fixed service levels at the start of work
- Contracts: Give yourself plenty of outs

# Successful Vendor Management Continued

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- **Vendor relationships**
- **Implementation**
- **Reporting**
- **Communication**
- **Performance management**

# Revenue Cycle Solutions, Benefits and Cost

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## Self Pay Collections: 20-25% Liquidation

EBO SP/SP after Insurance

9% 10% 11% 12% 13% 14% 15%

Primary Bad Debt (without EBO)

5% 6% 7% 8% 9% 10% 11%

Primary Bad Debt (with EBO)

4% 5% 6% 7%

Secondary Bad Debt

1% 2% 3%

Recovery rates are based on the following assumption:

1. *EBO for Self-pay is placed at 30 days from date of service for true Self-pay accounts and within 30 days after insurance pays for Self-pay balances after insurance.*
2. *Primary Bad Debt Collections placed at approximately 150-180 days.*
3. *Secondary Bad Debt Collections placed at approximately 330-360 days.*



# Self Pay Continued

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## Success Factors:

- Transparency
- Goals
- Patient relations

## Cost Expectations:

- EBO: 6-10%
- Primary bad debt: 12-15%\*
- Secondary bad debt: 20-25%\*
- Staff costs: 5k per staff per month

**\*Percentages largely depend on liquidation rates and volume**

# Revenue Cycle Solutions, Benefits and Cost

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## AR Management:

- **Cash Acceleration**
- **Account Follow-up**
  - **3-6%**
  - **6-8k per employee per month**
- **Denial Management**
  - **4-7%**
  - **6-8k per employee per month**
- **Underpayments**
  - **15-25%**

# Revenue Cycle Solutions, Benefits and Cost

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## Patient Access Solutions

*Minimums usually apply and services are often packaged for flat fees*

- Propensity to Pay: .35-.50c per encounter
- Medical Necessity: .20-.30c per encounter
- Eligibility: .10-15c per encounter
- Registration QA: .15-.25c per patient
- Address Verification: .12c-20c per transaction
- Patient Responsibility Estimation: .25c-40c per encounter
- ABN Manager: 1\$ per transaction
- Electronic Financial Assistance Screening: .75c-1.25 per transaction
- Authorizations: .20c-.40c per patient authorization\*\*

# Revenue Cycle Solutions, Benefits and Cost

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## Other solutions

- **Medicaid Screening: Flat fee software or % (10-15%) of payments**
- **Payor Sweep/Insurance Discovery: 10-20%**
- **Transfer DRG: 15-25%**
- **Workers Comp/Auto**
- **CDM Management**
- **CDI**



# Questions/Comments/Examples