Healthfuse
Transparency. Relationship. Trust.

Achieve Optimal ROI On Your Vendor Relationships

Mega Conference
January 25, 2024

About Healthfuse

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

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

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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
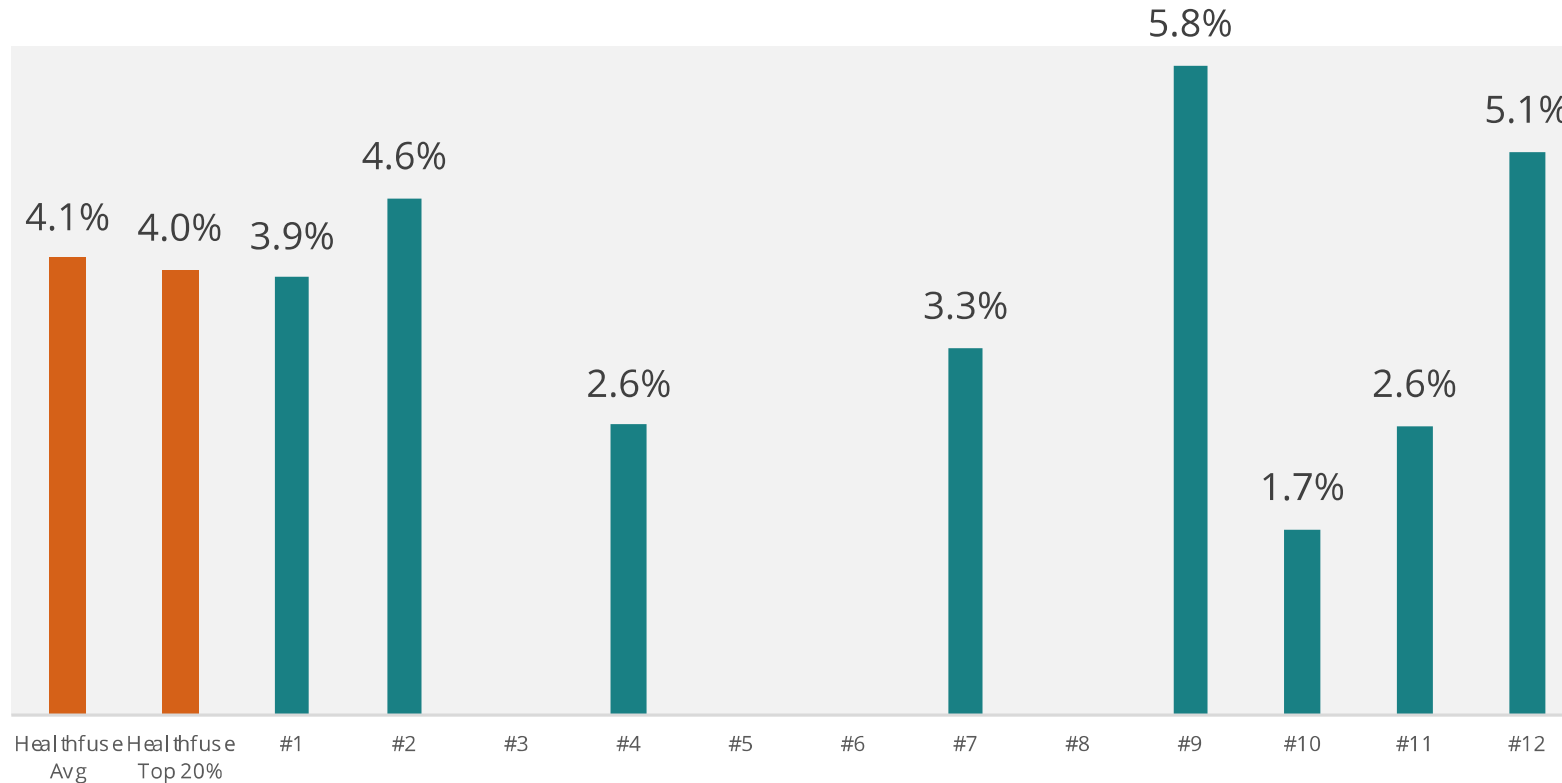
Lack of transparency and trust

Vendor Portfolio

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Patient Access	HIM & Case Management	Business Office	Support Functions
☐ Scheduling	☐ Clinical Documentation Improvement	☐ Patient Statements	☐ Credit Balance Recovery
☐ Appointment Reminders	☐ DRG Validation	☐ Online Payment Portal	☐ Underpay Recovery
☐ Order Management	☐ Charge Capture Audits	☐ Patient Loan Financing	☐ Physician Enrollment & Credentialing
☐ Pre-Registration	☐ Coding Overflow	☐ Early-Out Self-Pay or Pre-Collect	☐ CDM & Pricing Audits/Management
☐ Registration Accuracy	☐ Coding Quality & Audits	☐ Probate Recovery	☐ Medicare Bad Debt/Cost Reporting
☐ Financial Counseling	☐ Transcription	☐ International Billing & Collections	☐ A/R Reserve Modeling
☐ Medicaid Eligibility	☐ Physician Advisor	☐ Philanthropic Funding	☐ Strategic Pricing
☐ Insurance Verification/Discovery	☐ Release of Information	☐ Complex Claims (Work Comp, MVA)	☐ Transfer DRG & IME Recovery
☐ Pre-Authorization	☐ Computer-Assisted Coding	☐ A/R Follow-up (3rd Party)	☐ Staff Education & E-Learning
☐ Medical Necessity	☐ Document Scanning & Indexing	☐ Charity Care Processing	☐ Contract Modeling/Management
☐ Propensity to Pay	☐ Document Storage & Shredding	☐ Denials Management	☐ Performance Reporting
☐ Point of Service Collections	☐ Encoder/Grouper	☐ Claims Management	
☐ Financial and Charity Counseling	☐ Record Management	☐ Electronic Posting	
☐ Public Benefit Assistance	☐ Dictation & Voice Recognition	☐ Ins. Discovery/Last-in-line Eligibility	
☐ Presumptive Charity	☐ Audit Tracking & Reporting Length of Stay Management	☐ Bad Debt (Primary or Secondary)	
☐ Patient Balance Estimation			

Industry Benchmarks and Discussion

RCM Spend

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

RCM Vendor Reliance

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Vendor Spend vs Budget

Bar chart showing vendor spend percentages:
- Healthfuse Avg: 14.9%
- Healthfuse Top 20%: 12.6%
- #1: 11.0%
- #2: 6.7%
- #3: (none)
- #4: (none)
- #5: (none)
- #6: (none)
- #7: 16.2%
- #8: (none)
- #9: 12.6%
- #10: 16.6%
- #11: 21.4%
- #12: 23.9%
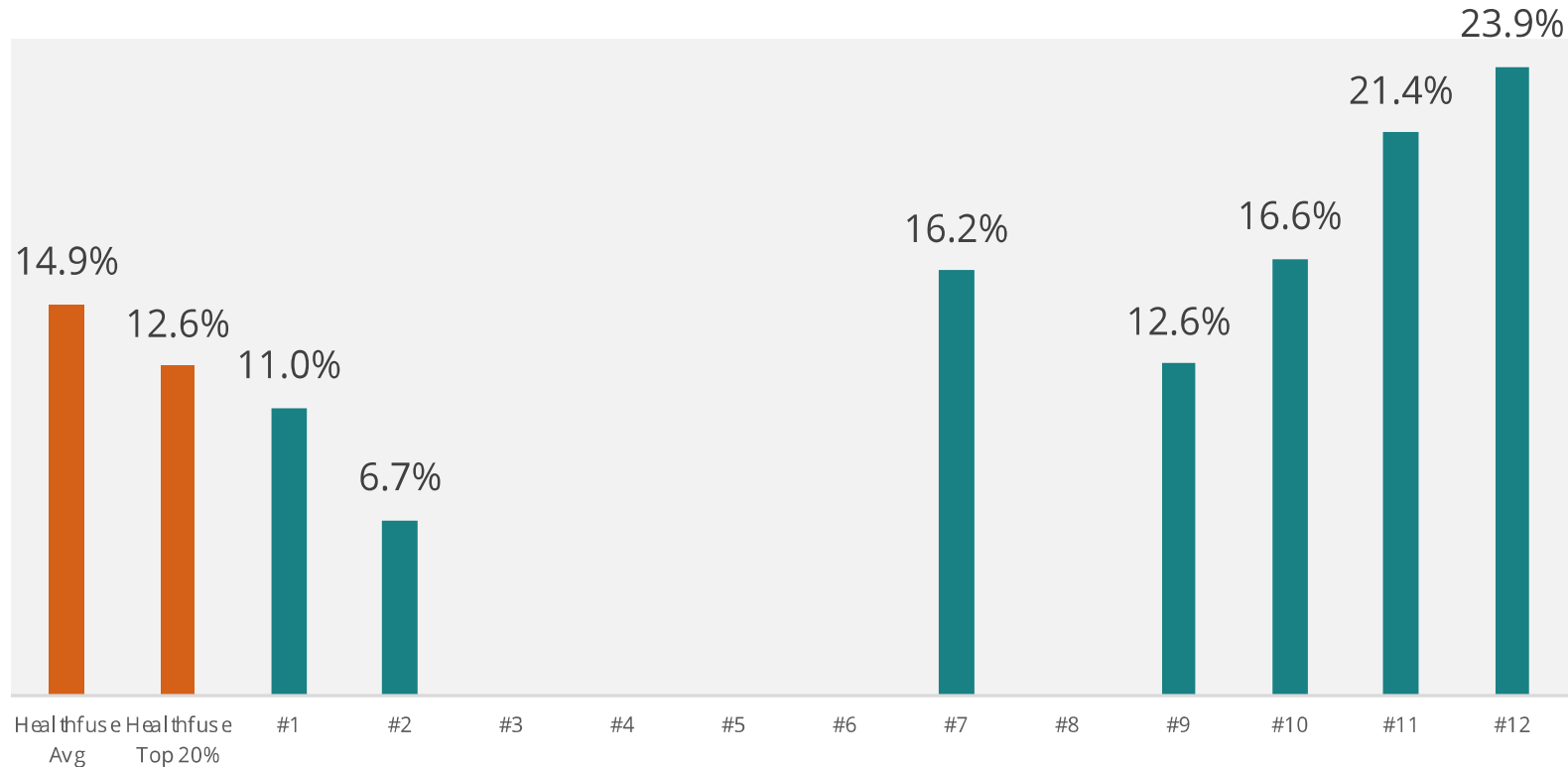
Average = 15.1%

- 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
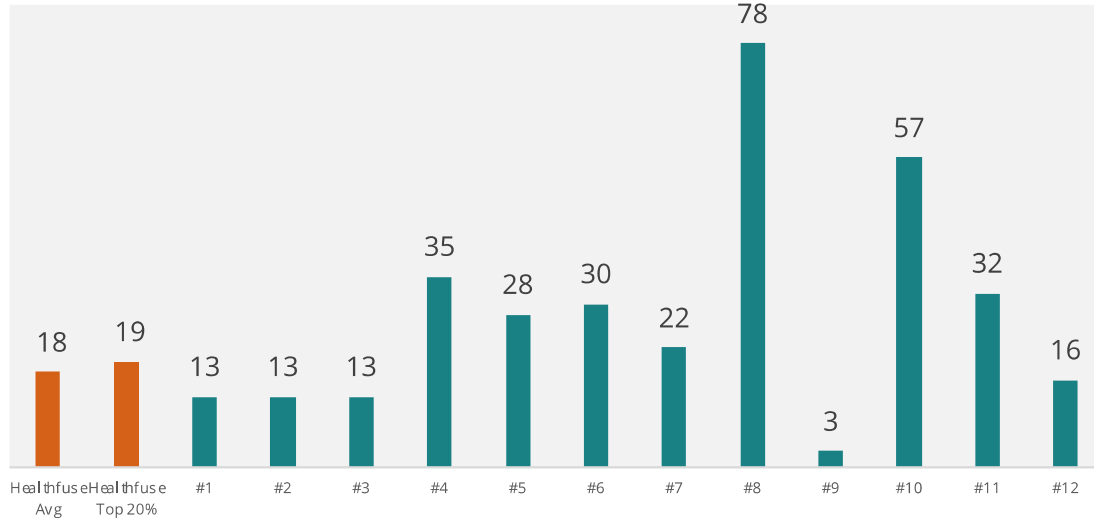
Average = 28

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

Vendor Types
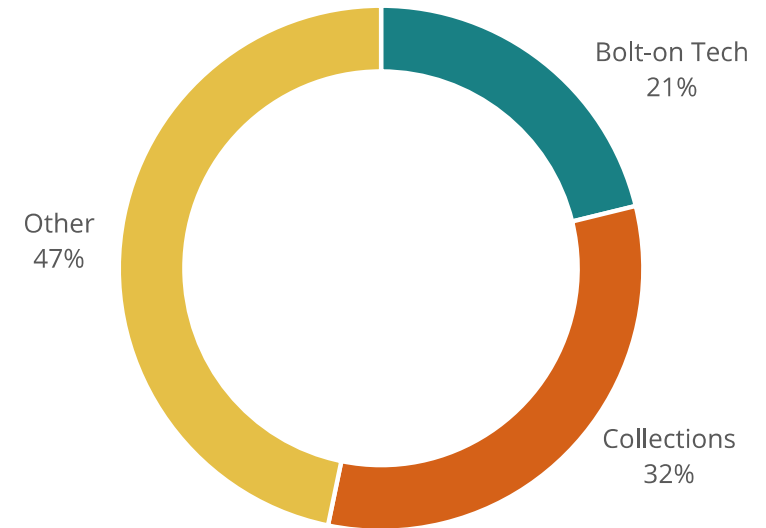
- 32% of vendors are collections outsourcers – companies that are responsible for collection on A/R or bad debt, including public benefit assistance

- 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 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 <u>ONE CHANGE</u> HEALTHCARE PROVIDERS COULD MAKE THAT WOULD ALLOW YOU TO SERVE THEM BETTER?

What Vendors Are Saying

Healthfuse

WHAT'S THE ONE CHANGE HEALTHCARE PROVIDERS COULD MAKE THAT WOULD ALLOW YOU TO SERVE THEM BETTER?

Standardization (w/ processes, personnel, etc.) 16%

Better Data Quality and Access 15%

Transparency 34%

Communication 17%

Collaboration 18%
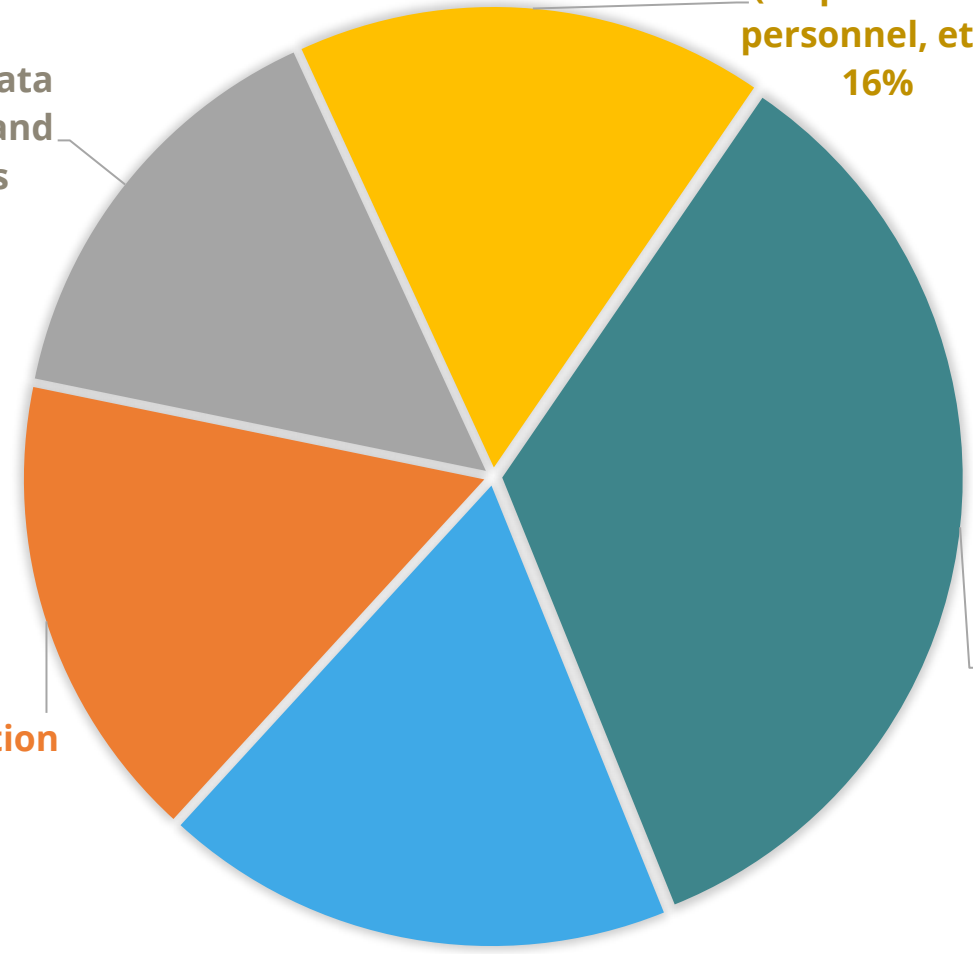
What Vendors Are Saying

"

WHAT'S THE <u>ONE CHANGE</u> HEALTHCARE PROVIDERS COULD MAKE THAT WOULD ALLOW YOU TO SERVE THEM BETTER?

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

Cost Savings

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

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

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

01 Account Auditing
Perform weekly account-level audits to determine how your collection vendors are working your accounts to identify performance gaps and improvement opportunities

02 Invoice Certification
Perform monthly vendor invoice reconciliations to scrub for inappropriate and duplicate fees, including adherence to contractual terms, etc.

03 Inventory Reconciliation
Perform monthly inventory reconciliations to prevent missed placement files, cross-vendor duplication, etc.

04 Vendor Scorecard
Standardized monthly performance reporting across to compare competing vendors and track "true" performance

05 Contract Management and Negotiation
Obtain multiple bids to ensure best-in-market pricing, clear terms, and industry standard service-levels

06 Sourcing and Implementation
Leverage RFP and industry research to identifybest-in-class vendors via vendor profiles, comparison grids, and benchmarks

07 Vendor Strategy
Support and develop the vendor strategy, identify process improvement opportunities, and evaluate/implement new emerging solutions in the market that impact the bottom-line

08 Coaching and Ongoing Performance Improvement
Conduct vendor huddles with consistent goal-setting and performance reviews to process and/or performance issues, close gaps, and remediate issues

Technology

Research

Service

1. Expect What You Inspect:
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

- **Analyze activity.** 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

Account Audit Dashboard

Early-Out Self-Pay | Vendor A

Facility	Strategy	Vendor	Acct Status	Flag	Active Payers	Phone Filter	Collector
All	All	All	All	All	All	All	All

51.0% Compliance

Placed Balance	Current Balance	At Risk Balance
$39,494,964	$37,734,116	$16,025,299

Active Inventory	Flagged Inventory	% Active Payers
95,002	46,565	50.5%

Inventory Aging Breakdown

Days/Mo.	% Comp.	Volume	% of Vol	Balance	% of Bal	Avg. Last Call	Avg. Last Pay	% Active	NASP	NASP %
0-30	76.8%	36,409	38.3%	$13,149,622	34.8%	256	56	41.6%	0	0.0%
31-60	32.6%	27,116	28.5%	$10,494,957	27.8%	188	70	49.6%	6,824	25.2%
61-90	34.1%	21,718	22.9%	$9,418,297	25.0%	171	80	55.0%	4,228	19.5%

2. Expect What You Inspect, Part Two:
Invoice Certification

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- **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

- **Only Pay for the 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

Invoice Certification Dashboard
Early-Out Self Pay | Vendor A

% DISPUTED
18.2%

$ DISPUTED
$8,021

CREDITS BY MONTH

May / June / July
Confirmed / Pending

Category	Accounts	Vendor Invoice	Disputed Amount	Hospital to Pay
No Dispute	5,122	$36,015	$0	$36,015
No Payment Made	255	$2,156	$2,156	$0
Payment Prior to Assignment	25	$1,700	$1,700	$0
Contractually Not Entitled to Fee	0	$0	$0	$0
Fee Cap Exceeded	0	$0	$0	$0
Payment Discrepancy Current	0	$0	$0	$0
Historical Fee Variance	0	$0	$0	$0
Grace Period Violation	56	$3,500	$3,500	$0
No Work Done by Vendor on Account	0	$0	$0	$0
Account Not Placed with Vendor	0	$0	$0	$0
Incorrect Fee	14	$665	$665	$0
Payment Discrepancy Historical	0	$0	$0	$0
Total	**5,472**	**$44,036**	**$8,021**	**$36,015**

CROSS VENDOR REVIEW

Primary BD #1	Primary BD #2	Secondary BD	Auto TPL	Work Comp TPL	Medicaid Eligibility
5	3	0	0	0	2
$200	$300	$0	$0	$0	$200
Total		$700			

3. Secure Emails May End the World:
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

Inventory Reconciliation Dashboard
Early-Out Self Pay | Vendor A

February 2023 — **B** 84.3% Inventory Health

Goal: 95%

85.3%	85.0%	77.1%	84.3%
November 2022	December 2022	January 2023	February 2023

Hospital - Vendor Inventory

	Accounts	Hospital Balance	Vendor Balance
Exact Match	162,096	$94,666,377	$94,666,377
Zero Balance*	58	$0	$0
Credit Balance*	1,198	($584,784)	$0
In Transit to Vendor	13,316	$3,870,028	$0
In Transit to Hospital	9	$0	$51,955
Hospital not with vendor	29,779	$13,682,728	$0
Vendor balance high	1,452	$98,568	$850,358
Vendor balance low	84	$92,958	$74,906
Vendor not with hospital	1,469	$0	$10,371,841
Grand Total	209,461	$111,825,876	$106,015,437

Payment Plans (based on Vendor File)

16.6% on pay plan

Repeat Fails / Total Fails

21,149 | 11,635 | 35%

Cross Vendor Reconciliation Fails

Primary BD #1	Primary BD #2	Secondary BD	Auto TPL	Work Comp TPL	Medicaid Eligibility	Denials	Grand Total
141	144	4	22	1	10	14	336

Aging Analysis (based on Vendor File)

	Volume	Vendor Balance	Payment Plans	Plan Balance	% on Pay Plan	Non Pay Plans
0-30	43,786	$24,275,823	798	$487,673	1.8%	42,988
31-60	33,411	$20,364,491	2,176	$1,134,165	6.5%	31,235
61-90	23,605	$15,282,063	2,513	$1,338,577	10.6%	21,092
91-120	20,492	$16,266,895	2,916	$1,894,071	14.2%	17,576
121-180	15,135	$10,499,739	5,019	$2,753,711	33.2%	10,116
181-364	14,310	$10,440,273	8,373	$4,669,202	58.5%	5,937
365+	14,371	$8,886,152	5,590	$2,874,514	38.9%	8,781
Grand Total	165,110	$106,015,437	27,385	$15,151,913	16.6%	137,725

4. Simplicity is the Ultimate Sophistication:
Consolidated and Uniform Reporting (Vendor Scorecard)

- **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

- **Trust in the Data.** 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
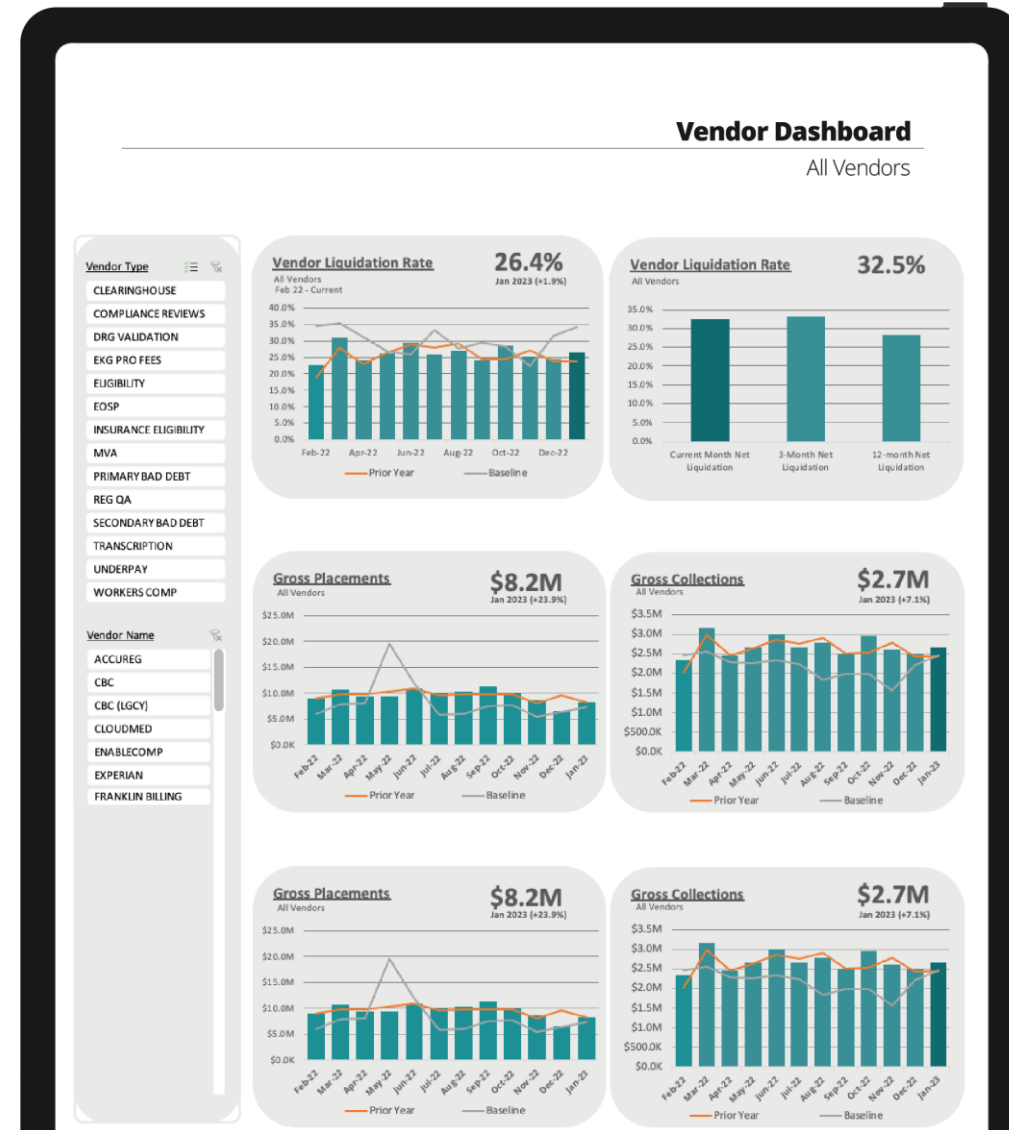
5. If You Don't Ask, the Answer is Always No:
Contract Management and Negotiation

- **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. Selling Follows Service:
RFP Facilitation and Vendor Sourcing

- 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 a thorough implementation plan during the sales process

- Know your internal checklist

	Vendor A	Vendor B	Vendor C	Vendor D
Operating Model				
Managed Service	✔	✔	✔	✔
Tech License	✔	✔	✖	✔
Fee Structure				
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
Implementation Lift				
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. More Quick Hits:
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

	Summary	Benefit to Hospitals				
		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 nisl 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. Volutpat 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. People Eat AI for Breakfast:
Vendor Coaching & Performance Improvement

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

1. Set Goals
- What's needed
- What's justifiable
- Benchmarks and alternatives

2. Action Planning
- What are steps
- Who does what
- Answer when/how

3. Overcome Hurdles
- What are they
- Support needed
- Resources needed

4. Assess Progress
- Vs. goal
- How much progress
- What did it take to accomplish it

Appendix

The Community

Healthfuse

$1.3 BILLION
In Bottom-line Improvement To-Date

KLAS Research: 2023 Report

Healthfuse

- **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**

KLAS RESEARCH

- Quality of staff and consultants**: A+**

- Drives tangible outcomes**: A**

- Strength of partnership: **A+**

- Likely to recommend: **A+**

- **Would you buy again?**: **100% yes**