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DISCOVER THE POWER OF INVOICE ROI™

RECONCILIATION, OPTIMIZATION,
INTELLIGENCE

By Lisa T. Miller, MHA



VIE HEALTHCARE®
CONSULTING

MARGIN IMPROVEMENT EXPERTS



VIE HEALTHCARE® CONSULTING
RESEARCH REPORT

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LETTER FROM THE CEO

Spending on US healthcare reached a record high of \$3.8 trillion in 2018. US healthcare costs are the highest in the world and nearly double that of most developed countries.

This trend cannot be sustained. Cost control and margin improvement are the urgent strategic priorities for all healthcare systems as the industry grapples with emerging digital technologies, combating spiraling costs and a renewed emphasis on high quality patient care.

As CEO and founder of VIE Healthcare®, my focus is on delivering immediate, guaranteed margin improvement and sustainable cost savings to our clients to help you respond to those demands. This report explores one of the most overlooked areas – purchased services spend.

We achieve major cost savings for our clients with our patented, proven technology Invoice ROI™.

In this VIE Healthcare® Research Report, my goal is to empower you to discover the power of line item analytics and make smarter, data driven decisions for your hospital's purchased services spend to deliver significant cost savings.

Please reach out directly to me to discuss the ways in which VIE Healthcare® can empower and support your organization in the vital areas of margin improvement, transforming the patient experience and delivering high quality healthcare.

I look forward to hearing from you.

Sincerely,

Lisa T. Miller, MHA
Healthcare Margin Improvement Expert, CEO

EXECUTIVE SUMMARY

Healthcare costs are on the rise. US spend per capita on healthcare exceeded \$10,000 in 2017. Healthcare consumption now represents 17.2% of the country's GDP¹.

Furthermore, an estimated annual growth rate of 5.5% is predicted from 2018 to 2027 placing the onus firmly on hospitals and healthcare institutions to deliver greater margin improvements and take control of spiralling costs.

'As a general principle...about one third (of hospitals) have margins that are above zero, probably about one-third of hospitals are pretty close to zero... and about one-third are running in the red.'

Gary Young, Director of the Center for Health Policy and Healthcare Research at Northeastern University²

Purchased services spend is one of the most overlooked opportunities to drive margin improvement and reduce spending. The issue is that the majority of hospitals struggle to monitor and manage the high volume of supplier contracts, much less evaluate them.

The extensive frontline expertise provided by VIE Healthcare® has enabled us to develop and utilize a proven process to identify, analyze and deliver significant cost savings in hospital purchased services.

We have now transformed this proven strategy into a technological process and patented this technology as our Invoice ROI™.

Invoice ROI™ is our automated process to manage your purchased services spend.

Invoice ROI™ from VIE Healthcare® offers invoice **reconciliation**, contract **optimization**, business **intelligence** and an analytics platform with real-time contract reconciliation and benchmarking performance provided on a monthly basis for outsourced services to deliver **immediate guaranteed margin improvement**.

1 <http://www.oecd.org/health/health-systems/Health-Spending-Latest-Trends-Brief.pdf>

2 <https://viehealthcare.com/hospital-cost-improvement-strategy/>

THE UNTAPPED COST SAVINGS IN PURCHASED SERVICES SPEND

Purchased services spend can comprise as much as 40-50% of a hospital's non-labor spend. These costs cover areas such as dietary, housekeeping and waste management for example. In our experience, most hospitals don't have an accurate understanding of this significant portion of their budget, yet it can represent potentially millions of dollars in annual savings.

Gaining clarity of your purchased services spend can improve patient care and satisfaction as well as drive efficiencies and margin improvement.

4 common problems arising from a lack of visibility of your purchased services spend

When hospitals lack visibility over their purchased services spend, a number of issues arise:

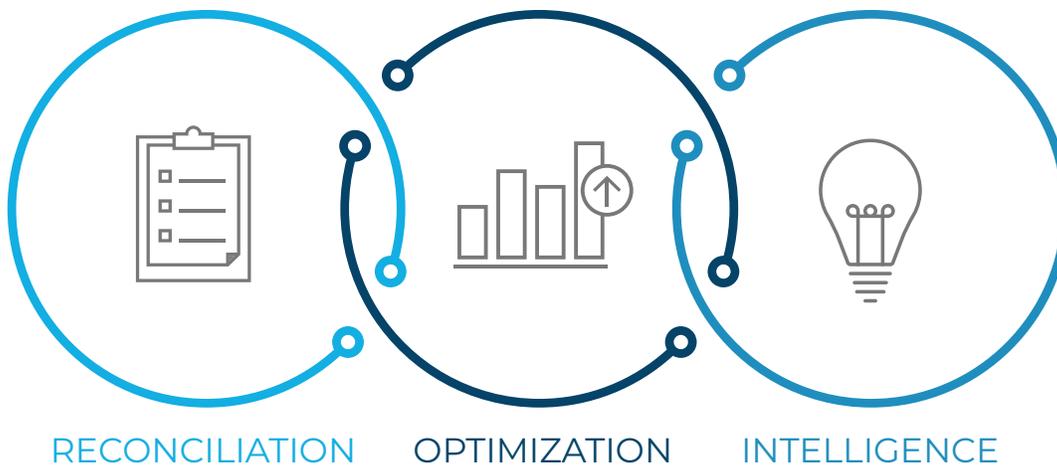
- In some hospitals, it is possible for departments to have different contracts with the same vendor at significantly different rates.
- Some contracts are run on automatic annual renewal which have rarely been reviewed. In these situations, hospitals have no control or understanding of what that arrangement is costing them.
- Price fluctuations are often overlooked.
- Visibility of cost detail is impossible.

Invoice ROI™ empowers your hospital to track these costs in real time and compare them to historical data to deliver actionable intelligence. That data can be used to make significant cost savings, improve your margins, track purchased services spend and monitor ongoing performance.

Our invoice reconciliation technology enables us to understand your hospital's spend history and deliver real time data with full visibility and actionable intelligence.



INVOICE ROI™ RECONCILIATION – OPTIMIZATION – INTELLIGENCE



RECONCILIATION

Traditionally, benchmarking is used to evaluate how a hospital is performing compared to its competition in order to identify improvement. In our experience, hospitals move to benchmarking, optimization and variation before carrying out an essential line item analysis, often missing significant opportunities for cost savings.

Our unique approach **always begins with reconciliation**, examining each agreement and carrying out a deep dive into the past 12 to 18 months of your invoicing data. Our line item reconciliation of each of your purchased services vendors, analyzed on a month by month basis, enables us to:

- Understand your hospital's spend history.
- Assess your invoice accuracy.
- Determine whether the vendor has delivered on all of their agreements at the stated contract pricing.

This line item reconciliation reveals the potential hidden costs contained in your invoices which are often the result of pricing errors and off-contract spend that your hospital is unaware of. It also allows our experts to identify trends in utilization that can further increase your costs.

Prior to the launch of our state-of-the-art technology, Invoice ROI™, this task was carried out manually, ensuring all line item data was entered correctly onto spreadsheets.

Line item analysis is the most critical part of the entire process and essential to drive significant savings.

The results we achieve through line item analysis cannot be achieved with AP spend. While AP can be categorized in a shorter timeframe, it provides only directional, high level category information that lacks the detail and analysis essential to drive improvements in your purchased services spend.

For example, Invoice ROI™ provides your hospital with greater ability to generate long item detail reports which enable the validation of credible purchased services. These cover such items as dialysis and esoteric testing. The resulting reports can then be sent to REV cycles, minimizing the need for AP audits.

As a further example, in linen we have 12 components to a dashboard. With Invoice ROI™, we can provide real time utilization data which enables hospitals to measure linen loss in real time. This is unparalleled in purchased services management as it provides an end-to-end way of managing the tremendous amount of information available in each invoice. That line item detail must be analyzed monthly, rather than carrying out retrospective performance improvement exercises on a 12 or 24 month basis.

These invoiced line item details are also generally not available in hospital material management systems. In these cases, agreement structures are often complex and, consist of different tier pricing, particularly when dealing with multiple vendors.

CASE STUDIES

Working with a regulated medical waste provider, VIE Healthcare® discovered that:

- Over 25% of spend was outside the agreed contract.
- Of the 75% that was in the contract, only 60% of that matched the stated contract price.

Immediately we were able to identify significant cost savings for this hospital with just one vendor.

6 MAJOR CATEGORIES OF PURCHASED SERVICES SPEND

At VIE Healthcare®, we have found it most effective to work with six major categories of purchased services spend for the purpose of reconciliation, which are listed below. These six areas represent high value potential for cost savings opportunities but at the same time often present challenges to hospitals attempting to reconcile monthly invoices to vendor agreements.

Not only are these savings huge and easily achieved, they have no negative effect on the operation of the hospital.

- Clinical
- Finance/Support
- Finance/HR/HIM
- Biomed/Service/Maintenance
- IT/Telecom/Telehealth
- Administrative

OPTIMIZATION

Most hospitals believe they are “stuck” with their purchased service agreement provided by their vendor and accept a 3%-5% price increase each year without question. The truth is that, closely scrutinizing your purchased services agreements and renegotiating market competitive rates will reap significant savings for your hospital.

With accurate, enterprise-wide purchased services spending data, health systems can easily view spending trends and identify potentially rogue vendors. When eliminated or renegotiated, cost savings of 5-10% are easily achievable.

Imagine the impact of a 15% expense reduction on a \$40 million purchased service spend.

That is \$6 million.

It makes a tremendous difference to the overall impact on your hospital's operating margins.

For the majority of hospitals, there are three ways in which to access line item details from your purchased services spend:

- Go to AP and copy your invoice details. If scanned into your system, those invoices can be pulled down for the data to be manually entered into an Excel spreadsheet. Adopting this practice meticulously for many years provided us with our front line expertise which we transformed into a proven automated system, Invoice ROI™.
- Request your utilization from your vendor. The challenge with this method is the accuracy of the information provided. Vital details such as surcharges and fees are often omitted from reports. That information is key for accurate purchased services spend analysis and for your analytics.

Automate the line item reconciliation of your purchased services invoice to your agreement and use a system which details monthly line items spend analytics. In this way, processes are proven and aligned. This can be achieved with our unique Invoice ROI™ process.



Before extracting data from your invoice, it can be helpful to consider the following steps: Define your target area and decide on where you will focus resources. This may be in debt collection or dietary, as an example. The key to getting started is to focus on a single area.

Examine 12-18 months of contract data for that target area and consider the following:

- Is this item on credit spend?
- Examine rebates, credits or incentives included in the agreement.
- Is there a variation in the fee?
- Do opportunities exist for standardization?
- Visit the facilities of your current provider to understand how their operational system works.
- Review the gaps and the potential service issues to understand where your costs lie.

The work carried out by VIE Healthcare® enhances the systematic collection, interpretation, and analysis of multiple invoices searching for the following:

- Identifying trends
- Purchase patterns
- Outliers
- Variations
- Quality
- Utilization improvement opportunities

This process enables a pro-active monthly management of the outsourced and purchased service spend for our clients.

When we review a purchased services agreement, we examine the invoices and review the contract. Invoices are then matched to contracts in order to understand utilization and reimbursement. If possible, we then benchmark and go to a very granular level.

If price alone is examined, it will not be optimized. Reconciliation and optimization drive costs savings from these initiatives. An in-depth assessment will reveal the extent of your costs in each area.

CASE STUDIES

Working with an outsource agreement company, VIE Healthcare® analyzed 12 months' of invoices to extract an annual figure. This covered six hospital health systems with 3,042 annual cases at a cost of 254 per month. Their contract stated 205 minimum cases so those figures appeared to be healthy. However, closer examination and analysis revealed that each hospital had its own monthly minimum spend, which not all hospitals were meeting.

- **Hospital A** was at 33 per month, with a minimum of 15.
- **Hospital B** recorded an average of 14 per month with a minimum of 20, meaning the hospital was paying for 69 cases that it wasn't using.
- **Hospital C's** minimum was 70 but dropped below that figure for two months so paid for 18 extra cases over the course of a year.
- **Hospital D** had a monthly minimum of 40 and averaged under 24, thereby paying for an additional 198 cases per year.

VIE Healthcare® was able to identify these discrepancies and negotiated a monthly minimum for the entire system of 175 to ensure no payment was made for unused cases.



INTELLIGENCE

Data analytics solutions reveal hidden insights in the field of healthcare and this is particularly true of purchased services spend.

Our Invoice ROI™ system delivers actionable intelligence and offers a complete solution for managing, monitoring and reducing your purchased services spend.

Our technology automates our process, which is proven since 1999. It enables hospitals to examine and reconcile invoice data, reveal trends and be able to benchmark while providing real-time reconciliation and optimization insights.

With an in-depth examination of hospital spend, Invoice ROI™ combines line details with other data inputs that identify trends, variations, quality and utilization improvement opportunities for pro-active monthly management of outsourced purchased services spend.

Invoice ROI™ technology automates invoice reconciliation, contract optimization, business intelligence and analytics. This process enables your hospital's supply chain team to build a funnel of cost-saving projects and successfully execute those savings on their own.

This line item analysis equips your hospital with an efficient method of monitoring and tracking your purchased services spend. Your negotiating position with vendors is thereby strengthened, while long-term supplier relationships can be established with confidence.

CASE STUDIES

One client requested an RFP in a short timescale, providing us with one month's worth of invoices. In total, there were 284 invoices to analyze, some of which were two to three pages long.

Within 24 hours VIE Healthcare® was able to extract the line items, 3,327 in total, covering numerous costs, including bank rates. We were also able to provide from each location specialist some of the regular hours for the month, such as the overtime rate, the gross rate and all the vital information a hospital needs to understand its cost structure. That is the power of being able to digitally extract line items from data and invoices with Invoice ROI™.

Invoice ROI™ overcomes the challenges faced by hospitals in line item analysis of purchased services invoices. These issues include:

Volume of data: Every month hospitals are faced with hundreds to thousands of line items on invoices which require review for multiple vendors.

Lack of detail: Summary invoices are often provided, lacking the supporting detail which is essential to comprehend and analyze your purchased services spend. In our experience, different line items can often be trapped within the invoices themselves.

A shift in invoicing: Purchased services invoices are unique, presenting a significant challenge compared to invoices received for traditional stock items. This shift in the way services are invoiced requires trust between the hospital and their suppliers.

Complexity: Due to the complexity of charges and the way in which services are invoiced, high potential for billing errors exists. These errors are often overlooked because the price increase may only fluctuate by 10% compared to the previous month. Far too often, this increase is absorbed often without question.

Reviewing spend on a 12 month basis: Another common issue is reviewing spend on a 12 month basis. A review of 12 months may show that \$75k was spent, but line item analysis would reveal that the previous three months had been trending up 30%. This detailed information affords the ability to accurately project and control future costs.

DISCOVER THE POWER OF LINE ITEM ANALYTICS WITH **INVOICE ROI™** FROM **VIE HEALTHCARE®**

VIE Healthcare® specializes in providing appropriate, attainable benchmarks. Our meticulous reconciliation of invoices against agreements gives our clients the confidence to negotiate new prices with confidence and with credits in mind.

Our proven system, Invoice ROI™, enables us to digitally extract line item details and within seconds to reconcile, optimize and perform intelligence that ensures pricing discrepancies are identified in real time, enabling you to identify trends.

Supported by data analytics, intelligence empowers your hospital to negotiate market competitive, best-in-class rates. Data analytics simplifies the benchmarking and evaluation process to identify the best suppliers for your services, including the managing of contracts due to expire or those coming up for renewal.

Our system builds a database, rapidly reconciles your invoices to your contract and identifies trends in line item details, enabling you to promote best practice initiatives.

Once an agreement is reached, life cycle management of purchased services spend is carried out on a monthly basis.

This unique Invoice ROI™ platform allows your hospital to identify discrepancies and errors in real time, not at the time of contract renewal.

Analyzing the invoice line item details for every purchased services vendor, by month, allows our experts to see trends in utilization that are often missed and often very costly to your hospital. Problematic areas are rapidly identified, including items that don't fall within contract parameters and errors on contract pricing before payment. Utilization improvements and services issues are highlighted immediately.

SUMMARY

Hospitals and health systems are coming under greater scrutiny as they face increasing pressures to deliver high quality patient care while staying financially viable. When a purchased service is correctly benchmarked, appropriately contracted and effectively managed, a hospital can realize meaningful savings that can be passed on and used to improve patient care.

Get clear visibility into your purchased services spend.

Invoice ROI™ from VIE Healthcare® offers a complete data analytics platform for managing, monitoring and reducing your purchased services spend and delivers significant cost savings **in real time**.

Discover the power of line item analytics.

Drive smarter decisions for your hospital's purchased services spend.

Deliver cost savings in real time.

Invoice ROI™ performs a detailed assessment of invoices and contracts, reconciling invoices with a click of a button.

ABOUT VIE HEALTHCARE® CONSULTING

Just as a sports team would not walk onto a field without a meticulous playbook and without a coach to lead them, nor should an organization enter into an outsourced service provider arrangement without an expert coach.

VIE Healthcare® is an experienced strategic outsourcing advisor to hundreds of hospitals. We have assisted hospitals and organizations with outsourcing decisions and benchmarking strategies since 1999. We are committed to your priorities.

What Our Clients Say About VIE Healthcare®



We engaged VIE Healthcare® to assist us in evaluating and reducing our purchased services spend, a growing segment of our operating expenses. Their patented methodology to compare actual spend to contract spend, using line-item invoice detail, helped us recover hundreds of thousands of dollars related to inaccurate billing. Further, they've been responsible for well over a million dollars in savings by partnering with us to evaluate our rates against market rates for services, ultimately leading to re-negotiated terms with our vendors and anticipate I more to come as we continue our work with VIE Healthcare®. This all happened within the first 6 months of the engagement. I couldn't be more pleased with their approach and results.

Christine Pearson | Chief Financial Officer, AnMed Health



We have been overly impressed with VIE Healthcare's approach to our purchased service agreements. We begin with a retroactive audit of our existing agreements and reconciliation of any discrepancies and overpayments through VIE Healthcare's Invoice ROI™ Technology. From there VIE Healthcare's Invoice ROI™ Technology continues to review invoices regularly to help avoid any future discrepancies. VIE Healthcare® has been able to identify hundreds of thousands of dollars in discrepancies. Because they analyze invoices at the line item level, VIE Healthcare® have the ability to quickly take utilization and usage trends to produce RFPs allowing us to re-negotiate new agreements resulting in further cost reductions. This includes consolidating contracts and service providers across multiple hospitals in different regions.

Luis R. Martinez | VP Supply Chain, Cornerstone Healthcare Group



I have worked with VIE Healthcare® in my past two organizations and they were highly effective in identifying and achieving cost savings opportunities in Clinical, Financial, and Operational Purchased Services. They have strong capabilities in price benchmarking, contract reviews, spend data analytics, and have the ability to develop a negotiation strategy that can be implemented for deep cost savings. If your organization is looking for a cost saving partner, I recommend VIE Healthcare®.

April LaFontaine, FACHE, MBA, CPC | Vice President – Revenue Cycle, Memorial Hospital

ABOUT US



LISA T. MILLER, MHA

HEALTHCARE MARGIN IMPROVEMENT
EXPERT, CHIEF EXECUTIVE OFFICER
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HEALTHCARE MARGIN IMPROVEMENT EXPERT, VIE HEALTHCARE® FOUNDER/CEO

Lisa Miller, Founder and CEO of VIE Healthcare®,

is the nation's leading healthcare consultant on healthcare costs. She is a trusted advisor to hospital leaders on operational strategies within margin improvement, process improvements, technology/telehealth, the patient experience and growth opportunities.

Since founding VIE Healthcare® Consulting in 1999, she has become a recognized leader in healthcare operational performance improvement. Lisa and her team have generated over \$620 million in financial improvements for their healthcare clients.

Spanning 28 years, Lisa's successful business career has included sales and management positions with leading international healthcare and medical companies. This invaluable experience has refined her finance and profit improvement abilities and in the healthcare sector.

Lisa understands that creativity and innovation unlocks the doors to break through success and will achieve financial and operational goals and her passion is unlocking front line innovation to achieve financial and operational goals. One way she does this is through VIE's EXCITE! Program – an innovative performance improvement workshop that captures employee ideas and translates them into profit improvement initiatives.

Lisa is also the creator of Patient Journey Mapping, an effective qualitative approach for visualizing a patient experience across channels and touchpoints for clinical, operating and financial improvements.

She's developed proprietary technology in healthcare data optimization for financial improvement in addition to a technology that increasing patient satisfaction through front line insights.

HOW TO WORK WITH US

VIE Healthcare® delivers dramatic margin improvement strategies and value-driven solutions for breakthrough results. There are several ways your hospital or healthcare organization can work with us:

Invoice ROI™

Consult with our margin improvement specialists to review your purchased services spend. Our unique Invoice ROI™ delivers guaranteed margin improvement and identifies cost saving opportunities in real-time.

This research reports identifies the top seven ways for your healthcare organization to drive margin improvement and provide exceptional patient care.

Consulting and Advisement

VIE Healthcare® is passionate about empowering our clients to transform the patient experience and deliver smarter healthcare. Our team of experts conduct comprehensive assessments to deliver rapid results aligned with your core business goals for increased profit.

Margin Improvement Strategies

Engage our in-house team of analysts to identify opportunities for non-labor savings, develop customized cost-saving reports and deliver the best pricing available anywhere on the market today.

Data Analytics

As leaders in the field of data analytics in healthcare, we work on the principle of 'what can be measured can be improved'. Retain our expert data analysts to deliver actionable insights to drive your success.

Call or email today Lisa Miller to discuss how VIE Healthcare® can work with you and your team to rapidly reduce costs in your purchased services spend: 1-888-484-3332 Ext 501 | lmiller@viehealthcare.com

VIE Healthcare® - The Formula Of Our Success:

Purchased Services Expertise | Proven Process | Invoice ROI™ Technology | Results Achieved



VIE HEALTHCARE®
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MARGIN IMPROVEMENT EXPERTS

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