April 2015

FACTS & FEATURES

AHA SERVICES
Guiding Healthcare Solutions

A for-profit subsidiary of the Arkansas Hospital Association

Spring Edition

Volume 20, Issue 2

Utilizing Vendor Analysis to Develop an Effective and Profitable Payment Strategy

CommerceVantage™ Commerce Bank™

With overwhelming demand for finance teams to create efficiencies and reduce costs, many organizations are exploring automation solutions. Capitalizing on automation capabilities allows the finance staff to devote time to more strategic – and profitable – activities that can positively impact the bottom line. One way to maximize the benefits of automation is to focus on vendor management.

The timing of when you pay your vendors affects your days payable outstanding (DPO) and overall cash flow, but focusing on *how* you pay your vendors is becoming a more critical piece – one that impacts your organization's ability to take advantage of early payment discounts and other types of revenue-earning potential.

Vendor management, vendor analysis, and payment management are becoming specialty activities. With so many ways to pay your vendors, it's important to develop a comprehensive payment strategy to capitalize on discounts, reduce costs, and maximize revenue, using each payment type to its utmost potential.

Unlock the value of your vendor list and increase the efficiency of your team's accounts payable and cash management capabilities. Vendor analysis and a well-defined payment strategy can impact your spend management function and will allow your organization to:

- Leverage process efficiencies within automation solutions.
- Analyze and segment your vendor list for maximum payment effectiveness.
- Maximize commercial card payments and other e-payment types that generate revenue.
- Capture early payment discounts and utilize supply chain finance to earn revenue without impacting your short-term cash.
- Reduce costs related to paper, postage, check writing and other payment fees.

Focusing on *how* you pay your vendors is becoming critical...

For additional information on accounts payable automation and vendor management, contact Amanda Curtis, at Amandag.Curtis@Commercebank.com or visit www.commercevantage.com.

Enhanced from Commerce Bank's founding accounts payable solutions platform, ControlPay®, CommerceVantage™ offers innovative, complete solutions to streamline AHA member hospitals' accounts payable processes and create new revenue for accounts payable departments without changing current banking relationships.

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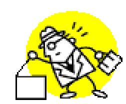
What's inside:



Survey: It's a Buyer's Job Market for Newly Trained Physicians

James Leising, Divisional Vice President of Marketing, Merritt Hawkins

MERRITT HAWKINS
an AMN Healthcare company

In today's economy, most college or training program graduates struggle to find a job in their fields.

For physicians, by contrast, the difficulty is not finding a job, but selecting the right job from a variety of opportunities. That is one conclusion of Merritt Hawkins' *2015 Survey of Final-Year Medical Residents.*

Released in January, the survey examines the career plans and preferences of physicians about to enter their first professional practice. The survey found that physicians completing their training in 2014 were inundated with recruiting offers. Over 60 percent of 2014 final year medical residents received 50 or more job solicitations during their training, while 46 percent received 100 or more job solicitations.

The survey included responses from over 1,200 medical residents about to complete their training and enter the job market. Residents were asked how many times in the course of their training they had been contacted by recruiters seeking to interest them in job opportunities by telephone, email or regular mail. Sixty-two percent said that they had received 50 or more job solicitations during the course of their training, while 46 percent said they had received 100 or more job solicitations.

Despite a favorable job market, however, some new doctors are unhappy about their choice of a profession, the survey indicates. New doctors were asked in the survey if they would study medicine if they had their education to do over again, or if they would select another field. One in four (25 percent) said they would select another field.

The survey also conveys some unfortunate news for rural areas, which traditionally have had a hard time attracting newly trained physicians. Only three percent of doctors surveyed said they would prefer to practice in communities of 25,000 people or less. In addition, only two percent of physicians said they would prefer a solo practice, while 68 percent said they would prefer to be employed by a hospital, medical group or outpatient clinic.

Timing also is an important issue when recruiting medical residents, the survey indicates. Sixty-eight percent of residents said they begin an active job search one year or more before the end of their training, while the remaining 32 percent wait until the last 12 months.

When it comes to what they look for in a practice, residents express a strong interest in "lifestyle." Lifestyle largely is defined by residents as the availability of free time. When asked what their biggest concern is about entering their first practice, "lack of free time" topped the list.

The overall margin of error of the survey is +/- 2.81% as determined by statistical response experts at the University of Tennessee. AHA members who would like a free copy of the survey are welcome to call James Leising at 800-876-0500 or email at james.leising@merritthawkins.com.

James Leising is Divisional Vice President of Marketing for Merritt Hawkins, the nation's leading physician search firm.

Visit www.merritthawkins.com for more information on Merritt Hawkins or contact John Carter, 469.524.1766.

Arkansas Hospital Education & Research Trust Hospital Executive Leadership Conference
June 17-19, 2015 at the DoubleTree by Hilton, Downtown Nashville, TN

You don't want to miss…

- **Dr. Larry Van Horn,** Associate Professor of Management (Economics), Executive Director of Health Affairs, Vanderbilt University discussing **Changes Facing U.S. Healthcare Delivery**
- **Keni Thomas,** former United States Army Ranger, author and country music artist, who **served in the now famed "Blackhawk Down" mission** presenting **"Train as you Fight, Fight as you Train and Lead by Example"**
- AHEF/ACHE's Panel Discussion on **Telemedicine in the Healthcare Delivery System** featuring **Elisa White,** Vice President and General Counsel, Arkansas Hospital Association (moderator); **Dr. Curtis Lowery,** Chairperson for Department of Obstetrics and Gynecology, University of Arkansas for Medical Sciences; **James Magee,** Executive Director, Piggott Community Hospital; and **Steve Spaulding,** Senior Vice President, Enterprise Networks, Arkansas Blue Cross Blue Shield
- **Kristy Gay,** Patient Experience Advisor, Press Ganey Associates, Inc., presenting **The Evolution of Patient Experience: Compassionate Care™ to Reduce Patient Suffering**

1.5 ACHE Face-to-Face Education credit hours will be awarded.

For more information visit http://www.arkhospitals.org/events/ahert-hospital-executive-leadership-conference

Mining for Dollars: The Costly Impact of Burying Managed Care in Departmental Silos

iVantage Health Analytics

Randy Bury, Vice President, iVantage Advisory

The last issue of *Facts and Features* included an article about how contractual clauses, specifically lesser of language, can create an opportunity to improve the realization rate on your contracts and grow top-line revenue – without waiting until you are sitting at the negotiation table.

As the market has seen downward pressure on the fixed rate increases being secured through active negotiation with payers, mining for dollars and maximizing the opportunity under existing agreements <u>during an off-cycle year</u> are essential to meeting budget expectations.

The role of managed care continues evolving toward a more strategic position as leaders recognize the wide-reaching implications of opportunity and risk driven from their payer contracts. Today, organizations rely on a higher percentage of patient revenue under commercial agreements than ever before and, with that increased control comes the implicit expectation of improved financial performance. But to succeed through improved contract yield, managed care departments have to collaborate with other areas in the organization which drive clinical, operational, or strategic decisions.

There is compelling evidence that a lack of interdepartmental communication can result in suboptimal contract performance once a negotiation concludes. One of the more common problems seen over the years in this realm is the synchronization of charge mark-up algorithms for specialty, often pass-through, items such as implantable devices and high-cost drugs. These two items are highly variable by individual patient and consequently, can be a challenge in deriving consistent, appropriate reimbursement rates.

Frequently, commercial contracts will carve out these items and pay them according to a percentage of billed charge. Under this structure, collaboration between the managed care, chargemaster, and procurement teams is critical to ensure reimbursement is appropriate relative to cost. If the charge mark-up algorithms aren't analyzed in connection with the managed care contracts, it's easy to see how providers could be in a situation where they don't cover costs on these items.

One hospital faced this very situation, effectively breaking even or losing money on any high-cost drug or implantable device that had an

Procurement Cost (per Item)	Mark-Up Algorithm
< $500	600%
$501 - $1000	500%
$1001 - $2500	400%
$2500 - $5000	200%
$5001 - $7500	150%
> $7500	125%

Contractual Reimbursement	Net Result
40% of Charge	280% Margin
40% of Charge	240% Margin
40% of Charge	200% Margin
40% of Charge	120% Margin
40% of Charge	Break Even
40% of Charge	10% Loss

acquisition cost over $5,000. After an analysis of their charge mark-up algorithm in conjunction with the managed care contracts, an adjustment was made to the algorithm because the contract was not open for negotiation until 18 months later.

While raising charges is not a popular choice right now, given the increased scrutiny associated with transparency initiatives, hospital leadership supported the decision because they understood the background of the issue and its impact. If these departments hadn't collaborated and combined their expertise, the hospital would have continued to experience negative revenue impact from these high-cost cases.

With a growing number of intersections that can impact contract performance and associated patient revenue, the cost of keeping departmental silos isn't one that can be ignored if you want to maximize financial performance and remain competitive under today's landscape.

If you have any questions or would like more information, please contact Randy Bury at rbury@ivantagehealth.com

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*care*Learning is Celebrating 15 Years Serving Your Training Needs!

*care*Learning is a an online education company designed to help healthcare organizations meet their growing educational needs. The company began as a modest start-up 15 years ago as online training was becoming popular due to its effectiveness, cost savings and convenience. It was formed and is operated as a non-profit entity by the Arkansas Hospital Association, AHA Services, Inc., along with 40 other state hospital associations.

"The initial idea was to find an existing vendor that we could partner with and offer as a solution to members. After an extensive, year-long search and eliminating 28 companies, it was clear that we needed to form our own company," said Jim Kranz, Vice-Chairman and one of the original founders of *care*Learning. "State Hospital Associations are always protective of their membership, and we wanted to offer a long-term product at a reasonable price, and one that would be designed around the needs of our members."

Fifteen years later, *care*Learning has gone on to serve hundreds of hospitals and other healthcare facilities nationally. It offers interactive online healthcare courses with automated tracking of completion. Using web-based and user friendly tools, customers can also create unlimited courses from their own content as well as access shared content among healthcare entities all over the country. Many customers also utilize *care*Learning to simplify their orientation processes, and track live in-services and other educational events.

As the company reached a greater maturity, the product line also grew to include a Performance and Competency Management System called *care*Skills. "*care*Skills was a natural addition because it can help identify what education needs to occur to ensure proper employee development," said Peggy Engelkemier, Director of Workforce Development Solutions. "I worked in the education department at a hospital before coming to *care*Learning. We spent so much time and energy with our paper skills assessments and performance appraisals and it never seemed like all the work yielded us worthwhile results. Using technology to analyze this data holds the keys to understanding what is needed to empower employees to do their jobs even better and improve outcomes in serving their communities."

With healthy growth each year, valuable products and services are continually added, often without any additional costs to clients. "I attribute the success of this company to being laser-focused on customer needs. Not only do we have an extremely responsive and helpful staff, but we have continued to log each and every client suggestion and systematically implement them. We consider our software not just <u>for</u> healthcare educators, but actually designed <u>by</u> them," said Laura Register, Executive Director.

If you would like more information regarding *care*Learning, please contact Laura Register at 304-353-9722, lregister@carelearning.com or Liz Carder, AHA Services, Inc. at 501-224-7878, lcarder@arkhospitals.org.

HFMA's Upcoming Live Webinars

Learn about timely healthcare finance topics and earn CPEs. Most Live webinars are free for HFMA members and $99 for non-members, unless otherwise noted.

April 29 Moody's Not-for-Profit Healthcare Industry Outlook and Credit Perspective

April 30 Current trends in healthcare consumer payments and their impact on providers

May 11 Understanding HFMA's newly redesigned certified healthcare financial professional (CHFP) program

May 12 Balancing clinical and financial concerns: Insights on CMO-CFO collaboration

May 13 Reigning in labor costs using predictive analytics and data transparency

View all upcoming live webinars

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HFMA provides webinars available one calendar year following the live webinar date and year. Most On-Demand webinars are free for HFMA members and $99 for non-members, unless otherwise noted.

View all On-Demand webinars

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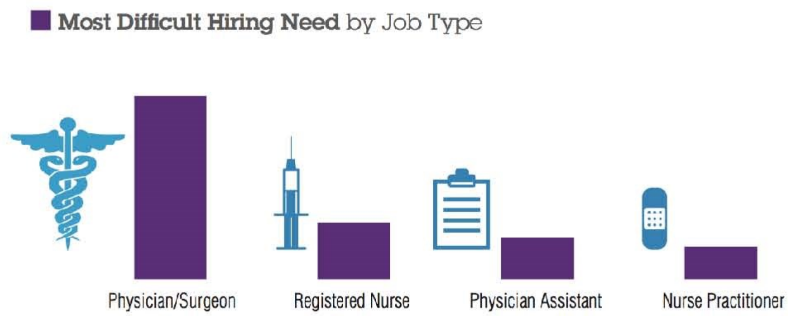
SAVE THE DATE:
HFMA 2015 Arkansas Chapter Summer Conference
Wednesday 08/26/2015 - 08/28/2015,
Embassy Convention Center in Hot Springs

Healthcare Hiring on the Rise for 2015

Since 2003, the U.S. healthcare sector has grown more than ten times faster than the rest of the economy. In fact, driven by factors such as the aging baby boomer population, innovations in healthcare technology and new regulations like the Affordable Care Act, the healthcare industry will produce **one in three of the new jobs** in the U.S. over the next decade. But which healthcare jobs will be most in demand?

More physicians, surgeons and nurses needed

By 2020, the nation will face a serious shortfall of both primary care and specialist physicians to care for an aging and growing population. According to the AAMC's Center for Workforce Studies, there will be 45,000 too few primary care physicians—and a shortage of 46,000 surgeons and medical specialists—in the next decade.



Experts also predict a new nursing shortage as several situations converge. As the economy improves, baby boomer nurses will finally retire, but at a time when their contemporaries are developing chronic health conditions and requiring more care. Leading up to this critical moment, nursing programs in the U.S. have been contracting for the past several years.

Healthcare employers are already feeling the pinch. When Health eCareers recently surveyed healthcare recruiters, hiring managers and human resource professionals for its *2015 Healthcare Recruiting Trends Survey*, respondents reported that they face the most difficulty hiring physicians, surgeons, registered nurses, physician assistants and nurse practitioners.

Healthcare IT remains hot

This past January, *U.S. News & World Report* published its 2015 Best Jobs report, and software developers, computer systems analysts and information security analysts are among the top ten best jobs overall. The growing popularity of these IT professions is confirmed by Health eCareers' *2014 Healthcare Jobs Snapshot*. It shows that job postings were up 152% in software development and 116% in system security. And more opportunities are on the way. The 2015 budget for the Office of the U.S. National Coordinator for Health Information Technology is $75 million, an increase of $14 million from 2014. This funding builds upon recent nationwide investments to promote the adoption of health information technology among providers, professionals and consumers.

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