




How Healthcare Financial Executives Can Look to Their Contract Lifecycle Management Solution to Add to Their Bottom Line





A Contract Lifecycle Management (CLM) solution that has been well implemented and finely tuned to the specific needs of a healthcare organization can drastically improve an organization's productivity, contract visibility, and risk profile – all of which point directly to the bottom line.

Automating your entire workflow from contract origination to approval routing notifications to digitizing the signature process frees up personnel resources and uncovers cost savings that can more directly support the health system's priorities.



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A MATURE CONTRACT LIFECYCLE MANAGEMENT PROCESS WITH STREAMLINED, ADVANCED AUTOMATION RUNS ON FUNDAMENTAL DATA PRACTICES

The International Association for Contract and Commercial Management estimates companies lose an average of 9% of annual revenue due to contract mismanagement.¹ If a hospital has a net patient revenue (NPR) of \$192.8 million,² that 9 percent would be equal to \$17.3 million.



As we will explore in the *“Launching Workflow Automation for Process Acceleration”* section below, healthcare organizations’ will see the returns on their CLM investment through automated workflows that can include a tailored contract routing process, standardized templates and contract language, and so on. But before an organization can launch automated workflows, the CLM implementation period should ensure that key data points will be captured correctly for future analysis and optimization insights

The importance and the impact of the data collection step during CLM implementation cannot be overstated. When capturing data points many CLM providers fail to consider the organization’s larger goals and objectives. CLM implementation consultants should partner and collaborate with the organization to execute the following: establish a foundation to build upon and complement the goals of the organization; initiate tracking and reporting on key data; and put a periodic review plan in place to ensure the process is maintained.



Get Actionable Contract Consolidation Insights with Increased Contract Visibility

CLM software solutions almost always uncover multiple agreements with the same vendor for the same product or service — all at varying rates.

Typical savings from contract consolidations is 10% of the total contract value.

Why Capturing Essential Data is Important: Reduces Expenses. Creates Visibility. Demonstrates Compliance.

Insights into key data elements allow the organization to make timely decisions due to increased visibility into contracts, reduce expenses, and demonstrate evidence of compliance.

• **Gain Visibility**

Having the ability to immediately access specific, quality data, allows organizations to make informed decisions and gives financial teams real-time information.



A MATURE CONTRACT LIFECYCLE MANAGEMENT PROCESS WITH STREAMLINED, ADVANCED AUTOMATION RUNS ON FUNDAMENTAL DATA PRACTICES

- **Avoid Unintended Auto-Renewals**

The International Association for Contract and Commercial Management estimates companies lose an average of 9% of annual income due to contract mismanagement, including unintended contract auto-renewals. Use data and built-in notifications to make timely decisions to terminate contracts prior to auto-renewal if needed.

- **Avoid or Reduce Contract Overpayments**

Continuing to pay vendors whose contracts have expired not only exposes the organization to additional expenses but also to additional regulatory risks.

- **Eliminate Payments on Expired Contracts**

CLM solutions proactively notify users of upcoming milestones and allows users to take control rather than assuming vendors will deliver on promises made.

- **Mitigate Risk of Non-Compliance and Reputational Harm**

The ability to evaluate contractual data against payments—often payments to physicians—allows organizations to monitor for potential fraud. By proactively reporting payment discrepancies and voluntarily disclosing evidence of potential fraud, providers can avoid a lot of the costs and disruptions associated with a government-directed investigation and civil or administrative litigation. The financial repercussions can be much higher if not identified and self-disclosed.

¹ <https://commitmentmatters.com/2012/10/23/poor-contract-management-costs-companies-9-bottom-line/>
² <https://www.definitivehc.com/blog/revenue-trends-at-u.s.-hospitals>

The Financial Impact of an Unintended Auto-Renewal

An organization wanted to terminate an agreement but didn't give the required 180 days' notice, which locked them into another two years of services.

- Effective date: November 1, 2017
- Expiration date: October 31, 2020
- Term: 3 years with two-year auto-renewal term
- Notice of non-renewal: 180 days (Notice by: April 30, 2019)
- Annual fee: \$154,000

Financial impact to organization: \$308,000



Essential Data Points:

- Parties to the contract
- Commencement date
- Expiration date
- Status (active or terminated)
- Auto-renewal clause, if applicable
- Auto-renewal terms / times
- Termination / Out clauses
- Contract is fully executed
- Contract responsible parties



LAUNCHING WORKFLOW AUTOMATION FOR PROCESS ACCELERATION

An automated workflow can drive a measurable return on investment. By incorporating a process and document standard, organizations realize opportunities for efficiency and productivity gains.

Why it's important: Process Standardization. Efficiency and Productivity Gains. Time and Effort Review.

- **Streamline the Contracting Process**

Workflow automation streamlines and improves contracting efforts by eliminating human error and by eliminating many time-consuming manual and redundant tasks associated with contract origination, review, approval and signature.

Your CLM platform should accommodate many different contract types and maintain custom intake forms for each type to further streamline the process. The contract routing process should be tailored based on organizational policies – incorporating compliance, finance, and executives.

- **Execute Agreements within Minutes or Hours vs. Days or Weeks through Standardization**

Standardizing the contract process enables faster document approval, allows the organization to make informed decisions and provides evidence that due diligence occurred upon entering into agreements.

By using standard templates, clauses and contract drafts with approved contract language, contract redlining and review is vastly expedited.

Additionally, legal teams should utilize electronic signature to facilitate a seamless contract execution.

- **Improve Productivity by Knowing Where Bottlenecks Occur**

Establishing and monitoring a workflow process—from contract submission to execution and ongoing management between each phase—allows organizations to have macro and micro visibility into each workflow status thereby gaining insight into the time it takes for a contract to go through the workflow process. Bottlenecks in your process are then easily identified and corrected, significantly improving productivity.



Opportunity: Provider Onboarding Processes Generate Revenue Faster

The faster a provider is onboarded, the faster the organization is generating revenue.

Incorporating your providers in the contracting process—including providing an offer letter prior to contracting—demonstrates transparency and impacts overall provider satisfaction.

Not only can this positively impact decision-making in a competitive recruiting environment, but if we shortened the onboarding process by a week, it could also translate into thousands of dollars.



LAUNCHING WORKFLOW AUTOMATION FOR PROCESS ACCELERATION

Identifying Optimization Opportunities

Once the workflow is established, regular reviews, evaluations and performance reports are crucial to identifying optimization opportunities such as resourcing and personnel efficiency gains.

CLM users typically report productivity increases within 6 months of workflow implementation—the personnel involved in the contracting process have more time to directly support other health system priorities. A streamlined contract intake form, automated document routing and electronic signature capabilities increase both the lawyer and contract manager's productivity.

For baseline insights, start by tracking the following data points:

- Contracts initiated per month
- Contracts completed per month
- Contracts canceled per month
- Average business days for completion

Tracking can be applied to new agreements, renewals, amendments, and even the contract termination process.

The Importance of Establishing a Termination Process

Organizations often let contracts expire unknowingly or assume that the business owner or another relevant party has terminated the contract. Therefore, instituting a process for providing sufficient contract-termination notice to those responsible for acting on the agreement will inevitably be needed and will save the organization money.



Find Savings Through Contract Monitoring

Many service contracts promise reduced rates either after a certain period or after target volumes are reached.

Without contract monitoring, many hospitals miss the opportunity to take advantage these discounts. They may not have the resources or staffing to maintain organized, accessible records systems or the time to pour through them looking for discount opportunities.

Typical savings resulting from increased contract monitoring is **3-5% of the contract value.**



GATHER AND ANALYZE DATA FINDINGS TO IDENTIFY SAVINGS OPPORTUNITIES & MEASURE SUCCESS

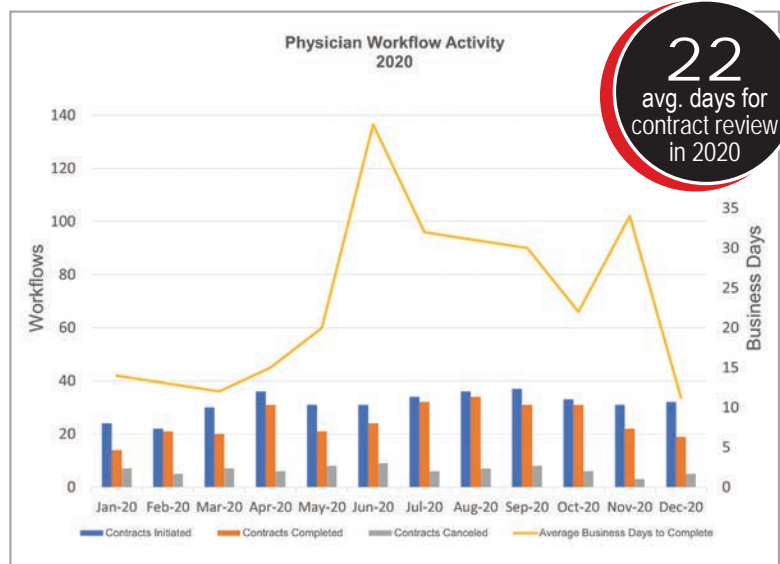
Measure the Success of Your CLM on a Macro Level with a 6-to-12 Month Baseline Review

To monitor the end-to-end contractual routing process over time, establish your goal(s) and begin reporting on time and effort periodically over a six-to-twelve month period. Then, adjust your baseline review time as needed once you collect your first round of data.

Client Example: 2020 Baseline Review

- ❖ Contracts initiated: 377
- ❖ Contracts completed: 300
- ❖ Contracts canceled: 77
- ❖ Average days for contract review: 22

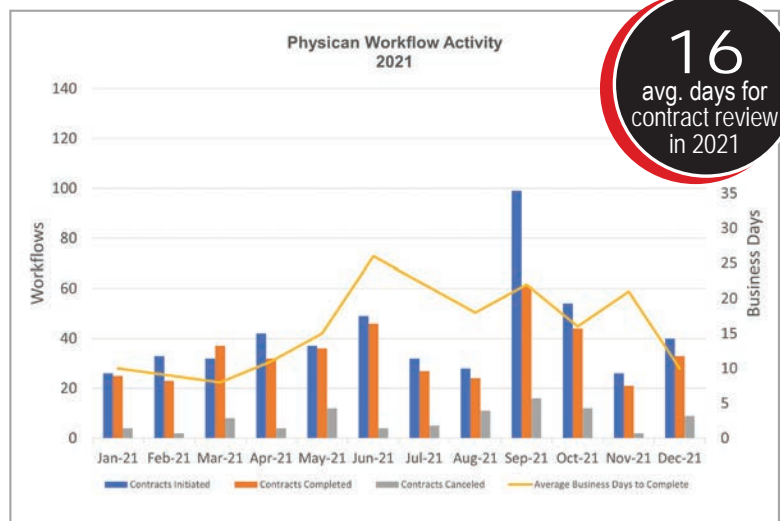
On average in 2020, 31 contracts were initiated per month, 25 were completed and 6 were canceled.



Client Example: 2021 Baseline Review

- ❖ Number of contracts initiated increased.
- ❖ Contracting process completed faster thanks to increased efficiencies.
- ❖ 28% Reduction in contracting process time and effort.

On average in 2021, 41 contracts were initiated per month, 34 were completed and 89 were canceled.





GATHER AND ANALYZE DATA FINDINGS TO IDENTIFY SAVINGS OPPORTUNITIES & MEASURE SUCCESS

Fine Tuning Your CLM Efficiency Gains: Step Analysis & Evaluation

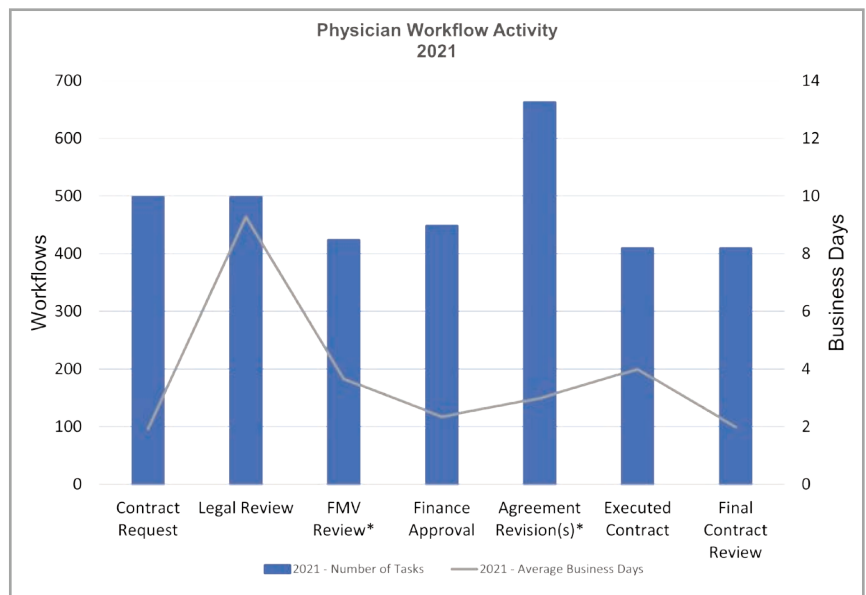
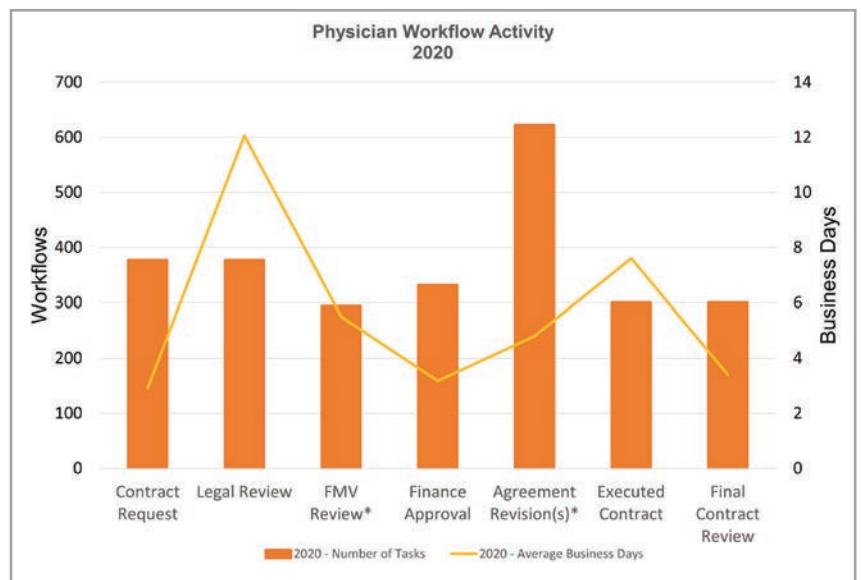
After a baseline is established at the macro level, measure and report at the micro level. That is, measure and report on the average number of business days it takes for contracts to route through each workflow step.

Through step analysis and evaluation, we can identify efficiencies in the process and opportunity points where the process slows down or even stalls.

Identify process points that are working well also. Using advanced reporting and accurate data, the organization can adjust to gain efficiencies, or resolve challenges during the contracting process.

The seven steps being measured and evaluated in this example are:

1. Submission
2. Agreement Review
3. FMV Legal Review
4. Finance Approval
5. Agreement Revisions
6. Signature Gathering
7. Final Contract Review





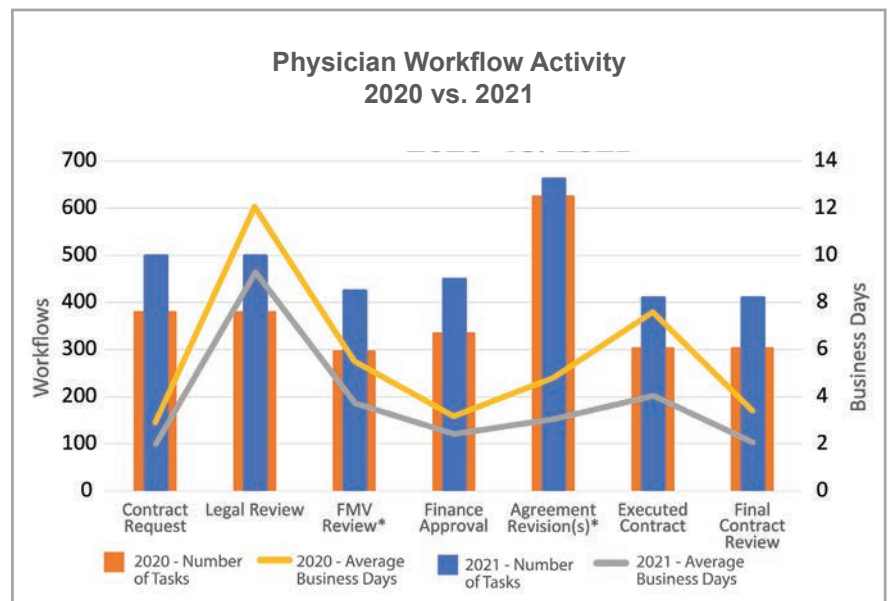
MEASURE AND EVALUATE RETURN ON INVESTMENT

Evaluation and Analysis of Efficiency Gains

After implementing automated workflows and evaluating the steps in the process, this client achieved a 25% reduction of overall time and effort.

In this client example, they were able to identify efficiency gains during three essential steps in the process:

1. Legal Review
2. Negotiation
3. Signature



Legal Review

By establishing a process up front and eliminating the back and forth between requestor and legal, there was a 23% decrease in the legal review process.

This client eliminated the back and forth between requestor and legal by putting hard stops in place before a contract was submitted. Reviewers and approvers then had what they needed to move forward before even beginning the contracting process.

Negotiation

In this example, the client streamlined their negotiation process by using an offer letter that laid out initial terms of the (provider) agreement reducing contract negotiation time by 38% compared to the previous year.

Signature

Adoption of electronic signature resulted in a 47% reduction in the time it took for the signature process to be completed. Additionally, incorporation of electronic signature into the workflow process helped ensure they received the fully executed agreement.





KEY TAKEAWAYS



Workflow Reporting:

Provides the opportunity to see the number of contracts routing through the contracting process.



Creating a Baseline:

Helps you gain an understanding of how long the contracting process is taking, on average.



Reviewing the Data:

Once the baseline is established, regularly review the information to evaluate contracting time and effort over time.



Finding Bottlenecks:

Reporting allows you to evaluate process trends within each step and task and discover opportunities for great efficiencies.



Process Optimization:

Once you collect baseline data, your organization can brainstorm ways to improve the process for all involved.



Improve Recruitment and Credentialing:

Review other processes outside of the contracting workflow to seize opportunities for shortening the overall timeline.

Ntracts' contract lifecycle management solution is trusted by thousands of healthcare organizations across the country to maintain compliance, create efficiencies, and automate processes.

Contact Ntracts today to learn more.

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