Vendor Oversight – Auditing and Monitoring Strategies

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HCCA Upper Midwest Conference
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Agenda

- Objectives of Vendor Oversight
- Strategies for Vendor Auditing – Health Plan
- Strategies for Managing On-site Vendors – Care Delivery
- Tools for Vendor Auditing and Monitoring
Objectives of Vendor Oversight
Vendor Oversight Objectives

- Maximize return on investment, where strategic and key operational results are a function of vendor performance
- Minimize business risk, legal and compliance exposure
- Ensure timely resolution of contract and performance issues
- Drive continuous improvement in vendor performance with routine data-based evaluation, reporting and action planning
- Increase collaboration and partnerships with strategic vendors
- Increase the efficiency of resource utilization via clear, consistent vendor oversight practices and accountabilities
- Improve marketplace perception so the company becomes a customer of choice
Vendor Oversight Defined

Selecting and influencing third party companies to consistently meet established service, quality, cost, and customer satisfaction goals. Three main emphasis areas:

- Managing terms and conditions, scope changes, and performance against commercial and financial terms.
- Ensuring that the two parties’ interactions result in a positive outcome for company and the vendor – the “intangibles” beyond the contract.
- Monitoring, evaluating and holding vendors accountable to deliver against Service Level Agreements and other value metrics.
Strategies for Vendor Auditing – Health Plan
# Key Components and Changes Required for Success

## Key Components

<table>
<thead>
<tr>
<th>Tool and Activities:</th>
<th>Transparency</th>
<th>Partnership and Collaboration</th>
<th>Measurement and Performance Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Components</strong></td>
<td>Transparency</td>
<td>Partnership and Collaboration</td>
<td>Measurement and Performance Management</td>
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<tr>
<td></td>
<td>• Formal, periodic reviews and exec-to-exec meetings to review engagement ROI, discuss strategic goals and jointly explore opportunities</td>
<td>• Annual strategic vendor planning</td>
<td>• Ensure specificity/measurability of deliverables, SOW’s, SLA’s, and other contractual requirements</td>
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<td>• Educate vendors on company’s strategy, pain points and business plans</td>
<td>• Clear, consistent vendor management roles across the organization</td>
<td>• Scorecards in place and used for routine vendor performance management</td>
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<td>• Consistent change control processes and renegotiations</td>
<td>• Routine, joint B-to-B process improvement activities</td>
<td>• Performance trending, issue resolution and continuous improvement processes</td>
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<tr>
<td></td>
<td>• Vendor relationship summaries developed and published periodically</td>
<td>• Sufficient lead time to facilitate renewal and/or retirement decisions</td>
<td>• Clear accountabilities and escalation processes in place</td>
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<tr>
<td><strong>Foundational:</strong></td>
<td>• Vendor Management Policy(ies) developed and approved</td>
<td>• Vendor and company employee functions, site visits and team building (as appropriate)</td>
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<td>• Templates and frameworks created for scorecards, business reviews, strategic planning and other measurement tools</td>
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<td>• Periodic vendor research, security and viability assessments conducted</td>
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Risks of Not Implementing

- Potential customer, employer and brand impact
- Legal and regulatory exposure
- Increased spend
- Vendor relationships not leveraged for innovation and maximum ROI due to multiple people negotiating contracts and managing vendor relationships
- Vendors with more influence over relationship than company
- Vendors may not want to work with company
Vendor Lifecycle

- **Strategy and Planning**
  - Concept Development
  - Market research
  - Internal alignment and resource planning
- **Identification**
  - RFP/RFI/RFQ
  - Competitive bids
  - Due diligence
- **Contracting**
  - Service Level Agreements
  - Statement of work
  - Negotiations
  - Execution
- **Engagement**
  - Vendor Oversight:
    - Contract
    - Relationship
    - Performance
    - Roles and responsibilities
    - Continued research and due diligence
- **Renewal or Retirement**
  - Relationship management
  - Annual renewals or rate changes
  - Exit or renewal strategy
Types of Vendors & Key Emphasis Areas

- **Emerging**
  - Innovative
  - High-value products or services with accelerated growth

- **Strategic**
  - Critical to success
  - May influence strategic planning

- **Tactical**
  - Predictable products or services
  - East to switch
  - Price sensitive

- **Legacy**
  - Essential product or service and need little guidance
  - Switching costs are high

**Key Criteria:**
- Outsourced role/function
- High spend levels
- High switching costs
- Future relationship potential

Degree of Integration
(Business, Data, PHI)
## Recommended Framework

| Transparency | • Quarterly Business Reviews (Director- and Manager-level) to:  
  – Review performance trends, ensure issues are being closed and changes/opportunities are being fully leveraged  
  – Jointly set and track progress against relationship expectations  
  – Build teamwork across the two organizations (“face behind the name/email”)  
• Annual Exec-to-Exec meetings to explore:  
  – Strategic direction and pain points of both organizations  
  – Mutually-beneficial collaboration opportunities  
• Dedicated vendor management team for top vendors, with clear accountabilities |
| --- | --- |
| **Partnership and Collaboration** | • Innovation workshops to develop new services or ideas to solve existing problems  
• Showcase and highlight collaboration success stories.  
• Participate in each others’ industry conferences, user groups, PR activities, etc.  
• Hold one Business Review meeting per year at vendor location |
| **Measurement and Performance Management** | • Specific, actionable SLA’s, with continuous improvement goals built directly into contracts  
• Monthly operational reports and meetings/conference calls on SLA performance, issues and improvement opportunities  
• Quarterly scorecards against Quality, Cost, Delivery and Partnership targets  
• Annual strategic vendor planning and due diligence (financial, strategic, security, site visits, etc.) |
Roles & Responsibilities

**Business Unit**
Accountable for adhering to policy/procedures and collaboration – Including:
- Establishing clear SLA’s and evaluation criteria
- Vendor performance management
- Scorecard development
- Active participation in review and issue resolution process

**Procurement**
- Manages policy development, vendor oversight process, performance review process, templates.
- Provides training and consulting services to business units to help develop and manage scorecards, reviews.
- Manages all aspects of Enterprise scorecard capability- development and management, reporting.
- Acts as primary vendor management contact with company executive leadership.

**Vendor**
Accountable for adhering to framework, policy and procedures – Including:
- Meeting performance requirements
- Resolving any issues or concerns
- Active participation in review process (provide supporting data, presentation deck)
- Providing value beyond contractual relationship
Strategies for Managing On-site Vendors – Care Delivery
Vendor Management Program

- Implemented in 2008
- Primary Purposes:
  - Compliance
  - Safety
  - Patient Privacy
  - Purchasing Process Improvement

TIPS AND TRAPS:
CLEARLY DEFINE WHO THE PROGRAM APPLIES TO DURING IMPLEMENTATION (PHARMACY, DME, AUDITORS, SNOW REMOVAL, ETC)
Vendor Management Program

- Primary Benefits:
  - Capturing, Credentialing and Monitoring Vendors
  - Facilitating compliance efforts (e.g., policy review and acceptance)
  - Tracking of on-site representatives
  - Assessing strengths and warning signs of vendors

**TIPS AND TRAPS:**

**EFFECTIVELY IDENTIFY APPLICABLE VENDORS AND HAVE A CLEAR COMMUNICATION PLAN**
Online registration by company and representatives
Nominal cost of $25 to $250 per year per company; tiered based on volume and risk profile

**TIPS AND TRAPS:**
VENDORS MAY BE REQUIRED TO REGISTER AT MULTIPLE FACILITIES AND MAY VIEW IT AS COSTLY, REDUNDANT, AND BURDENSOME
Vender Management Program Fundamentals

- Annual and monthly verification and review (e.g., business verification, financial and legal review, sanction screening, etc)
- Onsite registration and badges for representatives
- Dashboard and other reporting

Reports
Dashboard Examples
Welcome, you are logged in as:

**Appointments**
There are no scheduled appointments for:

**Recent Registrations**

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Registration Date</th>
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**Statistics**

<table>
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<tr>
<th>Statistic</th>
<th>Value</th>
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<tbody>
<tr>
<td>Vendors Registered</td>
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<tr>
<td>Rep Profiles</td>
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<td>Visits in the last 30 days</td>
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**Recent Visitors**

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### Recent Registrations

Search for:

Start: August 1, 2010  
End: August 31, 2010

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13 items found, displaying all items.

Export options: CSV, Excel, XML,
Report Examples

- Vendor Sign In/Out Log
- Rep Risk Profile Report
- Representative Document Audit Report
- Vendor Risk Profile Report
- Conflict of Interest Vendors
- Diversity Vendors
Tools for Vendor Auditing and Monitoring
Tools for Vendor Auditing and Monitoring

- Third-party SAS#70 Review Templates
- Delegate Levels
- Scorecards
- Vendor Ratings
- Vendor Assessments