

## Volume 14, Issue 2/2012 - Cover Story

### Successful Negotiation of Outsourcing Agreements

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Speaking at HIMSS 2012 in Las Vegas, Diana J.P. McKenzie Partner and Chair of an IT and outsourcing practice group identified key negotiation points in billing and collections outsourcing agreements (RCM, Revenue Cycle Management Contracts), highlighted ideas for benchmarking vendor performance and strategies for risk and reward.

McKenzie believes RCM contracts are currently popular due to our slowing economies, the stronger focus on system efficiencies and health providers' desire for find "quick fixes". With these agreements the most general problems tend to include compatibility issues, workforce issues and also hidden expenses.

Her key negotiating points are as follows:

- Pricing: Use tiered pricing to correctly align both parties' interests.
- Services: Include a detailed services description.
- Acceptance: Require an acceptance testing period to iron out any kinks in the agreement before a long-term contract is signed.
- Warranties: Use warranties to close other performance and contractual gaps.
- Disentanglement: Include a disentanglement procedure. These types of deals fail frequently so customers need broad termination rights.
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On the service level, McKenzie recommends:

- Setting baseline performance standards;
- Determining baseline requirements (know your financials and lock in sales promises); and
- Requiring a minimum level of staffing dedicated to your account.
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Information adapted from Diana J.P McKenzie's presentation, HIMSS 2012.



Published on : Mon, 27 Aug 2012