

Your New Paper

Contract lifecycle management is key to healthcare digital transformation

■ **By David Parks**

The COVID-19 pandemic has upended numerous industries and exposed the critical need for digital transformation. Nowhere is this more evident than in the healthcare sector.

“Digital transformation can help individual healthcare organizations and the wider health ecosystem improve ways of working, expand access to services, and deliver a more effective patient and clinician experience,” notes one consulting report.¹ Another found that 81% of healthcare executives believe that the pace of digital transformation for their organization is accelerating, and 93% report that they are innovating with a sense of urgency and call to action this year.²

In addition to fallout from COVID, the healthcare industry today faces evolving compliance regulations and challenging supply chain dynamics. Add decreased government spending, increased merger and acquisition (M&A) activity, and pressure to deliver seamless, patient-centric experiences to the mix of ongoing

complexities. We now have a business climate where the pressure to digitally transform and be agile is not only acute but also overwhelming.

Where do we start? One important place is with our contracts. Contract management plays a foundational role in healthcare digital transformation.



iStock.com/AntonioSolano



The Role of Contract Management

Contracts are the backbone of a healthcare organization and define its relationships with providers, payers, suppliers, partners, and others. Contracts are integral to employment, care transfer, technology licensing, experimental treatments, confidentiality, coding, and telehealth, among other areas. The average healthcare organization might have tens of

thousands of contracts, amendments, and addendums covering multiple departments, facilities, physicians, business associates, and third parties.

Prior to COVID, 96% of American health systems reported either not having a contract management system and entirely using manual processes or

Route

having an outdated and inadequate system to address value-based care.³ This antiquated approach to managing legal agreements results in costly inefficiencies and unnecessary exposure to risk. Simple yet important questions, such as, “What service is this provider authorized to perform?”, “What is the fee schedule?”, “Is this the latest version of

our business associate agreement [BAA]?", "What contracts expose us to risk?", or "Do we have all the proper licensing and credentialing in place for this agreement?" are difficult and time-consuming to answer.

At the same time, even the smallest group practices generate enormous and accelerating contract volume and data due to the complexities of pre- and post-award phases of contract management. In the past, groups used physical binders with cover sheets to track contracts and addendums. In today's digital world, this does not scale, is inefficient and costly, and puts contracting practices at risk. As health care and contracts become increasingly complicated, the tools used to manage them must keep pace.

The Answers

At its simplest, digital contract transformation (DCX) means modernizing and digitizing contract lifecycle management (CLM).⁴ Digital transformation is about data. Taking a data-driven approach with CLM achieves economies of scale from request and intake through the authoring, review, negotiation, approval, signature, and ongoing management of agreements. It tracks and analyzes detailed contract data that provide actionable insights to reduce operational bottlenecks, mitigate risk, and uncover business opportunities. DCX is made possible by contract management software that acts as a "digital binder," helping group practices leverage and manage contracts and contract data. In addition, by optimizing agreements and processes, DCX helps group practices tackle our biggest contract challenges, including:

1 Visibility into enterprise-wide stage, status, and performance. When practices store

contracts in differing formats and locations, either physical or digital, it is impossible to have a clear view of all legal agreements and supporting documents, such as a statement of work (SOW) or certificate of insurance (COI). Modern CLM software provides a digitized and centralized cloud-based repository to store, manage, search, report on, and secure all contracts and data, as well as ways to collaborate effectively and maintain version control.

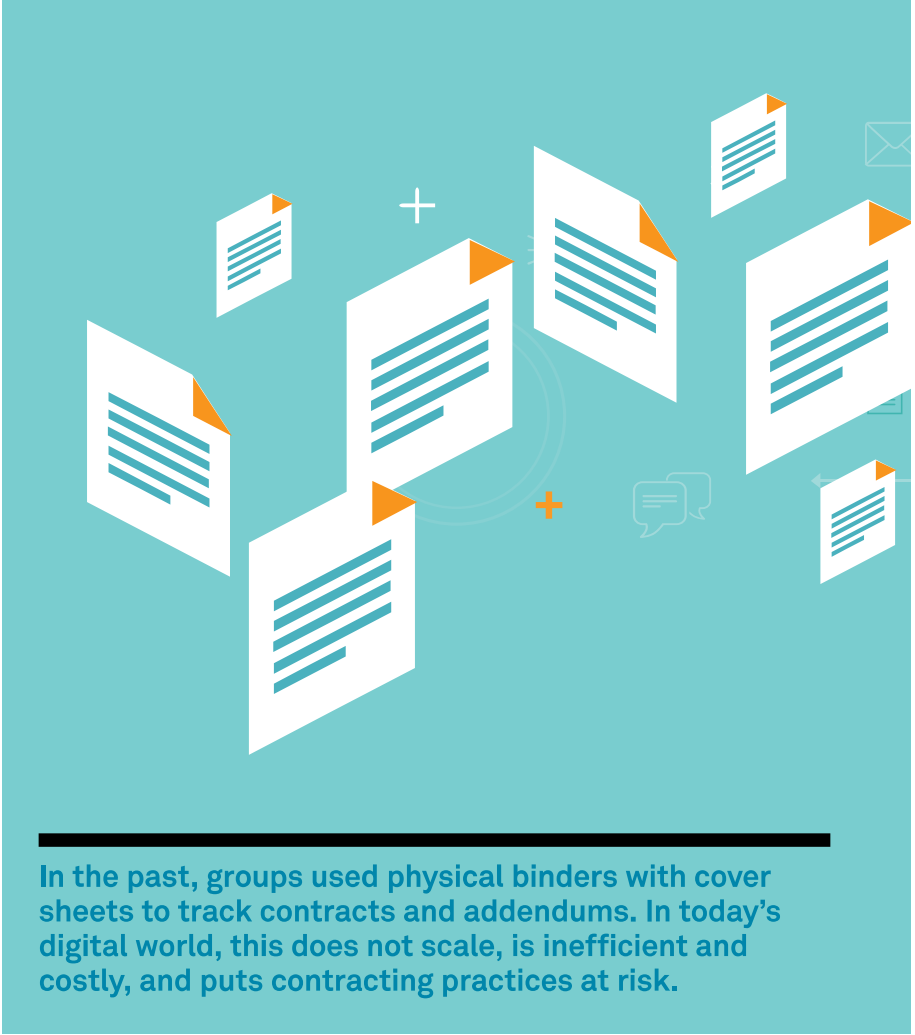
For example, you can track all your provider services agreements (PSAs) where the vendor is obligated to perform specific services and ensure that all work is completed. You can also track licensing and security requirements. Another use case is tracking affiliates and other entity names.

For billing and legal purposes, practices may require use of a main legal name for contracts even if the

work is performed by an affiliate. Modern CLM software tracks all applicable names that contracts must adhere to. In addition, now that the contract data are securely centralized and accessible, it can be leveraged using advanced analytics to benchmark, track, and optimize the performance of contracts and the overall contract management process.

2 Reduced cost and complexity.

Medical billing and coding are notoriously complex. CLM software helps ensure that contracts are billed according to the terms and conditions of agreements, amendments, and addendums. You can track and manage billing for multiple departments, services, and classifications using CLM software. This not only saves time but also reduces or eliminates inaccuracies associated with manual intervention.



In the past, groups used physical binders with cover sheets to track contracts and addendums. In today's digital world, this does not scale, is inefficient and costly, and puts contracting practices at risk.



3 Efficient use of limited resources. Centralizing and streamlining contracts and contracting processes achieve significant improvements in the time it takes to manage each stage of a contract's lifecycle.

In the past, when a practice added a vendor or provider, this was done by phone or via email. Using CLM software, you centralize and standardize the contract request and intake, ensuring accuracy and simplicity while eliminating inefficient back-and-forth communication. Once a request is converted into a contract (e.g., a Project Partnership Agreement [PPA] that is ready for review), CLM software supports real-time collaboration and negotiation, allowing multiple parties to review, edit, approve, and electronically sign the agreement.

This also extends to healthcare contract amendments and

renewals. Once the contract is executed, you can easily track the services offered, the terms of when and where they will be provided, as well as all necessary licensing and supporting materials.

4 Mitigated legal and financial risks. CLM software enables automation and execution of bulk actions like alerts and business process workflows, including approvals to eliminate risk of missed obligations and human error. Important contractual dates and milestones are automatically tracked without manual interventions such as creating a calendar reminder or updating a spreadsheet.

For example, you can automatically create, track, and reconcile fee schedules and other administrative functions. For contract reviews and approvals, automated workflows ensure the contract is routed to the right person every

time, reducing the risk of lost emails or not following an approved business process.

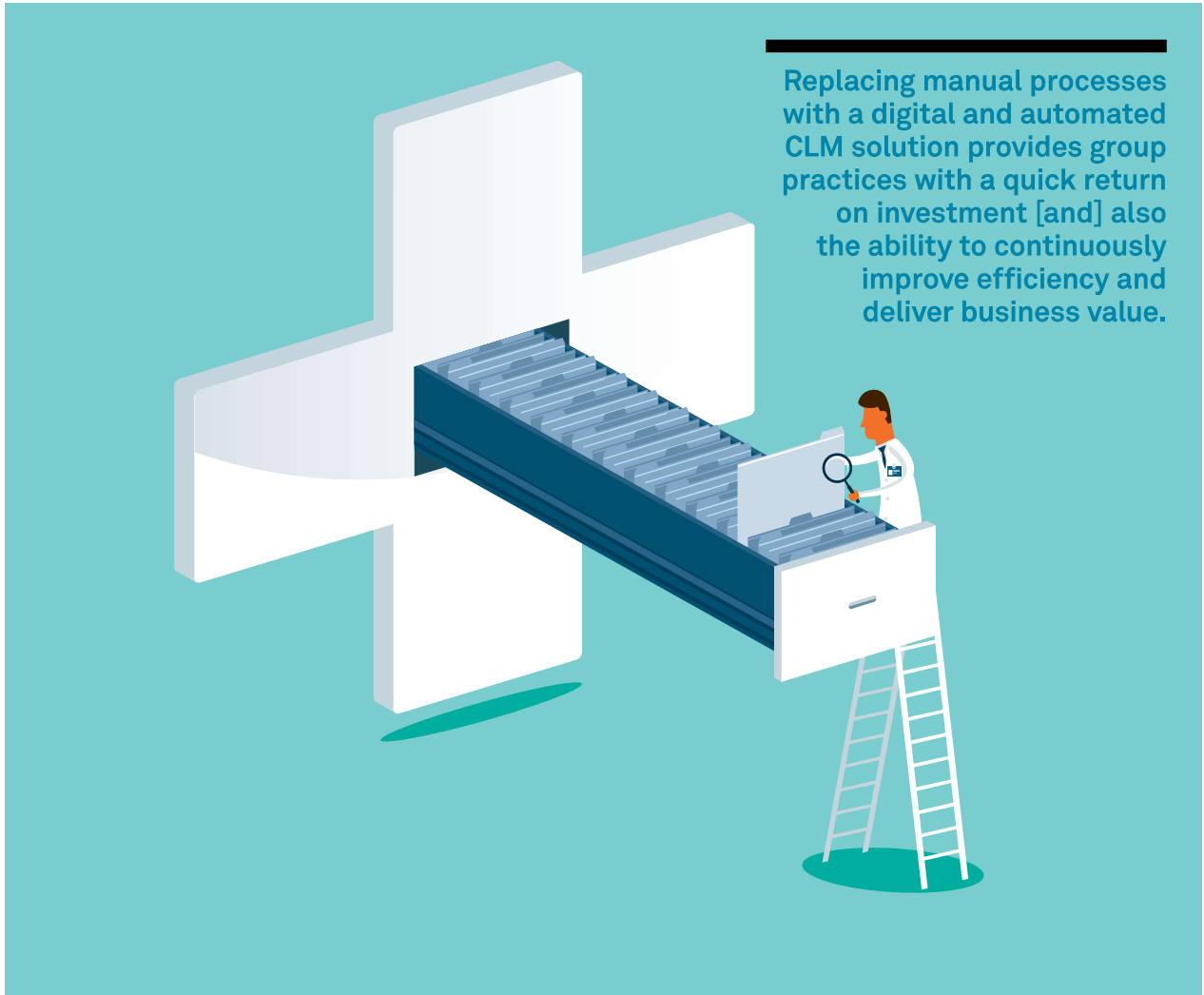
5 Managed compliances. All healthcare organizations must comply with a variety of critical administrative regulations, including the Health Insurance Portability and Accountability Act (HIPAA), Health Information Technology for Economic and Clinical Health Act (HITECH), Children's Health Insurance Program (CHIP), Affordable Care Act (ACA), and Hospital Readmissions Reduction Program (HRRP). In addition, you must comply with Medicare and Medicaid rules and regulations, as well as the requirements of private health insurers.

Noncompliance with any of these can result in legal actions, hefty fines, and even revocation of medical licenses. CLM software manages all compliance requirements, from the initial drafting of agreements using pre-approved legal language through approval, execution, and post-award obligations. With real-time reporting capabilities, you can pull compliance data quickly.

CLM software also enables compliance with your internal processes. For example, healthcare entities for vendor or facility contracts require tracking of budget and spend against the contract. By seamlessly integrating with back-office finance and enterprise resource planning (ERP) systems, CLM software allows you to send, receive, and sync financial and contract information.

Long-Term Efficiencies

Replacing manual processes with a digital and automated CLM solution provides group practices with an even greater benefit—not just a quick return on investment (ROI), but also the ability to continuously improve efficiency and deliver business value. Using contract



Replacing manual processes with a digital and automated CLM solution provides group practices with a quick return on investment [and] also the ability to continuously improve efficiency and deliver business value.

management software to remove bottlenecks, organizations can see, over time, how a contract is billing compared to original contract terms or where processes need improvement.

Inefficient contract processes delay healthcare delivery, lack of

contract collaboration impedes relationships, poor analytics limit an organization's ability to optimize vendor management, and limited visibility exposes the business to legal and financial risk. Replacing manual systems and processes with a data-driven approach to

contract management is the key for a modern healthcare organization to digitally transform and succeed in today's new operating environment. **GPJ**

David Parks is vice president, marketing, at Contract Logix.

References

1. Deloitte. 2021. *2021 Global Health Care Outlook: Accelerating Industry Change*. Accessed December 9, 2021 at www2.deloitte.com/global/en/pages/life-sciences-and-healthcare/articles/global-health-care-sector-outlook.html.
2. K. Safavi, A. Thompson, B. Kalis, and J. McHugh. 2021. *Accenture Digital Health Technology Vision 2021*. Accenture, June 7, 2021. Accessed December 9, 2021 at accenture.com/us-en/insights/health/accenture-digital-health-technology-vision-2021?c=acn_glb_technologyvisiobusinesswire_12222202&n=mrl_0621.
3. Black Book Market Research. 2019. *Value-Based Care Modeling Drives Meteoric Demand for Contract Management Tools* per Black Book's CFO Survey, Axiom by Kaufman Hall Rated Top Solution. *Cision PR Newswire*, June 13, 2019. Accessed December 9, 2021 at prnewswire.com/news-releases/value-based-care-modeling-drives-meteoric-demand-for-contract-management-tools-per-black-books-cfo-survey-axiom-by-kaufman-hall-rated-top-solution-300867575.html.
4. D. Parks. 2021. *10 Keys to Digital Contract Transformation*. Contract Logix. Accessed December 9, 2021 at contractlogix.com/contract-management/10-keys-to-digital-contract-transformation.