

A White Paper by Tellenium



Part 1 of "Building ROI in Healthcare" Series:

How to Gain Double Digit Telecom Cost Recovery and Mobile Optimization in 100 Days

June 2013



TELLENIUM
Integrated Telecom Management™



Executive Summary

Healthcare CFOs/CIOs live in an era of unprecedented pressure to recover cost and improve quality. Optimized care has turned from a slogan into a grim overwhelming mandate. Discover how to meet this challenge with a 100 day plan to transform your organization’s Telecommunications Expense Management into a formula that dramatically reduces the administrative burden on internal staff with the potential to exponentially reduce telecommunications costs across your enterprise.

This paper explores the dominant challenges and trends in telecommunications management for healthcare organizations:

- Healthcare delivery organizations (HCOs) CFOs and CIOs face tremendous cost management pressure
- True costs for internal management of telecommunications are increasing exponentially for healthcare organizations
- Telecommunication expense management can be streamlined, made more transparent and more cost effective
- How this 100 day plan can result in millions of dollars in cost reductions, depending on the size of the organization.

Healthcare CFOs/CIOs: Feeling the Pressure

CFO’s have always been pressured to provide bottom-line impact, but the squeeze is now stronger than ever. At the same time, CIOs struggle to deliver both performance and cost savings, while balancing conflicting requirements that demand broad electronic access to health record information while maintaining regulatory compliance for security, privacy and interoperability. They are scrambling to implement the demands of the Affordable Care Act – aka “Obamacare” – but that’s just the latest in a series of man-

dates such as the Health Insurance Portability and Accountability Act (HIPAA), which add layers of mandatory activities to their already complex daily responsibilities.

This demand is made more complex because of relentlessly advancing technology that introduces its own set of challenges. The systems that health care organizations choose for maintaining medical records, running administrative operations and carrying out other aspects of their businesses have to be implemented efficiently often across multiple locations. They need to be constantly managed to ensure that critical services are obtained efficiently.

The Telecom Services Management Challenge

With all of these responsibilities, managing the organization’s carrier networks and associated charges might seem like something that can be safely left as an afterthought, but doing so would be a big mistake. Managing telecommunications was a challenge even in the days when it was

Real Impact: Defining the Cost of Telecommunications

Consider a hypothetical health care organization with 100 locations around the country:

- It has a telecommunications infrastructure that includes data centers, backup systems for stored data, multiple networks, thousands of telephones each with a unique number, and probably thousands of mobile phones and handheld devices (such as iPads or Android tablets).
- It spans dozens of different markets; so many different providers are involved, each with multiple billing systems.
- Any single location of this health care organization generates five or more invoices a month for voice, data, wireless and other services. Multiply that by the system’s 100 locations, and you could have 700 to 800 bills a month just for communications.



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just a matter of tracking telephones on desks and making sure the bills were paid on time. Today telecom spans landline phones, mobile phones, Internet and data services, wired and wireless networks and various related technol-

Telecommunication Costs Accelerating

According to a 2012 report from The Insight Research Corp., the U.S. healthcare system overall will spend more than \$69 billion on telecommunications services over the next six years. The report projected a growth of 9.7 percent a year as health care systems expand.

(http://www.insightcorp.com/pr/6_14_12.asp)

ogies. Each of these services can be billed separately, by different companies, and often the bills include bewildering lists of taxes, fees and other charges beyond the simple monthly charge for services.

Health care systems pay hefty bills for telecommunications services, and they often do it with very little insight into where the money is spent. Individual costs vary widely from a few thousand dollars a month for a small physician practice to hundreds of thousands or millions for a big, multi-state hospital network. But big or small, they all face a bewildering array of telecommunications service agreements and invoices.

Who Should Perform the Oversight?

Healthcare organizations confront complex and dynamic challenges. The hundreds and even thousands of invoices coming in each month for voice and data communications must be allocated and paid in a very timely manner. But if they are paid without close examination and research, organizations may be spending money unnecessarily on services that are unused, inaccurate, or ill-suited to their intended purpose.

It is tempting to handle billing reviews in-house as many organizations rely on their remote locations, an office man-

ager, or the information technology department to review and approve, and then onto accounting for payment. Simple enough, but are those really the best options?

It is instructive to consider everything else that is going on in the typical organization on a daily basis. The organization's administrative personnel are working full-time managing several tasks throughout each day including revenue generating activities such as patient insurance. Accounts payable is often overwhelmed by the thousands of total invoices and allocations while often having a high turnover rate of personnel. In addition to workload, administrative departments just do not have the technical expertise to understand, design, negotiate, and review telecommunications services.

How about IT? The IT department's main task is to first keep every technological item operating, which is a huge task within itself. They must additionally develop plans to satisfy the Affordable Care Act, the Health Information Technology for Economic and Clinical Health (HITECH) Act, HIPAA, acquisitions, moves, changes, while researching and implementing new technologies without putting patient privacy at risk and keeping 100% uptime. While IT is managing the hardware and software that connects to communications networks, the breadth of expertise in telecommunications, carriers, and pricing, is often minimal and most technical personnel really don't like administrative paperwork functions.

Before a healthcare delivery organization decides to keep telecommunications expense management in house, consider these questions:

- Do we have the necessary experienced staff to adequately analyze and research every telecom charge on every invoice, accurately allocate those charges, and pay the bills on time? If not, can we afford to hire the needed personnel?
- Do we have an up-to-date inventory of all our telecommunications services – circuits, features, wireless devices, usage, service agreements, and know exactly how they are all used? If not, do we have the manpower



to create such an inventory and keep it updated?

- Do we have a process and centralized system to track and monitor the complete telecom management lifecycle? If not, can we create one?

If the answer to even one of these questions is “no,” building a solution in-house may not be wise. What most often happens is that the IT department rubber-stamps approvals and the AP department pays the bills without any close examination. This can lead to hundreds of thousands of dollars in overpayments.

Feeling the Sting

According to Gartner, anywhere from 12 percent to 20 percent of telecom charges are incorrect, and almost all of the errors – 85 percent – are in the service provider’s favor.

Unused services and keeping up with optimizing usage and technologies reaches as high as another 10 to 15 percent. How much does that equate to for your organization?

Outsourcing Telecom Expense Management is the Answer for Dramatic Cost Recovery

There is an alternative to diverting overextended internal resources and building your own platforms. Outsourced Telecom Expense Management (TEM) services deliver a dedicated, more efficient, cost-effective solution. More and more companies are hiring TEM professionals, whose only business is managing every aspect of telecommunications operations. A TEM firm can determine what services are in use, negotiate the most favorable service agreements on your behalf (they’re managing millions a month), streamline your services for maximum efficiency and can recommend additional changes to save both money and time.

A TEM firm will provide a cloud-based solution to monitor charges on a proactive basis while accurately centralizing and simplifying your payment processes. Some people regard TEM as nothing more than a glorified audit of an organization’s bills, but that really just scratches the surface. Remember the axiom “you can’t manage what you can’t measure” – it is fundamental to recovering cost in an organization’s telecommunications services and contracts. Telecom expense management is a continual process, not just a one-time operation.

Outsourced TEM: Defining the Value

TEM outsourcing is an easy road. While it takes the direct burden off of your shoulders, it is imperative to thoughtfully evaluate key considerations, specifically:

- Telecom Expense Management can typically help an organization reduce telecom expenses 12 to 20 percent (up to 40 percent in some cases) and increase control over voice, data and wireless costs, in addition to including the AP functions. Typical payback ranges from 3 to 6 months.
- The ROI, measured in dollar terms depends on the current state of your telecommunications infrastructure. If the current telecom system is poorly managed, a TEM provider may be able to bring substantial savings in a short time. If you already have a reasonably good handle on the situation, the savings may be more modest. But in either case, you will be shifting the burden from your organization to hired experts.
- To make an informed decision between in-house work and TEM, an organization must fully evaluate the costs and return on investment of each and compare them side by side.
- Some TEM providers offer guarantees to save your organization time and money. Of course investigate what is included in those guarantees.
- Many TEM providers charge a setup fee to establish the initial database and inventory, while some don’t charge

for this service as they are looking to establish a longer term relationship.

With a good TEM provider, you will be able to:

Create an inventory: This is the crucial first step. Before you can manage your services, you must know what and where they are. A TEM provider will track down every circuit, switch, and mobile device and examine the contracts, billing history and other data that goes with each.

Gain up-to-date real-time inventory: This is the secret to ongoing management. TEM providers use sophisticated software to keep the inventory fresh, adding new services as they come in and removing old ones as they're taken out of service.

Reconcile Payments: The inventory makes it possible to match your charges to your agreements. Have your providers raised rates behind your back? Are you being billed for mysterious third-party fees or taxes that you can't identify? Are you still paying bills for services you haven't had in months? TEM will tell you.

Simplify payments: Most healthcare systems are billed for hundreds or thousands services every month. A good TEM provider will know what each are used for and can allocate

them appropriately and upload or integrate the coding into your financial system.

Implementation of Outsourced TEM

The engagement process (see figure 1 below) is a straightforward sequence proven over thousands of successful engagements. An organization should expect to take about 100 days to implement TIMS.

Success Story: Kindred Healthcare

Kindred Healthcare is one of the many health care service providers facing mounting financial pressure as health coverage changes and insurers reduce their reimbursement rates.

Kindred has responded to these market changes through strategic acquisitions and efficiency improvements. It's now the largest diversified provider of post-acute care services in the United States with annual revenues of \$6 billion. Its more than 75,000 employees are spread over more than 2,200 locations, and integrated together through a complex communications network.

Managing that communications network is a daunting chal-

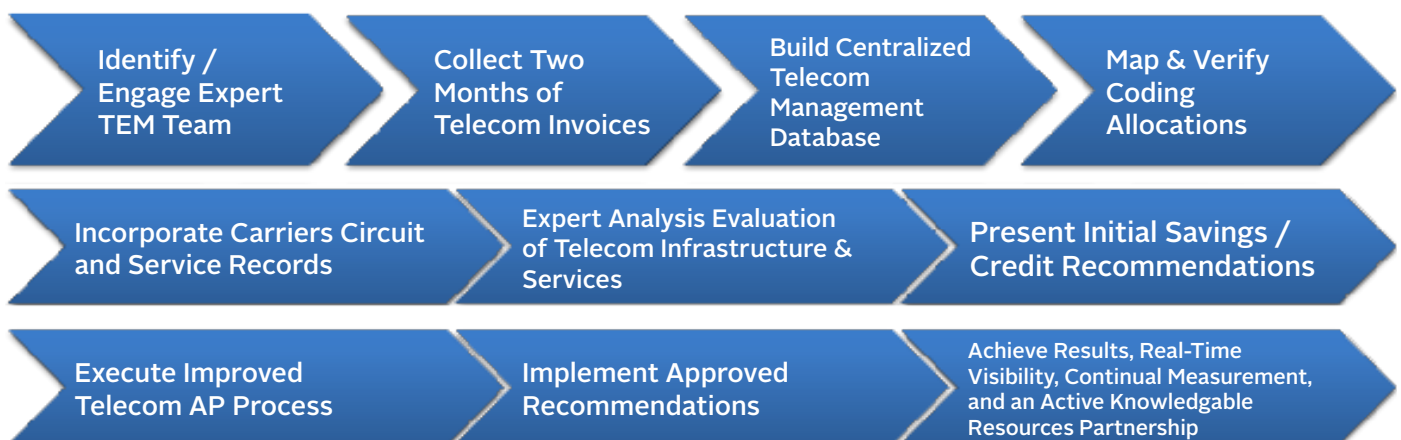


Figure 1: The TEM implementation process takes about 100 days to complete

lenge, and not a natural part of a health care organization's mission. Typically, Kindred's various locations were responsible for processing and paying their own invoices. With no centralization, there was no real visibility or control over a telecommunications infrastructure with thousands of circuits, services, and charges. At the same time, bringing all of those invoices to the corporate level to increase control would have driven up the expenses and manpower required to handle them.

Meanwhile, the acquisitions the system was bringing in created coding and allocation challenges that had to be solved to fully integrate the new organizations into Kindred's corporate umbrella. Some of those companies were in disarray, making it hard to simply find out what contractual obligations existed.

Kindred also lacked any systematic telecom auditing. When the appropriate people had time to spare they might research some changes, and the organization performed more thorough audits only once every three years.

All in all, it was an unacceptable situation, and the organization's preferred solution was to hire a Telecom Expense Management firm. After some research, Kindred hired the TEM provider Telennium as part of a pilot program to test the company's capabilities. Telennium developed a comprehensive inventory of services, analyzed the inventory to see what Kindred was paying for and how it could be

improved. Finally, Telennium made some recommendations that quickly trimmed the health care organization's telecom costs by 38 percent.

Impressed, Kindred began expanding Telennium into more of its regions. But Telennium may have finally won Kindred over after a large acquisition brought more than 5,000 invoice items, covering more than 1,000 locations that had to be researched, mapped, and coded with new cost allocations to be processed for payment. Telennium had it done in two weeks.

In its first few months at Kindred, Telennium offered more than 200 recommendations, many of them to eliminate unnecessary charges and unused services that Telennium had identified, for more than \$1 million in savings. And then once approved, Telennium implemented those items.

Eight Hundred implemented recommendations later, Kindred is realizing over two million dollars in annual cost savings.

“Telennium was able to dedicate significant resources that were absolutely critical for success,” said Steve Stoess, senior director of telecommunications for Kindred Healthcare. “Anytime I can show our leadership that we can save money, it’s a win for us and our bottom line.”

Outsourced TEM: Shrinking Administrative Burdens While Exponentially Growing Cost Savings

Managing telecommunications is complicated and costly, but the cost of not doing it well can be even greater. Still, it's not part of the core competencies of health care organizations. It is THE core competency for a Telecom Expense Management firm.

“Telephone Expense Management is an often untapped treasure trove of double digit cost savings – and it's easy to outsource and gain fast results,” says William O. Lehmann, a business process improvement consultant with experience in healthcare and financial industries, based in Louisville, Ky.

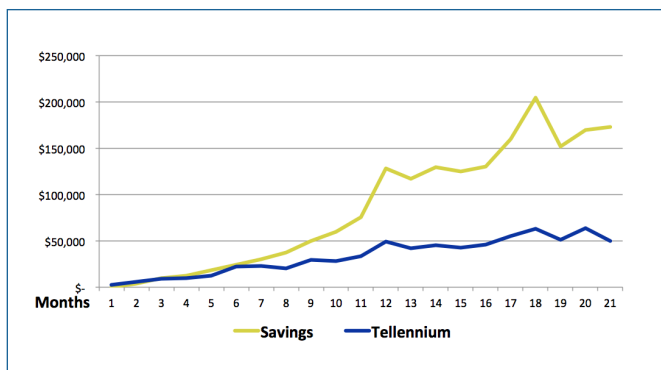


Figure II: TEM Achieves Dramatic Cost Savings for Kindred Healthcare



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“It should be one of the first quick hit projects for any CFO or CIO. It will likely reap huge results, especially for companies with large IT budgets as a percentage of their G&A.”

With a TEM provider, you will always know what your telecom services are, what they are being used for and how much you’re paying for them. With TEM, you can make better-informed decisions and reduce significant cost.

Your administrative burden will become much lighter, and you can devote more time and resources to your first mission: Delivering health care.



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About Telennium

Telennium began as a telecom consulting firm in 1999, utilizing objective expertise to help procure enterprise-wide telecommunications systems and services. In 2002, we introduced Telennium's Integrated Management System or TIMS, our telecom expense management platform designed to proactively assist our clients with the continuous management of their telecom processes and expenses.

With our expertise, proven processes, TIMS, and an unwavering focus on our clients' best interests, Telennium has grown dramatically since inception at a double digit rate year after year – profitably. We have been nationally and internationally recognized by Inc. Magazine and the Gartner Group as a telecom industry leader.

Our core philosophy is to apply the highest standards of honesty, objectivity, expertise, and sophisticated software tools to complex telecom issues, thereby providing our clients with a unique set of solutions, efficiencies, and proven results.