

Contract and Vendor Management: Understanding Contract Philosophy

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Agenda

- *Contracts- Analyzing the data to support your decisions financially and clinically*
- *Managing and assessing agreement performance-The devil is in the details.*
- *Negotiating Contracts–It's about TEAM work!*
- *Establishing KPI's- Be SMART!*
- *Managing OEMs & Vendors- Hold them accountable to your standards of care.*
- *Point of Sale Service Agreements-Is this an Option?*
- *Managing Fleet Technology- Volume creates leverage.*
- *Make Rights-When all else fails.....*



Contract and Vendor Management

Understanding Contracts

Analyzing the data to support your decisions financially and clinically

- How do service vendors set agreement pricing and their own budgets?
- What is the most appropriate data needed to initiate this process? What does the service vendor's data show you to evaluate contract performance? Variables?
 - Determine the volume of labor and parts a vendor is anticipating to spend with your equipment via an agreement versus hourly billed service (HBS).
 - Review hours of service - Determine how this is affecting your PRIME patient care delivery hours!
- Are Value-Added Services impacting the worth of the delivered service?
 - Ex: User Education, Remote Service Support, Technical Support, Helium fills, etc.
- Compile all data into dashboards, develop key performance indicators (KPIs), etc.



Contract and Vendor Management

Understanding Contracts

Analyzing the data to support your decisions financially & clinically

- Understand the complexity and details of all your service agreements! Look for hidden issues!
- Understand all service vendor pricing! Knowledge is power!
- Use your Legal Department to influence agreement language and which language can be changed!
- Determine how and when to hold service vendor performance review meetings.
 - Set a cadence
 - Set Agendas
 - Set Expectations



Contract and Vendor Management

Managing and Assessing Agreements -The Devil is in the details

- Set meeting cadences that meet the volume of business with the vendor, annually at a minimum.
- Structure meetings primarily around performance. Let them deliver their details first, then discuss as a part of your expectations for the future.
- Does your data align with the vendor's? If not, why?
- Compare to your established KPIs.
- What tools do you use in your assessment?
- How do you monitor vendor performance?
 - Define methods, processes, and systems.
- Who within your organization helps evaluate the vendor's effectiveness?



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Negotiating Contracts - It's About Teamwork

- Leverage your data to support your needs.
- Understand the vendor's pricing methodology; it's different for each vendor and modality.
- Understand list prices for base coverage and line-item key options:
 - Tubes, Image intensifiers, after-hours labor, detectors, transducers, clinical education
- Start with agreement list price; often (3-5) year terms. Avoid multi-year discounting **until after** all equipment inventory, options, etc. are established. Then negotiate discount.
- Refine to build Master Service Agreements with standard T/Cs if possible.
- Co-terminus dates for all devices.
- One invoice
- Know your leverage positions and negotiate from a position of power!



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Establishing KPIs- Be SMART!

- Vendors are built around their margins and metrics. Refocus for patient care, safety expectations
- Involve your clinical customers. What affects their operations? Financial reimbursements?
- Involve your Supply Chain Management to align with other organizational needs.
- All need to be SMART – Specific, Measurable, Attainable, Realistic, and Time-Bound.
- Are vendor's manpower quantities and levels guaranteed to meet your needs?
- Align KPIs to the vendor's coverage levels and delivery guarantees.
- Evaluate against multiple-year track record; use as a tool, not as a measurement.
- Ensure the service vendor knows how their services affect your organization.
- Does KPI non-compliance result in vendor financial penalty?



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Point of Sale - *An option?*

- What are Point of Sale Agreements? Why are they popular?
- Typically, 3% Capital reduction, yet how much are you getting in Service Discounts? Capital vs Expense?
- What is the most appropriate data needed to initiate this process? All vendors have service history. Ask them for typical failure history data. Engineering reports on the systems.
- Leverage other users' experiences with POS.
- Do you have in-house support? Can they be leveraged and trained?
- Typically, POS is ok if you do not have in-house support, are remote...



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Fleet Management- Cradle to Grave Management

- Use your data and vendors to build future models for Life Cycle Planning
- The vendor should be able to supply all data such as Operating System, SW/HW Revs, and EOSL status.
- Technology Planning is important for Service Planning!
- Build planning with key organization members.
- Establish replacement plans by modality based on when to replace
- Have established protocols for evaluating replacement.
- Use methods like Gantt Charting, End of Life Data to assist.
- Use Service History Data to understand underperforming systems



Contract and Vendor Management

Fleet Management - Cradle to Grave Management

- Build capital replacement models that stage out equipment from the beginning of implementation in your facility to retirement.
- Understand that most product life lasts for about 18-20 years based upon if you have continuously upgraded your systems.
- If you have not, look out for early end-of-life and forklift upgrades.
- Understand how obsolescence management works.



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Make Rights-Understand them, ask for them

- Definition: OEM corrects a situation (i.e., poor performance, multiple repeating failures, does not meet specifications, etc.) for a customer with a concession (i.e., replacement, etc.).
- Agreement terms and conditions must have clear language supporting healthcare organization's position. *Can't find, do, etc.* is not an excuse.
- Lengthy process. Requires patience. Always about *patient care and safety*
- Always involve your clinical and administrative team (e.g., Supply Chain, Radiology Management, Nursing, Risk Management, Information Technology).
- Stay engaged. Stay firm.
- Do not waver in your direction and commitment.



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Summary - Remember that...

- Contracts - *Are costly. They need to provide value. Understand how they provide value by analyzing them.*
- Assess the performance of the vendor with their data and yours. *The devil is in the details.*
- Negotiating Contracts – *It's about TEAM work! Work with your SCM, HTM, and users to create synergy!*
- Establish Goals and KPIs- *Be SMART!*
- Managing OEMs & Vendors - *Hold them accountable to your standards of care, not theirs.*



Contract and Vendor Management

Summary - Remember that...

- Point of Sale Service Agreements- *Ensure you understand the advantages and disadvantages of POS Agreements.*
- Managing Fleet Technology-
Volume creates leverage.
Leverage equipment and service.
Evaluate all opportunities.
- Make Rights -*When all else fails... use Make Rights as an opportunity to gain return on poor performance.*

