



# Guidelines for Selecting a Vendor

## Table of Contents

|                                      |   |
|--------------------------------------|---|
| Determining Goals/Requirements ..... | 1 |
| Vendor Selection .....               | 2 |
| Evaluating Proposals .....           | 3 |
| Negotiating With Vendors .....       | 4 |

The content of this document is from Medicare Claims Processing Manual Chapter 24 – General EDI and EDI Support Requirements, Electronic Claims and Coordination of Benefits Requirements, Mandatory Electronic Filing of Medicare Claims, Sections 60.8.1 – 60.8.4.

## DETERMINING GOALS/REQUIREMENTS

Before selecting a vendor, the provider must examine its business needs to identify the EDI, practice management or other services that the provider is interested in obtaining from a vendor. The provider should consider if their in-house staff can easily perform services or if it would be more cost effective to obtain services through a vendor. The provider should create a written description of the components of its practice that need vendor support and a description of support needed so prospective vendors can design their proposals to best meet the provider's needs. Requirements to consider include the following:

- Future Growth of the Practice;
- Workload;
- Payer Analysis;
- Referral Tracking;
- Fee Schedules;
- Appointment Scheduling;
- Medical Records;
- Interconnections with Physicians/Hospitals and other Networks;
- Word Processing Needs;
- Electronic Billing (formats and versions supported);
- Multiple Practices/Locations;
- High Volume/Low Volume Billing;

- Specific Bill Types;
- Management Reporting;
- Hardware/Software Requirements/compatibility with existing equipment; and
- Data Storage needs.

## VENDOR SELECTION

Once a provider has determined its own goals and requirements, it must begin the vendor selection process. Selecting a vendor must be as objective and quantitative as possible. Areas to be evaluated should include technical functionality, flexibility, and customer service. The following steps may be used as guidelines for providers to start the vendor selection process:

1. Develop a list of potential vendors:
  - Talk to the Medicare carrier, DMERC, or Fiscal Intermediary.
  - Ask other providers of comparable size/specialties what vendors they use for what services and how satisfied they are.
  - Ask a consultant.
  - Attend standards conferences, follow trade magazines and investigate Web pages.
2. Call or write the vendors selected/recommended to discuss the organization's needs and request a proposal.
3. Tell the vendors how the proposals should be structured so that the various proposals can be more easily compared.
4. Attend demonstrations of at least two to three vendors and pay close attention to:
  - How individual requirements will be met;
  - Ease of understanding;
  - Ease of features - data entry, search features, editing/compliance checking features, help features, error correction features;
  - Security - disaster recovery plans, controls, and audits;
  - Daily Procedures;
  - Reporting/Tracking features.
5. Check vendor references and ask specific questions such as:
  - How long has the business been in operation?
  - How long has the system been in place?
  - What is the quality of the training and ongoing support?

- Is there a user's group in place?
  - What formats are supported?
6. Check with providers served by the vendor and ask specific questions such as:
- Have you experienced any problems with the system?
  - Have you experienced any problems with the vendor?
  - How long did it take to get up and running?
  - Are you happy with the system/vendor and would you recommend it/them today?
  - Is there anything else I should know or ask before making my decision?
7. Make site visits to the vendor as well as other clients of similar size and bill mix that have been running the system for some time.

## EVALUATING PROPOSALS

Vendor proposals should be evaluated on several levels including company reputation/history, system functionality, flexibility, overall costs, and support provided. Providers should create a checklist that compares the vendor proposals against their original requirements by assigning a relative weight to each requirement and then rating the vendor's ability to meet each requirement based on their written proposals. Although some aspects of each checklist will be highly individual, the following are some of the elements that should be considered:

1. Overall costs:
  - Software costs;
  - Hardware costs (types as well as quality);
  - Licensing fees;
  - Training costs;
  - Installation costs;
  - Cabling;
  - Phone lines (leased line/toll charges);
  - Remodeling/Furniture;
  - Forms;
  - Conversion costs;
  - Electricity costs;
  - Supply costs (diskettes, tapes, paper, ribbons);
  - Annual hardware maintenance;

- Annual software maintenance;
  - Cost of custom program changes; and
  - Cost of continuous software support.
2. Evaluate hardware differences.
  3. Evaluate quality of training and support.
  4. Evaluate system documentation.
  5. Consider the staff size of the vendor.
  6. Determine how well each vendor responded to requirements and questions in the proposals.
  7. Determine flexibility (whether the package is proprietary, whether the software can be easily modified, whether the vendor can accommodate changing payer requirements, and if so, at what cost).
  8. Determine overall system convenience including hours of customer service, technical support, and connection times.
  9. Assess future risks and the vendor mitigation of such risks through system trial periods and source codes placed in escrow.

## NEGOTIATING WITH VENDORS

Once a vendor has been selected, the provider must negotiate the final costs, services, and implementation dates to be provided by the vendor. All agreements reached between the two parties should be obtained in writing. Providers should add a clause to their agreements that will permit them to obtain a refund in the event the vendor's software does not begin to operate successfully by a specific target date following installation. Providers should also add a clause to their agreements allowing them to delay final payment pending successful operation of the new software for a specified period after successful installation.