

# Northwest Permanente: Tackling Risk in Contract Management

Fully Transforming Provider Contract Management Processes

## Executive Summary

Like most payers, Northwest Permanente, P.C., used a paper-based system to **contract** with community healthcare providers. They found that this system could not address the questions raised by the Northwest Permanente management team about **risk exposure** and realized the need to explore alternatives in contract management. With the implementation of Kryptiq's Guardian™ Contract Manager, a **payer-centric** contract management solution, Northwest Permanente reaps the **benefits** of migrating from paper to electronic data: achieving new visibility into contract information, mobility of data where it is needed, the assurance of consistent information, streamlined and fluid workflow processes, and increased efficiency.



**KRYPTIQ**

*Software to Connect Healthcare*



## Payer-Centric Approach to Provider Contracting

### Paper-based Contracts and Risk

Most businesses take using electronic data for granted, yet many healthcare payers are still using paper-based systems to manage their provider contracts. In the United States, over 1,000 healthcare payers create and maintain contracts with as many as 500 to more than 100,000 providers. The sheer volume of paper presents an enormous management challenge.

Northwest Permanente, a for-profit medical group that contracts exclusively with Kaiser Foundation Health Plan Northwest, has 1,208 providers in its network, and contracts with an additional 2,343 providers external to the organization. In the past, their provider contracts sat in multiple filing cabinets in various locations. Staff spent countless hours and resources to coordinate and manage their contracts. However, the cost of paper processes was not the only issue.

“Using paper added an element of risk, in that we had no visibility into our contractual data,” says Terry Brown, Assistant Director of Provider Contracting and Relations at Northwest Permanente. “Lack of visibility hindered our internal auditing, and made many aspects of the process difficult, such as amending contracts for new regulations and meeting compliance reporting requirements. With so many contracts, it became very expensive for us to manually gather, coordinate and communicate contract data.”

### Establishing the **Need to Move** from Paper to Electronic Data

Northwest Permanente realized that paper-based contracting processes created more than just operational risk. Paper was hindering effective communication between payer departments, with potentially disastrous consequences. “If the manual process of communicating rate changes to the claims system results in incorrect payment to a contracted physician, the ensuing reconciliation process may damage the relationship and complicate future negotiations or result in a terminated contract,” says Brown. “Without electronic data that could be shared seamlessly between groups, rate changes were not being communicated from the contracting department to the claims staff. It was a case of the left hand not knowing what the right hand was doing.”

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## Discovering that **Contracting Systems** are not **One-Size-Fits-All**

Northwest Permanente has a long history of using technology to streamline their business and they realized that provider contracting was an antiquated process seriously in need of an overhaul. Brown assembled a team that included the director of provider contracting, technical leads, and contract negotiators to look at a variety of generic contracting solutions. The team found that generic contracting solutions simply could not accommodate Northwest Permanente's provider contracting requirements. In addition, although they could modify and adapt a generic solution, the specialized development and implementation costs made the solution not viable.

## **Payer-centric Design Meets Contracting Requirements**

In 2004, Kryptiq Corporation introduced Guardian Contract Manager, a modular end-to-end contract management solution built specifically for healthcare payers to manage their provider contracts. Northwest Permanente took notice. According to Brown, "We invested a significant amount of time into creating our own list of likes, dislikes, desires, and must-haves. Guardian was designed from the perspective of the payer so everything just clicked."

Guardian creates a central repository for easy accessibility through a web-based interface. Regardless of location, designated team members can find what they need for analysis and audit. Because provider contracting is not "one-size-fits-all," Guardian enables organizations to create a library of contractual language terms, clauses, and fee schedules used to generate contract templates unique to their organization. Guardian includes language, rates, and provider databases so that payers can have visibility into all aspects of provider contracting.

In addition, Guardian tracks the status of every contract from creation to negotiation through expiration, creating a comprehensive audit trail that records any change in contract status or content, who generated it, and when. It provides critical contract visibility necessary to ensure compliance with both corporate and government regulations.

"After our evaluation, it was clear that Kryptiq's intellectual capital was focused on provider contracting and the associated workflows, which made our decision to buy much easier," added Brown.

Generic contraction solutions do not address provider contracting requirements.

"Kryptiq's staff understands our unique needs, which is one of the key reasons we chose them."



## Payer-Centric Approach to Implementation

### The Proof Is in the Implementation and Integration

Kryptiq's payer-centric approach expands beyond program functionality. The implementation methodology plays a key role in ensuring that the Guardian solution is deployed and usable by the entire team. Kryptiq's team led Northwest Permanente through a series of workshops designed to address their specific requirements for implementation. Working from the knowledge they gained during the workshops, Kryptiq imported historical data and existing contracts into the new system, giving Northwest Permanente a head-start on roll-out. "Successful deployment requires a partner who understands the intricacies of provider contracts in both application design and implementation," says Brown.

Kryptiq designed Guardian to allow seamless integration with other business applications. Northwest Permanente needed to leverage their investment in a customer relationship management (CRM) application that successfully managed all provider information, such as names and billing addresses. Consistency between Guardian and the CRM application was deemed a critical component to the success of the implementation and the Kryptiq team made it work flawlessly. "Now, data elements are always in synch between Guardian and our CRM solution," says Brown. "Updates to either system are reflected in both systems, so we are assured of complete data integrity and can save on data processing costs."

### The End of Provider Contracting Headaches at Northwest Permanente

What began as a quest for reducing risk evolved to implementing a solution for transforming contract management. Northwest Permanente now has a system of record that will drive their entire contracting payment system. "Our vision is to integrate our contract system with our claims system and our credentialing system," says Brown. "With our great experience so far with Guardian and Kryptiq, I am confident we will do that successfully."

### About Kryptiq

Kryptiq is the leading provider of interoperability and workflow connectivity solutions for healthcare. Kryptiq streamlines healthcare communications among patients, providers, pharmacies, and payers with secure messaging, electronic prescribing, disease management, and contract management technologies. By integrating these solutions with existing systems and applications, Kryptiq enables the trusted transport of health information where and when it is needed. Kryptiq's fast growing customer base includes many of the nation's top 100 integrated health networks, spans 44 states plus Washington, D.C., and includes well-known providers and payers such as Providence Health System, Capital Region Healthcare, MeritCare Health System, Eastern Maine Healthcare, BlueCross BlueShield of Minnesota, and Northwest Permanente.



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