

Vendor Governance in Seniors Housing & Services

Why Structured Oversight Matters More Than Many Organizations Realize

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Why Strong Vendor Relationships Require Structured Oversight

Senior living, whether independent living, assisted living, skilled care, or life plan, operates in one of the most complex environments in healthcare. Leaders are balancing workforce shortages, downward reimbursement pressure, rising resident expectations, and aging physical plants, often simultaneously.

In this environment, vendor relationships play a larger role in financial performance than many organizations realize.

Spending on dining services, pharmacy, therapy partners, medical supplies, technology platforms, and other vendor categories represents a significant portion of controllable operating expense. Yet many communities devote far more structured oversight to revenue strategy than they do to vendor spend.

This gap rarely appears as a crisis. More often, it shows up as gradual margin pressure. Contract escalators accumulate. Pricing structures go unreviewed. Service expectations drift from original agreements. Individually, these changes seem small, but they compound quickly.

Vendor governance is not about distrust. It is about discipline.

The Quiet Impact of Contract Escalators

Many vendor agreements include annual price escalators. Individually, these adjustments may seem modest, typically between three and seven percent.

The effect of compounding tells a different story. A \$1.5 million annual service contract with a five percent escalator grows to more than \$1.8 million within five years.

When multiplied across several vendor categories, that incremental growth can quietly reshape an organization's cost structure.

No single decision creates the pressure. It accumulates gradually, which is precisely why vendor governance matters.

Four Areas Where Oversight Matters Most

Organizations that manage vendor relationships most effectively tend to focus on four areas of discipline.

Performance Reviews

Service expectations should be more than contractual language. Periodic reviews help ensure service levels remain aligned with operational needs and resident expectations.

Billing Verification

Complex pricing structures such as rebates, pass-through expenses, and tiered fees can make invoices difficult to evaluate quickly. Periodic billing review confirms charges align with contract terms.

Market Benchmarking

Vendor loyalty remains valuable, but it should be informed by current market conditions. Benchmarking pricing and service models against peer organizations provides useful context when contracts approach renewal.

Competitive Validation

Many organizations periodically test the market through a formal RFP process. Even when the incumbent vendor remains the right partner, the process often improves clarity around pricing, scope, and expectations.

Governance Is Not About Replacing Vendors

A common misconception is that stronger vendor oversight leads to constant vendor turnover.

In practice, the opposite is often true. Structured governance tends to strengthen existing relationships. Vendors benefit from clearer expectations, and organizations gain confidence that agreements remain aligned with current conditions.

The goal is not disruption, but rather clarity and accountability.

Why Vendor Governance Matters Now

Organizations serving seniors face growing financial pressure on multiple fronts, including rising labor costs, eroding reimbursement, and the need to evolve their service offerings in response to changing consumer expectations.

In this environment, effective providers must focus not only on revenue growth, but also on disciplined management of controllable expenses. Vendor governance plays a quiet but important role in that effort, ensuring that cost structures remain aligned with current market conditions. When approached thoughtfully, it strengthens financial stewardship while preserving productive vendor partnerships.

For organizations responsible for decades-long commitments to residents and families, that discipline matters.