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# Payables Automation in Healthcare

A Case Study for Automating Accounts Payable, 2015

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## Summary

Recently, a faith-based, not-for-profit Healthcare Organization partnered with iPayables and made a compelling case for Accounts Payable Automation. Included in this case study is valuable information for Healthcare Organizations who are planning to make AP Automation a part of their Accounts Payable system. iPayables' e-invoicing product, InvoiceWorks®, has helped this enterprise level organization to route invoices more effectively and streamline their approval process. They are beginning to see significant savings and profitability.

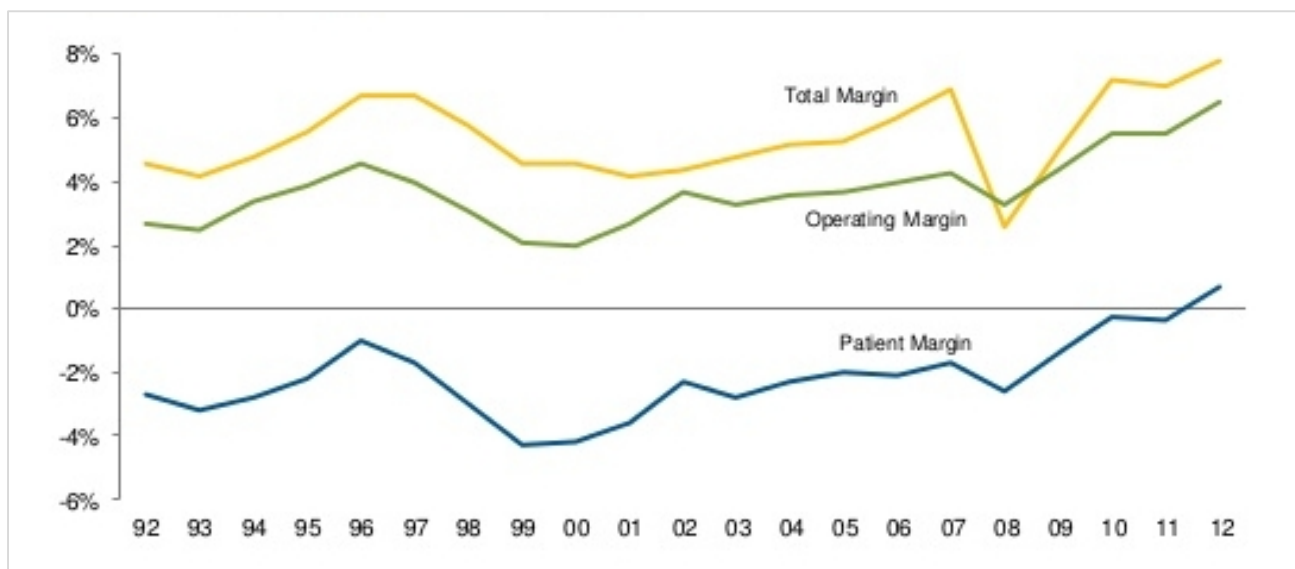
## Business & Current Situation

In a recent study by PayStream Advisors, more than 75 percent of all healthcare organizations surveyed still receive more than 80 percent of their invoices in paper format, and resolving matching errors and exceptions are their most challenging of manual tasks.

The study also ranked invoice processing as one of the areas where automation provides the truest value. However, 62 percent of those hospitals in the study receive less than one-quarter of their invoices electronically, typically as EDI transactions. (<http://www.ghx.com/media/1069/accounts-payable-optimization-in-todays-healthcare-environment.pdf>)

A study by Thomas Reuters found that while total margins and liquidity have increased, 50 percent of hospitals still remain unprofitable.

**Aggregate Total Hospital Margins<sup>(1)</sup>, Operating Margins<sup>(2)</sup>, and Patient Margins<sup>(3)</sup>, 1992-2012**



<http://www.forbes.com/sites/theapothecary/2015/01/28/seriously-steven-brill-hospitals-make-gluttonous-profits/>



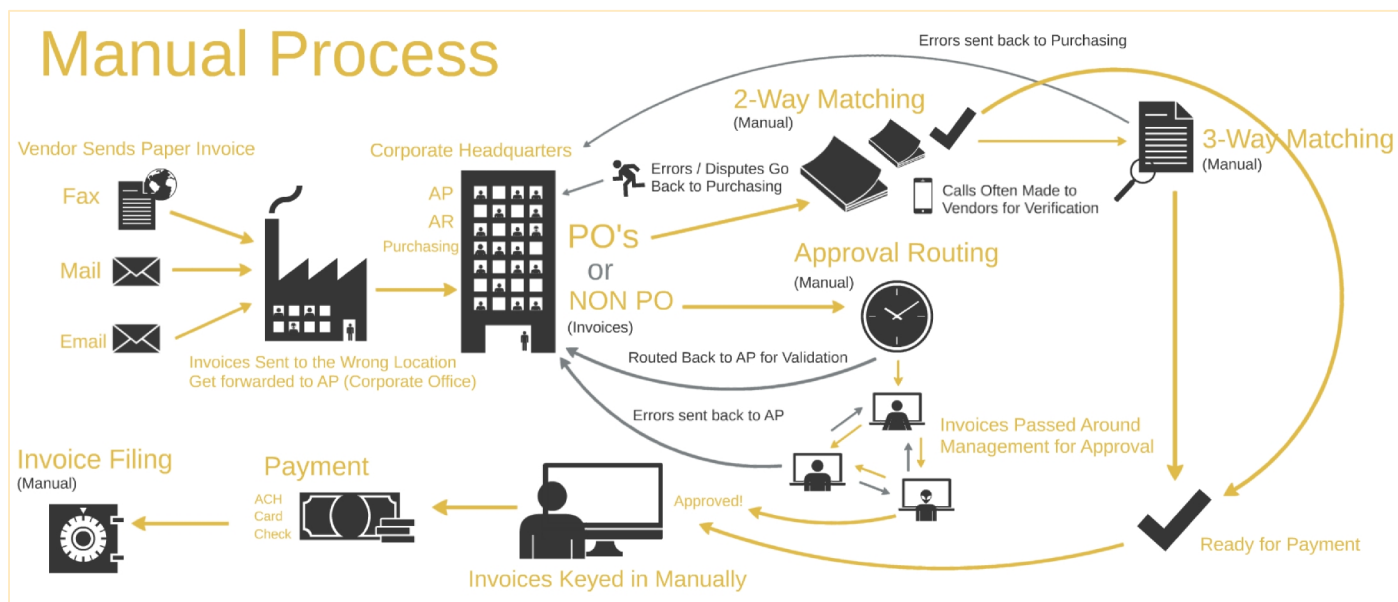
The book, “Healthcare Operations Management” by James R. Lanabeer II MBA PHD from The University of Texas Health Science Center Houston Texas, mentions that, “technology should be considered whenever quality and efficiency is low. Processes that are repetitive in nature and that can be replaced by less expensive automation are also suitable for technology investment. Technology often serves one of three roles:”

- Automate manual processes
- Improve transaction processing capabilities
- Improve the quality of analysis

### Prime Example

To address these challenges, hospitals are looking for ways to reduce administrative costs and maximize revenue by focusing their attention on staff productivity increases, as well as reductions in the labor force. Hospitals can use AP Automation to cut the cost of invoice processing, manage cash flow, generate new revenue streams, use AP data to make valuable decisions across the company, and gain greater visibility and control into their accounts payable processes.

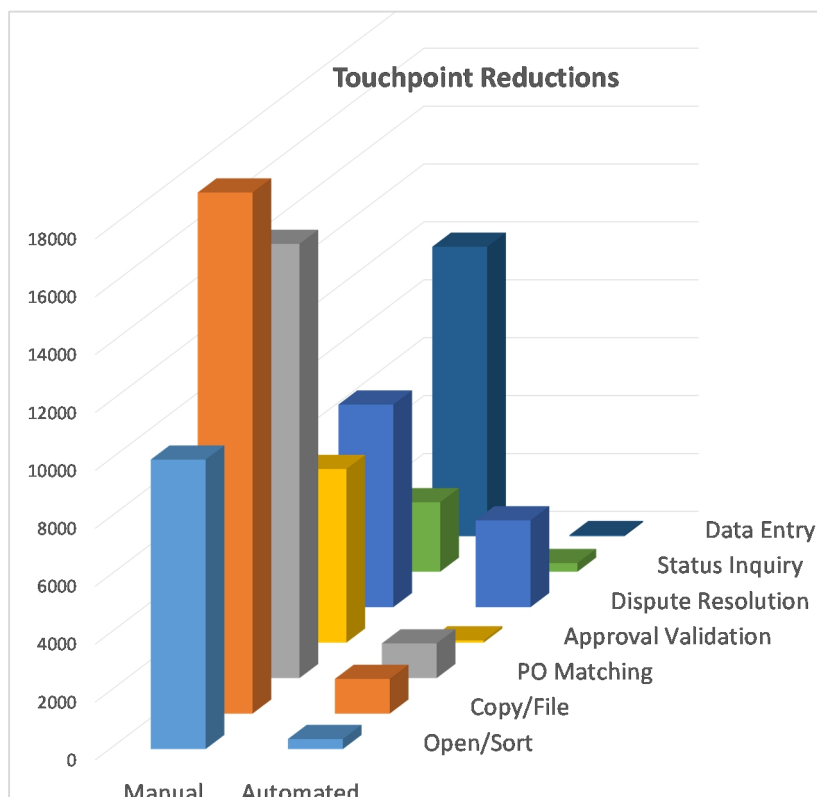
A large hospital network in Texas has initiatives to reallocate funds from administrative tasks that can be automated to patient care. One particular System Controller at the hospital saw an opportunity in the accounts payable area. This hospital network was processing 10,000 invoices per month and most all of the process was manual. Paper invoices were received, opened, and sent to the payables group.



The payables group began matching for purchase order related invoices and routed non-PO invoices for signatures. The purchase order matching process, paper approval process maintenance, supplier communications and issue resolution added up to a cost of around \$3.00 per invoice, a low cost when compared to an industry average of over \$10.00 per invoice, but a cost still the same.

They were looking to reallocate headcount from the payables process to higher value add functions, as well as create an opportunity for better discount capture with a faster, more reliable payables process. In addition to the goal of hard savings and discounts, there was an opportunity to address the suspicion of high errors going undetected and a general lack of visibility into much of the process.

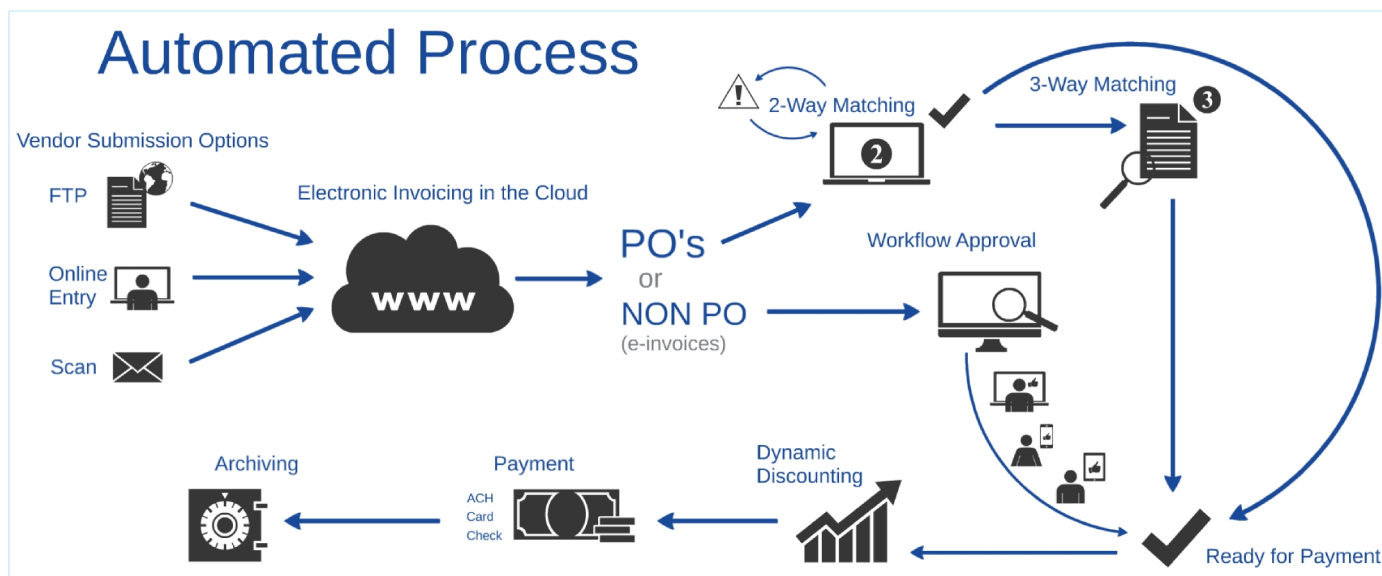
By implementing iPayables InvoiceWorks®, the entire process was automated. Estimated Manual touch-points were reduced from over 68,000 to less than 6,200 manual touchpoints per month. Estimated Cost per invoice dropped to less than \$1.50. The majority of purchase order invoices were automatically matched with straight-through processing (no manual effort at all) and those that did require manual intervention were smaller efforts than with the previous manual process. The workflow of Non-PO invoices was completely automated requiring none of the traditional validation touchpoints in accounts payable and only a handful of administrative touchpoints.



All invoices are now immediately visible to all applicable employees and the supplier and any questions of mishandling or loss of invoices have ceased as employees can always see the exact state of the invoice. They have eliminated the shipping costs, expedited fees and problems associated with internal invoice delivery and routing associated with a manual approval signature process. With the now available ad-hoc reporting, custom data requests and real-time accrual reporting can be accommodated within seconds instead of what once took days to assemble.



With the new process reducing invoice processing time from around 24 days in the previous manual process, down to four days in the automated process, the hospital network has moved their focus onto the variety of discount capture tools in InvoiceWorks® including dynamic discounting where suppliers can select their own payment date for a discount calculated based on the date they select.



While margins across healthcare are tight, payables automation is an area, that with minimal effort, can produce efficiency gains, error reductions, and new discounts. This particular initiative at this Texas based hospital network has set them on path for over \$1.2 million in savings annually.

