

# READY, SET, AUTOMATE: 5 Ways Healthcare Organizations Can Gain Efficiencies, Reduce Costs with Digitized AP Technology



In today's healthcare environment, cost savings and process efficiencies are more critical than ever for both providers and their suppliers. Yet paper invoices and manual processing remain a persistent burden — a liability that eats away at precious time and inflates costs far more than it should.

“Streamlining the procure-to-pay (P2P) workflow is an obvious choice for improvement, especially in healthcare, where time is of the essence,” says Jess Scheer, IOFM’s Executive Editor. “Yet data shows that payment systems in the healthcare industry are still too reliant on paper and inefficient manual processes, which generate added costs and massive waste for both providers and suppliers.”



Data shows that most healthcare invoices are still paper — and paid by paper check.

In fact, the latest data indicates that 70 percent of healthcare invoices are still paper-based and 85 percent are paid with paper checks<sup>1</sup>, with an average processing cost of \$7.00 per check<sup>2</sup>. That can quickly add up for both buyer and seller. These cumbersome manual processes also contribute to errors and slow payments — even potentially putting the supply chain at risk.

The Institute of Finance and Management (IOFM) partnered with the Remitra division of Premier, Inc — an organization dedicated to transforming healthcare financial processes to reduce waste and save time for both healthcare providers and their suppliers. Together, we’ll explore opportunities for improvement and how to streamline the procure-to-pay cycle to generate better outcomes for both healthcare organizations and their supplier partners.

## The Big Five

In this white paper, we’ll discuss five areas where streamlined ordering and processing of healthcare invoices can yield significant improvement:

- Finding quick wins through data-informed opportunities**
- Paperless supply chain management**

- Solution scalability and enterprise resource planning (ERP) compatibility**
- Improved synergies between accounts receivable (AR) and accounts payable (AP)**
- Enhanced discount capture and better cost containment**

Let’s look at each of these relative to healthcare organizations’ challenges.

## 1. Use Data to Prioritize Change

Where does your organization stand to gain the most, the fastest?



Use your solution’s data to find your greatest inefficiencies and fix those first.

While patient-focused payment processes tend to get more attention within healthcare systems, IOFM’s most recent data indicates that many organizations’ accounts payable processes are outdated on the back end, making it difficult to get the maximum benefit from automation. Yet due to the pressures of the marketplace, in part because of the pandemic, both healthcare providers and suppliers hurried to automate their manual processes out of the necessity to move away from paper.

IOFM Executive Editor Jess Scheer says, “Although healthcare organizations were receiving more invoices electronically and their costs decreased slightly as more of them adopted automation, effectiveness did not markedly improve, likely due to lack of process maturity.”

### Healthcare AP Department KPIs

	2019	2020	
Cost Per Invoice	\$3.52	\$3.40	Efficiency Metrics
Invoice Per FTE	16,588	16,345	
First Pass Match Rate	79%	78%	Effectiveness Metrics
Share of Duplicate Payments	1.1%	1.2%	

Source: IOFM Benchmarking Data

<sup>1</sup> Based on Premier’s webinar (2021, June 2) presentation. Retrieved from <https://offers.premierinc.com/Remitra-Webinar-On-Demand-Registration.html>.  
<sup>2</sup> (2020, June 3). Home. Checkissuing.com. Retrieved from <https://www.checkissuing.com/blog/the-cost-of-issuing-checks/>. March 20, 2019.

In a perfect world, both AP and AR organizations could take the time to evaluate their processes and methodically improve them before, during and after automation. But for those that automated without doing this step first, now's the time to use the data that solution is generating to determine where the greatest inefficiencies lie and act on those first.

## 2. Going Paperless

It's no secret that a paper workflow is inefficient — and if there's anything we've learned recently, it's not really viable anymore. Nowhere is this truer than in healthcare supply chains. Paperless is the way of the future. Dan Morissette, Chief Financial Officer, CommonSpirit Health shared, "The need for innovation is larger than any one health system or any supplier."<sup>3</sup>



**A solution should seamlessly sync up EDI processes with non-EDI ones.**

For health systems and suppliers, there's more to consider. "Large health systems usually prefer that suppliers use EDI exchange data standards," says Chaun Powell, Group Vice President, Procure to Pay, Remitra. "But that can be cost- and technology-prohibitive for suppliers, meaning many POs and invoices must be processed outside of the exchange environment." What's the answer?

A P2P solution may solve solves that problem by offering an established network of suppliers that accept electronic invoice processing and payments. The software has the capability of taking an invoice file in any format and translating it into EDI messaging standards. This syncs up EDI and non-EDI processes, greatly reducing the potential for errors and mismatches.

This ensures that buyers are getting the best products at the best prices, and that sellers are working with reputable and efficient buyers. Not only is this a time- and money-saving strategy; it ensures faster and more accurate payments. It can also significantly reduce the opportunity for fraud, which flourishes in a paper workflow.

<sup>3</sup> Based on Premier's Breakthroughs 2021 presentation (2021, June 15) including Dan Morissette, Chief Financial Officer, CommonSpirit Health.

<sup>4</sup> Based on Premier's Data. Accurate as of February 2021.

## 3. Scalability and Compatibility

If your organization is evaluating its automation options, one of the most important things you should consider is ERP compatibility. The advantages of an industry-focused solution is that it can integrate with every commonly used ERP available. Better still, is a solution offers its own ERP system that is customized for healthcare suppliers and providers, creating a seamless platform for purchasing, invoicing and payment.



**Automation should be able to scale with your organization as it grows.**

When selecting a provider, also consider whether the solution you're looking at will scale with your organization as it grows.

Another of the advantages of a cloud-based solution is that updates are handled by the software provider, meaning you don't need in-house staff to manage your solution. Instead of worrying about hardware, software and data security, you can focus on what matters — your healthcare business.

## 4. Syncing Up AP and AR

Efficient automation is essential for suppliers and providers alike. Healthcare industry data which indicates that match exceptions continue to disrupt the payment cycle, lengthening it by an average of 64 days<sup>4</sup>. That inefficiency is costly for the healthcare provider's AP department, creating extra work for the team to get it sorted out.



**An efficient automated workflow creates savings for both provider and supplier.**

Suppliers also depend upon prompt and accurate payments to remain in business. "The constant dispute resolution around the quote-to-cash (Q2C) process frustrates both sides and distracts from focus on the

patient,” says one healthcare supplier<sup>5</sup>. Those vendors who have customers lining up for their products due to supply chain shortages can take advantage of this seller’s market and delay shipments until payments are made — or cancel orders altogether.

On the other hand, an efficient automated workflow creates cost savings for both the provider’s AP department and the supplier’s AR department. The order to cash (O2C) process is improved by 11 days<sup>6</sup> on average overall, according to Premier data, and both Premier and IOFM studies agree that automation reduces the cost of an electronic payment to \$4.00 or less.

## 5. Looking at the Bottom Line

A more accurate and streamlined payment pipeline allows for enhanced capture of fast-pay discounts and rebates for AP. Cutting out supply chain intermediaries by utilizing a fully end-to-end process also keeps costs down for health systems.

Resolving billing errors is also time-consuming — and vastly expensive. Chaun Powell from Remitra says, “It’s common to see invoice error rates between 5 and 15 percent. True story: One provider, Baptist Health, was using non-healthcare-specific platforms considered a ‘gold standard’ — and ended up with nearly \$10 million in overcharges from their suppliers.”<sup>7</sup>



**Invoicing errors can result in significant overpayments that may be irrecoverable.**

Extrapolated across the U.S. healthcare industry, this adds up to between \$4 and \$6 billion in annual invoicing errors<sup>8</sup>, and that’s just counting invoices with contracted pricing. The effort in resolving those errors costs organizations money — and it’s likely that in many cases, those overcharges result in overpayments that are irrecoverable.

<sup>5</sup> Based on Premier’s Breakthroughs 2021 presentation (2021, June 15)

<sup>6</sup> Based on Premier’s Data. Accurate as of February 2021.

<sup>7</sup> Based on Premier’s Breakthroughs 2021 presentation (2021, June 15) including George Godfrey, Senior Vice President, Supply Chain, Baptist Health South Florida.

<sup>8</sup> Based on Premier’s Data. Accurate as of February 2021.

Greater accuracy also means that staff can spend their time focused on higher-value tasks that improve overall workflow and create organizational benefits rather than on fixing the same problems over and over again.

## A Solution That Fits

Most e-pay vendors don’t understand the unique challenges and opportunities that healthcare organizations face. While most solution providers can manage the digitization of paper invoices and generate electronic payments, they don’t fully understand the complexities of the healthcare supply chain. A healthcare-focused, end-to-end workflow, on the other hand, can make every step in the process more efficient and streamlined.

“Recent developments have deeply impacted the healthcare supply chain,” says Scheer. “However, forward-thinking organizations understand that their solution provider can do more than just automate AP or AR. The right partner can take an active role in greatly enhancing the end-to-end process of healthcare supply chain management to better serve the needs of healthcare suppliers, providers and their patients.”

## Additional Resources:

- [The Future of Supply Chain Management is Paperless — Are You Ready?](#)
- [Data Unlocks the Future of Healthcare Accounts Payable](#)
- [The Most Integrated Procure-to-Pay Platform in Healthcare](#)
- [Remitra Resources](#)