GHX

Driving Digital Transformation Through Invoice and Payments

Support the journey with help from prompt payment

EXECUTIVE SUMMARY

As more organizations advance a digital transformation, the value from expanding to invoice and payments stand out. More prompt payments enabling rebate capture can help fund investments that drive efficiency across the supply chain.

A CHANGING PAYMENT LANDSCAPE

The entire healthcare industry is undergoing transformation, and the healthcare payment environment is changing right along with it. A number of factors are forcing hospitals and health systems to reconsider how they manage the procure-to-pay process, including:

- *Workforce shortages.* Staffing shortages in the healthcare industry have been widely documented for years, and those shortages go beyond clinical staff to include shortages in the business office and accounts payable department as well. As a result of the Great Resignation, employers in many industries have increased salaries and benefits to entice new workers, and there's much more competition for qualified staff.

- *Supply chain shortages.* Some of the supply chain shortages that developed as a result of the COVID-19 pandemic still linger. In many cases, even if supplies are available, they are sold at higher prices than before the pandemic due to supply chain shifts.

- *Potential economic recession.* With record inflation and feeble economic growth, many economists are predicting a recession or downturn. To be prepared for potentially negative economic news, hospital leaders are looking for ways to rein in expenses.

- *Reduced profit margins.* Hospitals continue to face lower margins: 2022 was the worst financial year for hospitals since the start of the pandemic, according to Kaufman Hall's January 2023 National Hospital Flash Report.

As these pressures strain the healthcare payments environment, hospital leaders need solutions that can help streamline their P2P systems, drive down costs, boost supplier relationships and potentially transform P2P into a profit center.

A DIGITAL SOLUTION

Digitizing the P2P cycle can help hospitals address all these pressing challenges and build sustainable financial health. However, most hospitals and health systems continue to rely on manual systems to process and pay invoices. That might include manually processing payments or managing exceptions, which requires significant employee time and effort.

For example, at Northwestern Medicine, the 11-hospital health system affiliated with the Northwestern University Feinberg School of Medicine in Chicago, digitizing the P2P cycle was crucial for eliminating manual processes and cutting costs.

"Our supplier onboarding process was disjointed, and there were a lot of data integrity issues with the way things were configured in our system," said Amy Platis, director of finance at Northwestern. "There were lots of missing invoices, and our team spent a lot of time getting invoices to match purchase orders."

By implementing an end-to-end digital payments system, Northwestern was able to standardize the information received from each supplier and enhance data across the system. The health system eliminated checks as a payment option and moved to digital payments only. When a supplier is onboarded, they select a payment option, and payment terms are adjusted based on their selection, Platis said.

The benefit of an integrated system includes having each supplier set up with a specific payment program that details terms and discounts, and each invoice is automatically processed and paid according to the supplier's selected form of payment.

"Before, our team was touching every invoice several times before paying," Platis said. "Now, we have a scalable technology solution that does not require additional employees, even as we've added more hospitals to our network."

As Northwestern's experience shows, eliminating the manual processes that are inherent in the status quo can help hospitals cut costs and build revenue.

EXPERIENCE THE BENEFITS

By digitizing the procure-to-pay process, health systems can realize a number of bottom-line benefits, including the following.

Achieve cost savings. First, health systems can cut costs by eliminating the manual processes involved in processing and paying invoices, thereby enabling them to reduce the number of employees needed to manage the P2P process. Current employees are able to focus on more strategic initiatives, and because a digital P2P solution is scalable, there's no need to hire additional employees even as the health system grows.

Drive revenue now. With invoices submitted and processed digitally, it's easier to make sure that suppliers get paid faster and that the health system's potential discounts and rebates are maximized. Invoices no longer need to be handled by numerous people and manually queued for payment on a certain date; instead, invoices are digital, each one matched with a digital PO, and assigned to a specific payment program that automates payment date and associated rebate or discount.

Over time, the automated process of managing and paying invoices can transform accounts payable into a profit center. For example, since implementing a digital P2P system, Northwestern Medicine has experienced a 133% increase in annual rebates.

Improve relationships with suppliers. In addition to the time and costs associated with manual P2P processes, these legacy systems can also hinder hospital staffers' ability to easily communicate with suppliers when needed. Supplier contracts may not be standardized, and supplier contact information is not

available in a centralized, easily accessible location. When staff have a question for a supplier, they may spend extra time digging for contact information and waiting for a return phone call. However, having an integrated P2P process provides staff with a consistent, reliable way to communicate with suppliers whenever the need arises.

In addition to simplified supplier communication, a digital P2P system allows suppliers to get paid in the way they prefer, with the terms they set. A digital system helps streamline the identification and management of late and missing payments, discrepancies between POs and invoices and other transactional issues. Manual processes no longer tie up the payment system; for example, Northwestern Medicine improved its payment term compliance with GHX suppliers on a 15-day term from 26% in 2019 to 90% in 2022, after implementing a digital payment system.

By digitizing its P2P system, a health system also helps suppliers drive their own cost savings through automation. An anchor supplier will gain value from being able to assess the cost of fee-based payments tied to predictable and low days-sales-outstanding measures, which derive from the automation of AR efficiencies and associated cost savings.

Experience visibility across the invoice to pay process.
One of the challenges with manual P2P systems is the lack of visibility into the status of invoices, payments and overall financial standing. But with a digital process, leaders can quickly access details about any payment or supplier.

For Northwestern, real-time visibility of purchase orders, invoices, payments and vendor details has been a game changer.

"You can't fix what you can't see," said Northwestern's Platis. "There's an ongoing need for continuous improvement, and you need to be able to look at reports and figure out the root cause of any issues so you can fix them. It often takes a lot of people working together and collaborating between purchasing and accounts payable, so you need good reports."

CASE STUDY:

Digitizing the P2P process created positive gains for Northwestern Medicine

As the foundation for its procure-to-pay (P2P) workstream optimization, Northwestern Medicine in Chicago developed and implemented a digital portal to serve as a single hub for all suppliers to engage with the health system. Through the portal, which is integrated with the health system's enterprise resource planning (ERP) system, suppliers participate in the onboarding process by electronically submitting their account details. Once they are onboarded, suppliers are directed to engage in an entirely digital procure-to-pay process through the portal, including electronic POs, electronic invoices and electronic payments.

To support its goal of eliminating paper check payments to suppliers, Northwestern Medicine incorporated GHX ePay as a preferred payment method on the portal. Northwestern's goal was to move to all digital payments, but it did not want to take on the risk of storing suppliers' bank account information in its hospital systems, said Amy Platis, director of finance at Northwestern Memorial Healthcare. Through its partnership with GHX ePay, ACH payments and all corresponding bank account information is managed by GHX.

Suppliers choose the payment program they want, and terms are adjusted based on their choice. For example, when a supplier chooses the GHX virtual card or ACH program, payments are accelerated, and the supplier pays fees only if their payments are received with a 15-day average.

"You should always have a payment strategy in place, but for it to be successful, the procure-to-pay process must be automated, and data must all be updated, or everything stops."

—Amy Platis, Northwestern Memorial Healthcare

Both the health system and its suppliers gain value from their use of ePay in the form of operational efficiencies and financial rewards. ePay provides rebate capture for qualifying payments, which incentivizes Northwestern Medicine to pay invoices sooner.

The solution is a win-win for both the health system and its suppliers: The health system benefits from greater payment accuracy and increased savings capture, while its suppliers benefit from lower days-sales-outstanding and faster access to cash.

Once the process was in place, it became easier to get new supplier relationships on board and to onboard newly acquired hospitals.

In addition, the digitized P2P process is scalable. Through Northwestern's most recent acquisitions, the health system has been able to maintain its P2P process without adding any new accounts payable employees, Platis said.

"Every new supplier onboards through the new system, so they are using the new process from the beginning of their relationship."

—Amy Platis, Northwestern Memorial Healthcare

OVER THE PAST THREE YEARS, NORTHWESTERN MEDICINE HAS EXPERIENCED THE FOLLOWING BENEFITS*:

133%
Increase in Annual Rebates Through Payment Programs that Include epay

98%
Digital Payments

90%
Payment Term Compliance with Suppliers (15-Day Term), Up from 26% In 2019

90%
Reduction In Help Desk Inquiries, Allowing the Team to Focus On Higher-Level, Solution Work

85%
Suppliers Registered in the Digital Portal

80%
Of Procure-to-Pay Transactions are Fully Digital from PO Dispatch Through Supplier Acknowledgement And Invoice to Payment

53%
Increase in Discounts Annually

Source: *Northwestern Medicine's Procure-To-Pay Workstream Goes Digital with Big Payoff*

GHX

ABOUT GHX

GHX ePay is a cloud-based, payment automation platform that leverages the largest healthcare supplier payment network with pre-established discount terms. The fully automated and electronic workflow eliminates paper checks, streamlining processes and minimizing the need for human intervention.

Built specifically for the healthcare industry, GHX ePay provides innovative ways to streamline and optimize the AP process across your entire supplier network. Hospitals that use GHX ePay experience significant cash rebate increases and see their payment processing efforts extensively reduced. Because the platform easily integrates with existing ERP systems, ePay can be up and running in weeks, with minimal IT resources involved.

Learn more at GHX.com.