



WHITEPAPER

Maximizing Your Cloud ERP Investment

**Six critical considerations for healthcare
supply chain optimization**

Introduction

Many health systems are thinking about moving to a cloud ERP, are in the midst of the transition, or have already made the leap. In fact, more than **70% of hospitals and health systems** have already transitioned or plan to transition to the cloud for supply chain optimization by 2026.

As the number of systems that have transitioned has accelerated, the benefits of cloud ERPs have become clear: enhanced data accuracy and visibility; stronger clinical integration and collaboration; more streamlined decision making and less off-contract spend; enhanced demand forecasting and supply chain resiliency; more efficient processes and automation opportunities; and more.

While these benefits are numerous, it's also becoming increasingly evident that health systems need to take critical additional steps to maximize their investments and build on the strong foundation provided by ERPs.

Most cloud ERPs weren't built specifically for healthcare, and as a result, they lack critical capabilities required for optimal health system supply chain management. The primary function of cloud ERPs is to support and enhance business processes *within* the organization yet supply chain management is much more complex—encompassing a vast network of both internal and external partners and suppliers. Building on the cloud ERP to achieve a multi-sided view—both within and outside of the health system—is crucial. Health systems that successfully do so will experience even greater supply chain efficiencies, while organizations that don't may potentially face increased operational, financial and clinical risks.

This whitepaper further explores those operational, financial and clinical risks, while also identifying six ways to help mitigate them—and enhance the impact of a cloud ERP investment.

“While cloud ERPs provide significant benefits to health systems, organizations that experience the maximum impact as a result of the transition—particularly in terms of efficiencies, patient safety and financial gains—will identify additional opportunities to both complement and build-upon that ERP foundation.”

MARLIN DONER

VP of Product Management, GHX

The Risks of **Inaction**

Cloud ERPs are a critical element of optimal supply chain management, with benefits that range from enhanced data integrity and real-time visibility to stronger demand forecasting and supply chain resiliency. Still, for optimal impact, health systems should augment their cloud ERPs with additional capabilities. Those that do not may be at higher risk of:



Operational inefficiencies

- Missed or delayed orders and shipment issues due to unaligned data and accounts
- Exceptions due to misaligned item and price data
- Process inefficiencies due to not optimizing EDI and API integration capabilities
- Rogue spending without formulary driven search capabilities and purchasing controls



Financial losses

- Credit holds and/or avoidable manual interventions due to non-automated invoices
- Missed revenue capture and incomplete or incorrect EHR documentation due to misaligned data
- Overpayments due to incorrect pricing
- Rogue spending and downstream challenges for financial teams due to non-compliant procurement processes



Clinical safety problems

- Patient care impacts due to unapproved items used on patients
- Increased malpractice risks and billing issues due to missing or incorrect data

Spotlight on SKUs

The average mid-sized health system has about 1.7 million product SKUs to manage, while a typical Walmart store has just **140,000**. This is just one reason why health systems need to optimize their cloud ERP.

6 Strategies to

Mitigate Risks and Build on Your Cloud ERP Foundation



Strategy #1: Enhance Spend Analysis and Strategic Sourcing Capabilities

Cloud ERPs offer a central, shared repository for contracts, formularies and other relevant data. Because information is no longer locked away in on-premises data silos, health systems have timelier access to procurement spend and contract information, which ultimately helps streamline decision making and promote consistent buying behavior.

Health systems can significantly maximize their benefits if they augment the cloud ERP with additional spend analysis and strategic sourcing capabilities. More specifically, capabilities related to product categorization, clinical research, directed buying and inventory control, are crucial.

As health systems confront numerous challenges, additional capabilities can help:

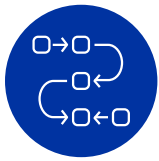
- Easily find alternatives and analyze spend by category, contract, and vendor.
- Evaluate new products and alternatives based on evidence-based research.
- Improve value analysis processes to balance costs, utilization and research.
- Employ purchasing controls within the cloud ERP to increase on-contract spending with credentialed and compliant vendors.
- More easily inform purchasing decisions through AI-driven search capabilities.

“Outcomes should drive preference, not price. Clinical evidence has to go into driving that right choice.”

MATT MEDLEY, VP of Solution Specialists, GHX

Reducing Costs and Improving Clinical Outcomes

Building on the cloud ERP with additional capabilities can help health systems meet two key goals: reduce costs and improve clinical outcomes.



Strategy #2: Enhance Procurement Processes

Cloud ERPs provide a single and comprehensive procurement system that enhances standardization and collaboration across the health system. However, cloud ERPs often lack critical data mastering and formulary management capabilities (such as the ability to highlight preferred suppliers) within the item master needed to enforce compliance and improve contract utilization. As health systems struggle with equipment and product shortages—often amid the need to scale purchasing volume due to a merger or acquisition—these limitations can lead to fragmented spend and clinical variation, which could erode savings and impact patient safety.

In order to help address these challenges, health systems should consider additional capabilities related to purchasing controls, single-channel ordering, dynamic substitutions and advanced transaction automation. These additional capabilities can help:

- Identify contract-compliant preferred items and vendors, as well as those that align with organizational ESG initiatives.
- Transact with suppliers via a single channel supporting advanced EDI documents and leverage managed services for non-integrated vendors.
- Identify stockout items with real-time Purchase Order Acknowledgements (POAs) and find alternatives with dynamic substitution functionality.
- Adopt advanced transactions to automate complex orders (e.g., consignment items).

Combined Capabilities, Big Impact

Health systems should seek out a workflow that links value analysis and strategic sourcing to a guided buying experience. That guided buying experience is facilitated through a standardized procurement process and supported by real-time information. This can help drive optimal purchasing behavior at the point of demand— influencing thousands of purchasing decisions.

“A directed buying experience points clinicians in the right direction for what’s approved based on their location, the patient procedure, their patient, etc., without them having to know all of the sourcing and contracting factors around that item. The Amazon experience is great for personal shopping, but it is not ideal for healthcare. In healthcare, a narrower list of clinically acceptable items can help improve purchasing decisions.”

MARLIN DONER, VP of Product Management, GHX



Strategy #3: Enhance Contract Data Management

Cloud ERPs provide significant benefits when it comes to item and price information management and act as the bridge between other systems, such as EHRs. API-based integration capabilities enable real-time sharing of data to provide current and unified item and price data. That's critical to efficiency, internal operations accuracy and tracking, inventory management and the procurement of goods and services. Health systems need to take a close look at how their GPO and local contract data is integrated into the ERP ecosystem, properly managed within it and continuously updated to reflect the most current and accurate information. It is extremely challenging to lower supply chain costs through electronic orders when item part numbers and prices in the cloud ERP don't match the values in the GPO contract.

Expanding the cloud ERP with a data partner that brings in contract data from all the major GPOs and can support consistent, integrated item and contract data flow automatically helps prevent ordering exceptions that require manual intervention and improves the process of operationalizing contracts to drive utilization and compliance. With price alignment in place, synchronizing price across the procurement workflow improves accuracy and cost control which helps lower the total cost of care. These additional capabilities integrated in their ERP can help organizations:

- Leverage a single, GPO-neutral channel to consolidate spend, store contracts and synchronize pricing.
- Automate updates with APIs that streamline flow of GPO and local contracts.
- Review price differences using contract information prior to price updates.
- Prioritize price changes based on frequent purchases with the biggest cost impact before they become order exceptions.
- Drive requisitioners to contractually compliant products that have current and correct pricing.

“Health systems that fail to complement the ERP transition with other critical supply chain optimization tools are simply investing more to have better access to the same data. They are leaving so many opportunities on the table and may be exposing themselves to significant risks.”

MATT MEDLEY, VP of Solution Specialists, GHX



Strategy #4: Enhance Data Management and Analytics

Data integrity, data analytics and data accessibility are more complex than ever before. Missing item and price information are common challenges, which can result in inaccurate analytics, along with issues around billing, compliance and procurement. Good data is foundational to reliable analytics. Fortunately, the ability to support new cloud ERP integrations helps solve this problem by digitizing and automating data management.

To help organizations keep up with the volume of contracts and velocity of change, hospitals and health systems should consider additional capabilities related to data governance, data curation and price alignment, integrated cataloging and reporting. These additional capabilities can help:

- Ensure item and price data is consistent is consistent across systems (i.e., cloud ERP and EHR).
- Navigate the complexities of merging and cleansing legacy data between systems.
- Identify on-contract items and approved alternatives by leveraging millions of relevant, attributed items and images.

From Complex to Streamlined

Item and price information can come from multiple sources—ranging from GPOs to manufacturer to distributors—and all of that data must be ingested and organized effectively. As more health systems merge, and data increases exponentially, this is only becoming more difficult. Identifying opportunities to enhance data accuracy and consistency is key.

“The key challenges were the amount of data that we had to standardize,” says Don Morren, Project Specialist for Corewell Health’s Supply Chain Management, Technology and Analytics Team, speaking of the merger between Beaumont Health and Spectrum Health (now known as Corewell Health). “... Moving Beaumont’s mass amount of data into Spectrum Health’s system without duplicating was a big challenge and we had to do it without impacting patient services.”



Strategy #5: Enhance Automation

Cloud ERPs help drive additional efficiencies within the walls of the health system. Additional capabilities from partners are required to fully transition to automated supply chain management processes.

Health systems should seek out additional opportunities to enhance interoperability between the cloud ERP and external partners, as well as capabilities related to order, shipment and invoice automation. These additional capabilities can help organizations:

- Leverage and maintain data quality.
- Enhance data exchange between suppliers and providers using standard and custom API-enabled integrations.
- Automate standard procure-to-pay transactions with suppliers.
- Automate advanced transactions, including consignment/bill-only implant orders.

Invoice process automation tools have been proven to reduce work by up to 90%.

“Mitigating the Top 5 Risks of Moving to a Cloud ERP System,” Chief Healthcare Executive

“You don’t implement a solution just for your department’s dataset — you need to consider the downstream impacts and the upstream impacts. We have contracts flowing from our GPO stored in GHX. That data is analyzed and pushed automatically into our cloud ERP. The prices are up to date, there are fewer pricing exceptions; with fewer exceptions, the vendor is sending us product quicker. End of the day, the product reaches the patient in a more efficient and faster way. We couldn’t achieve this through any manual process or any other solutioning.”

NIVEESH MACHUMALLA, Senior Systems Analyst at El Camino Health



Strategy #6: Enhance Invoice and Payment Processes

A core function of a cloud ERP is to support and enhance business processes *within* an organization. As a result, integrating with networks of financial service providers and banks isn't typically a native capability. The ERP can potentially impede data linkage and visibility between order-to-invoice automation systems and financial systems that manage payments—optimizations that can only be added by synchronizing accounts receivable and accounts payable solutions with supply chain solutions. Many ERPs aren't equipped to manage the complexity and variability associated with supply chain-related payments, as each vendor often has its own unique terms.

For health systems, this can create opportunities—like ACH—to streamline and digitize activities related to invoice and payment automation. As a result, hospitals and health systems should seek out additional efficiency and automation capabilities to help enhance processes around cash management, forecasting, savings and potential fraud. The move from paper checks to digital supplier payments can help mitigate the concerns of CFOs. According to Healthcare Financial Management Association, 85% of healthcare finance executives cite AI-influenced fraud as a top concern.

Additional invoice and payment capabilities can help organizations:

- Automate exception handling with invoice-to-PO matching.
- Automate reconciliation by including remittance data directly in the payment file.
- Capture prompt-pay rebates.
- Reduce manual touches and free up resources.
- Gain cash flow visibility (such as invoice status and exceptions) to help reduce costs and forecast more accurately.
- Reduce check fraud—the biggest source of payment fraud—according to the [Association for Financial Professionals](#).
- Store and manage supplier banking data securely.

A Significant Value Driver

Automating invoice and payment tasks drives faster, more accurate payments to improve efficiency and create a revenue stream with prompt-pay incentives. This automation also lowers costs.

“When discussing invoice processing, payment reconciliation and reporting, a clear benefit of investing in modern AP automation solutions is marked improvement in accuracy, efficiency and compliance in addition to a reduction in manual errors and processing time. That is critical for systems such as ours.”

BRANDON DROZ,

Associate VP Supply Chain, MUSC Health

“[Unifying the Supply Chain and Accounts Payable: How MUSC Health is Revolutionizing Revenue Streams](#),” Becker's Hospital Review

Additional Guidance for Supply Chain Leaders

Supply chain leaders face immense pressures. At organizations that have made the cloud ERP transition, or are currently in the process, other leaders within the organization are likely to expect an ROI—in the form of enhanced operational efficiencies as well as financial savings—quickly.

It's critical, however, for supply chain leaders to also take a broader view, working to fully leverage the cloud ERP transition itself, *and* explore additional opportunities to build on that solid foundation. Supply chain leaders who approach their strategy in this manner are likely to be much more effective both in the short- and long-term.

How can supply chain leaders proactively extend the value of the cloud ERP? Along with acting on the strategies highlighted above, it comes down to asking some key questions. These include:

- **Operational Efficiencies:** Where do we struggle most in terms of efficiencies, and how can the cloud ERP support efficiency gains? What additional efficiency-enhancing opportunities should we be pursuing?
- **Collaboration:** How aligned are we with our supply chain partners, and how can the cloud ERP help enhance collaboration? How else can we strengthen these relationships?
- **Clinical Integration:** How clinically integrated is our supply chain, and how can the cloud ERP support stronger integration in this area? What gaps and opportunities remain that we should address?

Supply chain leaders from organizations that have not yet transitioned to a cloud ERP, but expect to, have a significant opportunity today. Targeting the six optimization strategies and asking these types of questions prior to transitioning to a cloud ERP will position them well for success. They have the opportunity to plan more proactively, including exploring additional solutions to augment the cloud ERP.

Regardless of where an organization is in a cloud ERP journey, senior leaders should keep in mind that while they may recognize the need to maximize the technology with additional solutions, their organization may not. After all, a cloud ERP is a significant investment. Demonstrating quantitatively and qualitatively the potential of business growth and scalability when your cloud ERP is truly optimized will help set you up for long-term success and maximum value.

Start Early for Optimal Results

If your organization has not yet transitioned to a cloud ERP, but is planning to, consider taking the following actions:

- Create a strategy that identifies reliable data sources, automates data management and includes good data governance.
- Restructure existing processes to match the new technology and eliminate as many manual tasks as possible.
- Secure a reliable item data foundation: A source of truth for every item and its attributes.
- Drive collaboration by bringing together the right people and processes—choose vendors that will be good strategic partners.
- Prioritize change management for smoother adoption and to get users on board and ready for go-live.
- Set success metrics and identify ways to enhance processes and cost savings upfront.

Finding the Right Network Partner to De-Risk and Maximize Your Investment

For health systems transitioning to a cloud ERP, the right network partner can help move the needle and maximize the investment. For more than two decades, GHX has provided health systems with data-driven insights, managed services, and innovative technology that optimizes supply chain performance—and supporting and complementing the transition to the cloud ERP is no exception.

GHX provides healthcare-specific solutions and expertise to help mitigate operational, financial and clinical safety risks, while enhancing spend analysis, procurement, contract management, data management, automation, and invoice and payment processes.

» Visit ghx.com to learn more about how GHX can help maximize your cloud ERP investment.