



WHITEPAPER

Optimizing **Healthcare Accounts Payable Operations**

Why more health systems and hospitals are investing in technology aimed at improving financial performance.

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Introduction

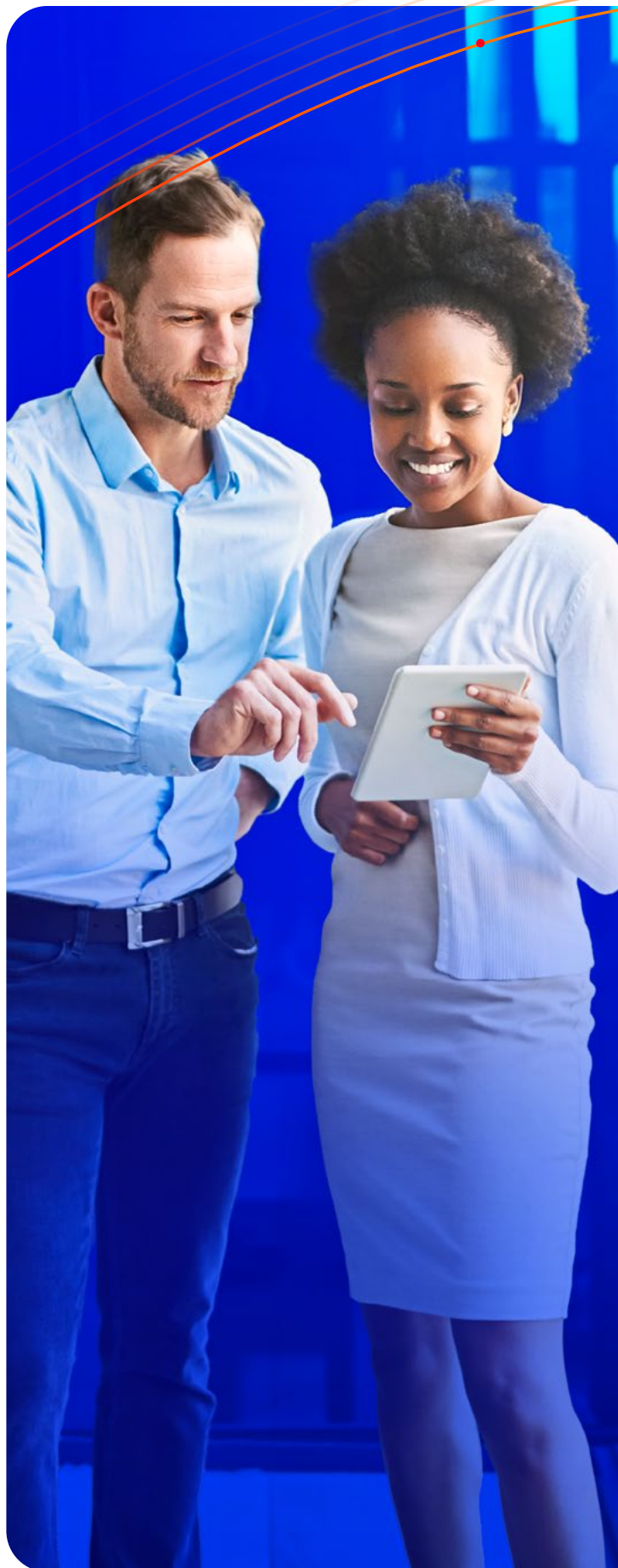
At no time in history has it been more important for health system and hospital finance leaders to gain visibility into and control over their organizations' cash flows. A volatile economic climate combined with declining reimbursements, workforce management challenges and security risks threaten the industry's financial health and ultimately the health of patients as care sites are forced to close their doors.

Accounts payable (AP) operations historically considered "collections" or the "last mile" of back-office business functions are now growing in importance in the minds of healthcare finance leaders. With the state of payables directly impacting a health system or hospital's cash management, the AP department is increasingly recognized as critical to financial decisions.

The AP function has long been challenged by manual processes, disjointed systems, workflow inefficiencies, lack of visibility and the inability to generate meaningful analytics for forecasting and planning. That is changing as more healthcare organizations invest in technology to improve financial operations, including AP automation and optimization.

To get a pulse on the challenges healthcare finance leaders are currently facing and how they are influencing technology investments, GHX commissioned the Healthcare Financial Management Association (HFMA) to conduct a survey of its members in October 2023.

This report summarizes key survey findings, including factors driving increased AP optimization among healthcare organizations and how the shift is impacting operations, costs, efficiencies, strategic planning, security and more.



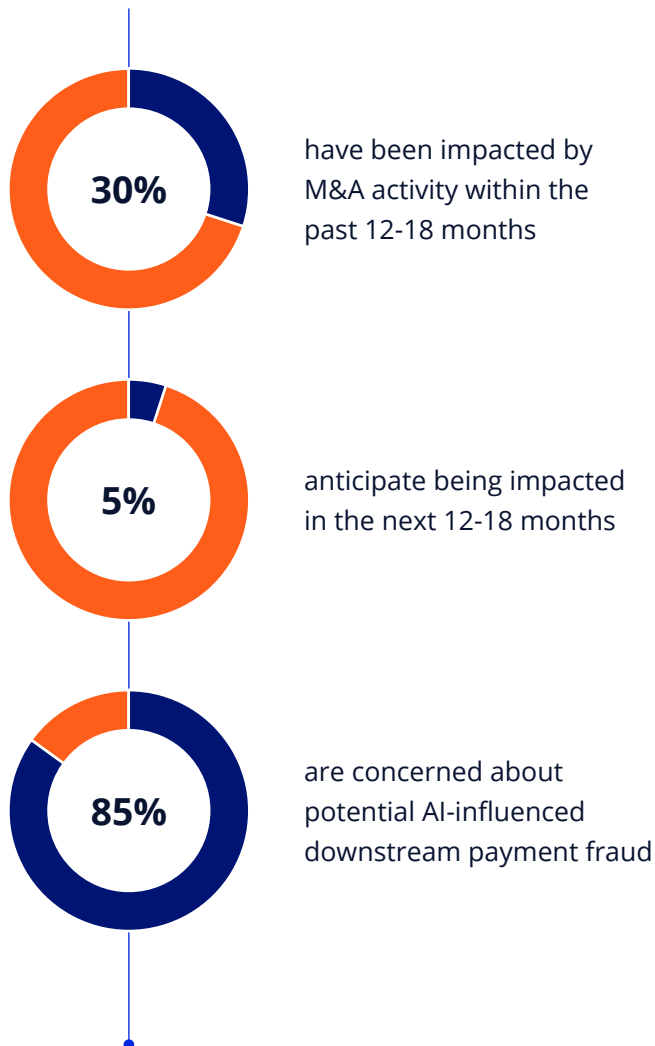
KEY FINDINGS

The Challenges

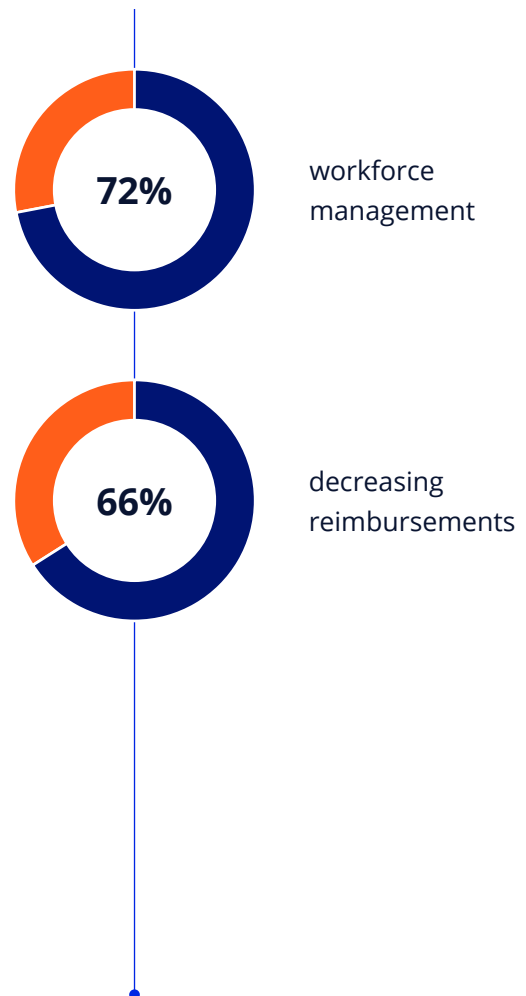
Financial fraud threats are rising as more healthcare organizations merge systems, cybercriminals increasingly target healthcare financial operations, and the danger of artificial intelligence (AI)-influenced downstream fraud grows.

Health systems and hospitals are under tremendous financial pressure. Topping the list, workforce management and decreasing reimbursements.

When asked, healthcare finance professionals said their organizations:



When asked what factors add financial pressure to their departments, healthcare finance professionals cited:

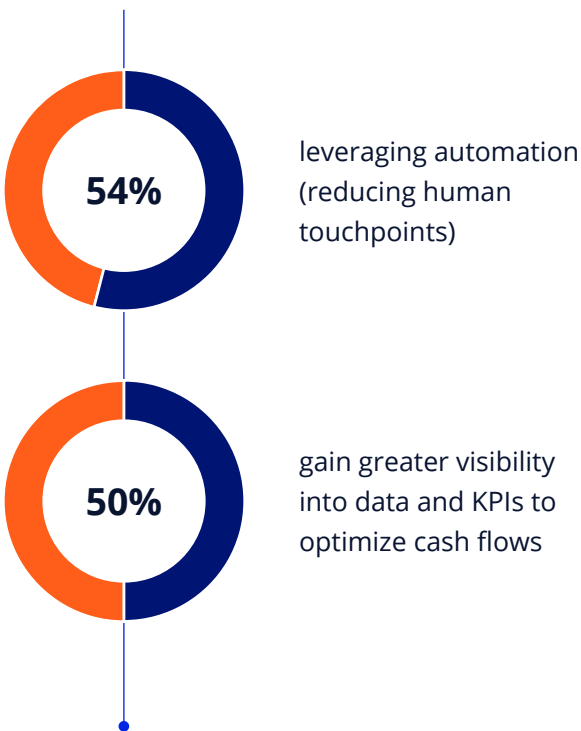


KEY FINDINGS

The Strategies

Healthcare finance professionals are leveraging strategies to optimize cash flow with automation to remove touchpoints and gain greater visibility into data and key performance indicators (KPIs).

Reported as most impactful strategies:



These strategies go hand-in-hand, with process automation facilitating the capture of digital data required for performance analytics, which are critical at a time of declining reimbursements and margin pressures.

While the survey findings provide evidence that healthcare finance professionals recognize the strategic value of data and KPIs, they also reveal the need for more capabilities in this area.

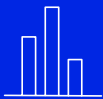
Given the prevalence of workforce management challenges (72% of respondents), it's important to note how manual process automation can help alleviate workforce issues by minimizing the need for human intervention.

Additionally, when health systems with integrated systems and automated processes extend these capabilities to the organizations with which they merge or acquire, it can help speed and smooth the assimilation of workflows and data.

With 30% of survey respondents reporting their organizations have been impacted by M&A or are anticipating M&A impacts, the need for automation could be heightened in the months and years ahead.

The transition from manual, paper checks to digital supplier payments can also enhance fraud protection, which is a concern among healthcare finance professionals.

39% of those surveyed said access to analytics for forecasting was a challenge area.



85% of those surveyed are somewhat or very concerned about potential AI-influenced fraud.

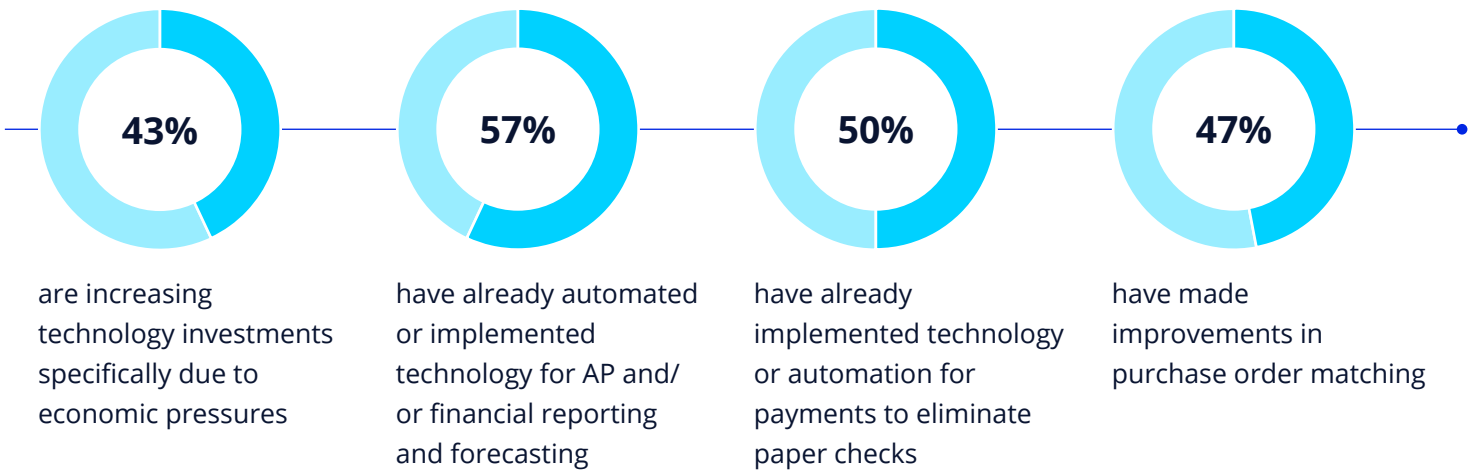


KEY FINDINGS

Enabling Technology

To support their strategies, healthcare finance professionals are making technology investments aimed at improving their healthcare organizations’ financial operations. They are prioritizing investments and improvements in financial reporting and forecasting and AP optimization, including electronic payments to eliminate paper checks and improve purchase order (PO) matching.

Priorities were reflected where finance professionals said their organizations:



When it comes to financial technology investments, healthcare finance professionals prioritize invoice/AP systems that simplify and streamline processes and are easy to use. Most of those surveyed have a single AP payment solution modality in place.



Drivers and trends

The survey results align with what industry analysts have been reporting—most healthcare organizations are struggling to manage working capital in an environment of high inflation, high interest rates and poor investment performance. Among healthcare finance professionals surveyed, 63% report these factors are negatively impacting overall working capital management.

FINANCIAL PRESSURES

Workforce issues topped the list of financial pressures, with 72% of survey respondents citing workforce management as a challenge to their organizations.

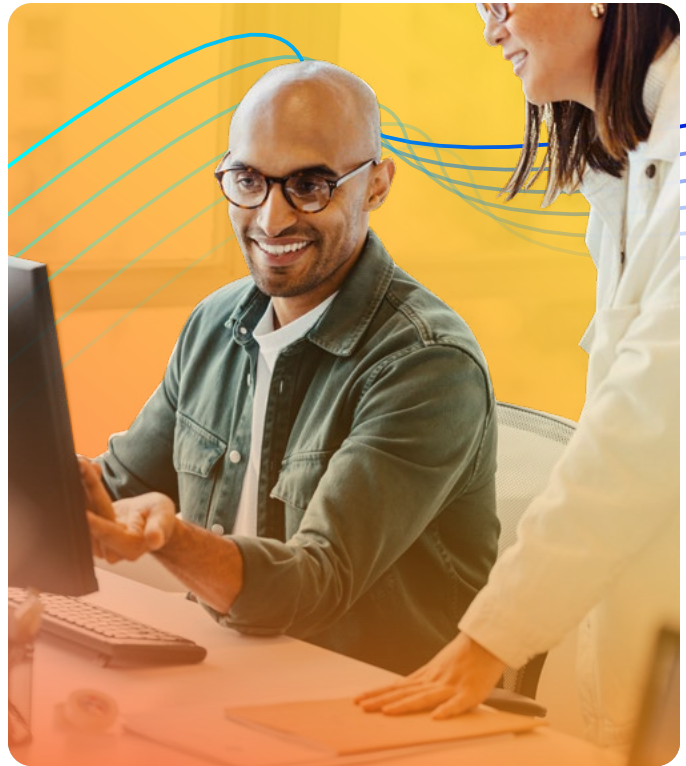
This was followed by decreasing reimbursements, with 66% of those surveyed naming it as a current financial challenge.

Given the difficulties managing working capital in the current economic climate, it is no surprise that 31% of healthcare finance professionals said they face challenges with cash flow management. Additionally, challenges with access to analytics for forecasting, cited by 39% of respondents, points to the lack of actionable insights available to healthcare finance leaders today.

FRAUD THREATS

M&A activity and the growing use of AI represent two priorities for fraud concern.

Mergers and acquisitions in healthcare, with the uniting of diverse processes among various healthcare entities, may increase the risk for payment fraud. Even if one hospital has implemented automation in its payment processes, joining with another hospital that uses manual processes increases its vulnerability.



Concerns are valid given the uptick in cybercrimes targeting health system and hospital financial operations. According to the American Hospital Association (AHA), a February 2024 ransomware outage locked large hospital chains “out of processing payments with some absorbing the upfront costs of being unable to collect.”

Among the healthcare finance professionals surveyed, approximately one-third (30%) said their organizations have been impacted by M&A activity within the past 12-18 months and 5% said they anticipate being impacted in the next 12-18 months.

Contributing to heightened payment fraud risk is the rapidly growing use of AI. While AI has been shown to benefit the healthcare industry in terms of greater process efficiency and faster access to insights, there are also fears that bad actors will leverage the technology to their advantage, as evidenced by the survey.

Most healthcare finance professionals (85%) said they are “very concerned” or “somewhat concerned” about potential AI-influenced downstream fraud.



Success Levers

This quantitative research sought to identify ways health systems and hospitals are working to address the financial challenges they face today, specifically margin pressures and cash flow issues.

STRATEGIES TO OPTIMIZE CASH FLOW

More than half of healthcare financial professionals surveyed (54%) report leveraging automation (reducing human touch points) to optimize cash flows. In fact, automation was cited as the most impactful way to optimize cash flow among all the chosen strategies (cited by nearly one-third of respondents).

Ranked a close second in cash flow optimization strategies was greater visibility into data and key performance indicators (KPIs), with 50% respondents citing this as a chosen strategy.

Among other ways to optimize cash flow were contracted payment terms, with 42% of those surveyed selecting this as a chosen strategy, and ability to forecast cash flow more accurately, which was selected by 34% of respondents.

Going back to the previous survey finding where 39% said access to analytics for forecasting was a challenge area, these findings provide evidence that while data, KPI measurement and advanced analytics are of strategic value, more capabilities are needed.

STRATEGIES TO ALLEVIATE MARGIN PRESSURES

Nearly three-quarters of respondents (70%) are stabilizing their workforces to address margin pressures, which aligns with workforce management being cited in the survey as their top financial challenge.

The second highest response on the list was renegotiating agreements, with 57% of those surveyed citing it as a strategy to address margin pressures. While this strategy shouldn't be ignored, our survey revealed it has not yielded the intended results.

Growing market share followed close behind as the third strategy, with 55% of healthcare finance professionals naming it as a way for their organization to manage margin pressures. This outbound approach to address financial challenges lends itself to larger, more sophisticated healthcare organizations with cash liquidity.

For example, as hospital operating rooms face increasing competition from ambulatory surgery centers (ASC), health systems are increasingly acquiring ASCs to extend their surgical services and generate greater patient revenue.

As to which chosen strategy they deem most effective in addressing margin pressures, stabilizing the workforce ranked highest on the list (33%), followed by growing market share (25%) and renegotiating agreements (13%).

Technology Investments

Faced with increased costs, growing margin pressures, limited cash flow and market uncertainties, it's clear from the survey findings that healthcare finance professionals prioritize strategies that will enable them to streamline processes, reduce expenses, gain greater control over cash flows and/or leverage data-driven insights to make more informed and impactful decisions. These priorities are, in turn, influencing their technology investment decisions.

When asked how economic pressures (such as inflation, interest rates, investment performance, etc.) are impacting their organizations' decisions to invest in technology to improve financial operations, 43% of healthcare finance professionals said they are increasing technology investments specifically due to these factors.

AP AND FINANCIAL REPORTING AND FORECASTING TOP THE LIST

The survey results reveal significant investments in technologies to automate and streamline accounts payable processes and improve reporting and forecasting capabilities.

- **57%** have already automated or implemented technology for AP and/or financial reporting and forecasting
- **50%** have implemented technology or automation for payments to eliminate paper checks
- **47%** have made improvements in PO matching
- **41%** have automated or implemented technology for invoicing
- **40%** have automated or implemented technology for invoice reconciliation and approval

When asked about their healthcare organizations' planned technology investments over the next 1-2 years:

- **28%** selected upgraded electronic health record (EHR) systems
- **27%** accounts receivable automation
- **23%** accounts payable automation
- **23%** digital transformation
- **20%** cloud-based enterprise resource planning (ERP) systems

SIMPLIFY AND STREAMLINE PROCESSES

When it comes to financial technology investments, healthcare leaders prioritize systems and solutions that simplify and streamline processes, are easy to use, provide access to real-time, accurate data, feature the ability to centralize and integrate data from various departments and systems, and offer scalability and flexibility.

When asked for the most important considerations when selecting an invoice/AP system, most survey respondents (70%) selected simplified and streamlined AP process, while nearly half (47%) selected ease of use. In ranking the chosen considerations, the most important among healthcare finance professionals was simplified and streamlined AP processes at 48%.

Looking at AP payment solution modalities, 60% of those surveyed said they do not have multiple AP payment solutions in place while 40% said they rely on multiple solutions.

70% of healthcare finance professionals prioritize simplified and streamlined AP processes when selecting an invoice/AP system.

ACCESS TO REAL-TIME, ACCURATE DATA

Turning to ERP system priorities, 80% of healthcare finance professionals said access to real-time, accurate data is one of the most important features, followed by ability to centralize and integrate data from various departments and systems, with 68% of respondents selecting this capability as a priority.

When asked which of these chosen features are most important when selecting an ERP system, access to real-time, accurate data ranked the highest (38% of respondents) followed by the ability to centralize and integrate data from various departments and systems (34% of respondents).



A more secure advantage

Given the escalating concerns about payment fraud, there is an increasing emphasis on accounts payable optimization and automated payment solutions. By harnessing modern digital technologies, health systems can minimize manual processes while reducing paper check payments. Teams can not only operate with greater efficiency and accuracy but also enhance fraud protection.

Conclusion

Health systems and hospitals are currently grappling with significant financial pressures. Contrary to being perceived as an end of the road, back-office function, AP is increasingly recognized as integral to healthcare financial management and overall success.

Given declining reimbursements, access to cash is becoming increasingly urgent for healthcare organizations. Visibility into and control over payables is crucial for effective cash flow management.

Healthcare finance management leaders are optimizing their AP operations with technology aimed at workflow automation, digital data capture and the generation of actionable insights through advanced analytics capabilities.

This approach not only alleviates the cost pressures of labor expenses by minimizing manual intervention, but also provides visibility into cash flow and data-driven insights finance leaders value for improved forecasting and planning. Additionally, the shift from manual paper to automated digital payment processing helps protect against fraud by minimizing gaps and touchpoints.

But there is still much progress to be made in automating AP in health system and hospital financial operations. This is evidenced by the survey findings that only about half of finance professionals say their organizations are leveraging automation in AP processes (e.g., payments, PO matching) and for financial reporting and forecasting, and more than one-third face challenges in accessing analytics for forecasting.

About GHX

GHX ePay is a cloud-based, payment automation platform that leverages a vast and unique healthcare supplier payment network with pre-established discount terms. The fully automated and electronic workflow helps eliminate paper checks, streamlining processes and minimize 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 can 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.



Methodology

Global Healthcare Exchange (GHX) commissioned the Healthcare Financial Management Association (HFMA) to conduct a survey of its members in October 2023. The survey yielded 274 responses from healthcare finance management professionals, representing a broad range of organization sizes and entity types.

JOB FUNCTION	PERCENTAGE
Finance	29%
Revenue Cycle/Patient Financial Services	24%
Administration or Operations	12%
Accounting	10%
Patient Access (Admitting/Registration)	5%
Reimbursement	3%
Decision Support/ Business	3%
Intelligence/Analytics	1%
Budgeting	1%
Revenue Integrity	1%
Customer Service/ Client Success	1%
Strategy/Planning/ Special Projects	1%
All Others	9%

ORGANIZATION TYPE	PERCENTAGE
Hospital	68%
Hospital System	31%
Specialty Practice	1%

JOB LEVEL	PERCENTAGE
Director	44%
Vice President	22%
CFO	18%
Executive Director	2%
President/CEO	2%
Other Chief Officer <i>Excluding CFO</i>	2%
All other (Controller, AVP, Manager, Analyst/Accountant)	10%