

680% increase
in rebate dollars
the first year

DIVERSIFIED E-PAYMENT STRATEGY DELIVERS ON REBATE GOALS

Executing new e-payment policies and establishing internal processes help drive program success.

The financial wellness of a healthcare organization directly impacts the ability to care for patients. With supply spend representing the second largest area of expense for healthcare facilities, rebates captured in exchange for adhering to specific contract terms and conditions are often viewed as a key strategy to reduce costs or to gain additional dollars to reinvest in patient care delivery—and these dollars can be significant. An award-winning, non-profit healthcare system located across the Mid-Hudson Valley and northwestern Connecticut, engaged with GHX and implemented its ePay cloud-based, payment automation platform as part of a new diversified e-payment strategy to drive home more opportunities to reduce costs and add revenue.

Working with GHX, the health system engaged with its suppliers, executing new e-payment policies and establishing internal processes to help drive program success. The health system also leveraged technology for continued monitoring and measurement of its e-payment program, enabling it to quickly identify and address issues to keep its success on track and meet its financial goals. As a result, the system increased its rebate dollars from \$65k in 2017 to \$507k in 2018, while improving process accuracy and efficiency.

RESULTS



Increased rebate dollars 680 percent in the first year, generated \$507k in 2018



Ability to identify and address issues sooner to avoid late payments and meet 15-day payment window for rebates



Mitigates risk for the health system with a more diversified e-payment strategy



Greater process efficiency and payment accuracy



Greater visibility into and control over procure-to-pay processes



Reallocated AP time to more value-added activities

SITUATION

Paying suppliers electronically, rather than manually through paper checks, is an effective way for healthcare organizations to make payments in accordance with contract terms; thereby capturing rebates tied to early or on-time payments. Historically hospitals have used credit cards to pay their suppliers electronically, but many suppliers are no longer accepting credit card payments because of the substantial fees imposed by card companies.

With the goal to increase its e-payment volume and associated rebate dollars, the organization implemented a single use account (SUA) program in January 2017 through a banking partner. This payment option serves as an alternative to physical credit card payments, enabling the health system to issue a unique, single-use electronic card number to suppliers for each of their payments.

The health system had established a goal of achieving \$225K in rebate dollars with the SUA program within 12 months, but the program did not yield the anticipated dollars.

According to the Director of Business Standardization there were both external and internal challenges to this approach:

“Sometimes vendors would be enthusiastic to join but then find problems on their side and jump off. And internally, there were processes in place that didn’t align with our electronic payment goals resulting in missed opportunities for additional e-payment benefits.”

SOLUTION

In 2018, the Standardization team set about transforming its payment processes. They worked to determine the root causes of the previous challenges and financial losses, and identify what was and wasn’t working from an e-payment perspective.

It was determined that the organization needed multiple e-payment paths, with consistent progress tracking, to maximize its rebate dollars and improve process efficiency and payment accuracy.

The director began by negotiating a new contract with the SUA provider, which included implementation of a dashboard that he and his team could use to monitor the program. They also added a p-card platform. Internally, the director engaged the AP and Supply Chain teams to highlight the benefits of electronic payments to help drive greater program compliance. Next, after feeling the effects of suppliers moving away from card as a payment option, he engaged with GHX to further diversify the health system’s e-payment program with the implementation of the ePay solution.

GHX ePay is a cloud-based, payment automation platform that leverages healthcare’s largest supplier payment network with pre-established discount terms. Unlike other payment types, with ePay, both hospitals and their suppliers benefit making it a sustainable payment option.



“There were two main reasons why the 2017 strategy didn’t yield the anticipated results: We needed enhanced monitoring tools to track our progress and we were constrained by one revenue stream. Think of your e-payment strategy in terms of a retirement portfolio blend — you don’t want everything in one basket, you want diversification. Each time you don’t look at e-payment alternatives, it costs your organization money in the form of missed rebate opportunities.”

– Director of Business Standardization

As the health system's suppliers departed from their banking partner's SUA agreement, they began to leverage the GHX ePay solution to realign those suppliers with its e-payment goals. The ePay solution provides an augmented method for e-payment. The solution is fully automated and provides rebate capture for qualifying payments. Because ePay works within the confines of a pre-existing banking relationship or payment method, it provides even more value: Additional revenue through rebates, full automation and GHX's active scope of services that provide many added benefits (e.g., reporting, monitoring, vendor engagement) not offered by the other banking solutions or relationships.

"With GHX we had a way to capture the vendors we could not get through SUA onto an e-payment method and the comfort level to know we were protecting our organization's investment. If vendors left the SUA program after signing up, I knew that if they were also a part of the ePay umbrella, they would accept electronic payments. This auxiliary method of payment gave me the confidence that I'd meet the numbers I was expecting."

Implementation and vendor engagement

GHX's experience in building synergies between trading partners and communicating how ePay can deliver mutual value was a significant asset that paved the way for a smooth implementation. The Standardization team worked collaboratively with the GHX team on a rapid implementation to ramp up earning rebates as soon as possible. Together they ran a report of the health system's suppliers, selected their targets, and GHX reached out via telephone and began onboarding those suppliers identified.

By requiring all suppliers to accept payment electronically, the health system is following industry best practice. Each time a contract comes up for renewal, the standardization team works with the health system's legal team and supply chain managers to incorporate language stating that the supplier must accept electronic payments in order to conduct business with the health system. Suppliers that are willing to comply can find themselves with a competitive advantage, while those that do not could be putting their relationship with the health system at risk.

The Director of Business Standardization states, "We are working with suppliers to make sure they understand our goals and that we expect them to accept electronic payments. Sometimes we leverage GHX to reach out to them and in other cases we do it directly. At the end of the day this is the way the market is going. When there is a difference of opinion with a supplier, or they jump off e-payments, we evaluate spend to determine whether or not it is worth continuing our relationship with them."

"It is a culture change. We need to get people to think outside of their day-to-day roles and understand their impact on one another and take the position that it needs to benefit all parties. If we are not taking the time to foster and cultivate more mutually beneficial business partnerships, then we are not going to reach our goals."

- Director of Business Standardization

Continued measurement, monitoring and improvement

To drive success with their new approach, the standardization team has put into place processes and technology to enable continued monitoring and measurement of their multi-faceted e-payment strategy, including ePay. "I knew this would work from day one," states the Director of Business Standardization. "But this doesn't run on autopilot. It is a living, breathing thing that is at the mercy of market conditions and human behavior. If you don't manage by fact you are not going to meet your intended goals."

The health system receives monthly and quarterly reports from the GHX team, and meet regularly to evaluate the ePay program performance and discuss ways to enhance it. For example, they regularly review suppliers to identify those not fully leveraging ePay and run new campaigns targeted at getting them back on board.

"We have a mutually beneficial relationship with GHX, and when you foster this, people are firing on all cylinders," adds the director. "GHX provides the tools to help monitor, market and socialize the project. And I get regular reports from them without having to ask. Executive leadership gets really excited when I can send them a text saying that GHX deposited \$25K into our account this quarter."

With greater visibility into electronic payments through GHX, the health system can course-correct on financial goals, identify the root causes, and then take steps to address them. For example, they work

with supply chain on discrepant files and correct issues to help ensure the payment window is met for qualifying rebates.

The director further explains, "GHX has a way to monitor and resolve payment processes before there is an issue, and that is fantastic. The GHX team thinks creatively and comes to me with new ideas. We are going into more of a proactive versus reactive e-payments strategy, which I think is critical."

The standardization team continues to educate the supply chain and AP teams on the importance of ePay compliance and its greater impact on the organization from an operational and financial perspective. A workflow was created to show everyone where they are in the process, what it means for them and the consequences of not following the process, how it will affect other areas of the organization. This has been motivational for everyone involved to buy into the program.

"GHX is an advocate for us. Without having them as a partner, I really don't think we'd be able to call up all those suppliers. GHX's outreach program is **repeatable, relatable and reliable**. It was a very seamless process."

“GHX is definitely a big ‘yes’ in helping us do our jobs better. Writing and cashing a check is archaic. With fewer manual, paper-based processes and a reduction in discrepancies and errors, our AP team members can spend more of their time on work commensurate with their titles or being more efficient in their job functions.”

BENEFITS

Through the implementation of ePay as a critical part of a diversified e-payment strategy the health system has increased its rebate dollars captured and driven greater accuracy and efficiency throughout its procure to pay processes. This all helps to improve their supplier relationships as well.

Rebate dollars

In 2018, the health system projected \$450K in rebate dollars, and realized \$507K, which is an additional \$440K over 2017.

“There has definitely been increased rebate potential since implementing ePay as part of our diversified e-payment portfolio. It comes down to protecting your investments. A diversified platform will increase rebate dollars or at least not have them degenerate. You are mitigating risk for your organization.”

Process efficiency and accuracy

By automating payments through ePay, the health system has reduced the number of times the AP department must “touch” a payment, which improves process efficiency. With greater visibility into the full procure-to-pay process through other tools offered by GHX, the supply chain and AP teams identify and address errors sooner to avoid late payments and missed rebate opportunities.

The success and value of the ePay program has prompted the health system to explore other areas they could apply automation within their organization for greater efficiency and financial gains.

The Director of Business Standardization states, “If GHX works and it is tangible — I can demonstrate and show hard dollars and metrics — then what else should we be looking to automate? We really should be looking at everything within our organizations not just the automation of payments. It does save time.”

