

Nipendo Product Review: Clalit Healthcare Services Case Study

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For users, e-invoicing may be at the forefront of a typical invoice automation business need at the start of a selection process (e.g., A/P might be drowning in paper having previously failed to onboard more than its largest suppliers in a P2P implementation). But once an organization begins to dig into the elements of the Nipendo e-invoicing approach and underlying platform – even before implementing it – they are likely to discover entirely new types of visibility and connectivity elements an approach like this can enable.

Spend Matters recently chatted with the Head of Corporate Administration at Clalit Healthcare Services, the world's second largest HMO and the largest payer (insurer) in the Israeli healthcare market. Clalit is also a provider, and plays a vital role in overall healthcare delivery in Israel. In total, over four million people are covered by Clalit's insurance services, and the company has an annual purchase volume of over \$2.5 billion (US). Even though it operates in a tiny country geographically, it has 37,000 employees and hundreds of facilities, including 1,400 clinics, 14 hospitals, and more than 400 pharmacies, and over 800 other medical facilities.

This infrastructure led to a highly decentralized buying model with a significant amount of paper moving back and forth between buyers and suppliers. Clalit is currently engaged with 19,000 suppliers, and 1,500 employees in the procurement and A/P functions. This group handles all supplier contracts and invoices; the latter total 2 million annually.

When Clalit went to select an e-invoicing solution, they considered 20 different vendors (including solutions from providers in direct partnership with their ERP provider, SAP). Even though the company had a robust purchasing module and system in place (including a portal solution for purchase orders) they did not have any means of automating the invoice matching and reconciliation component and B2B Integration. In Nipendo's words, before, "everything was paper or manual."

They needed a platform that would help them "handle the large scale" throughout the invoice process as well as make their procurement and A/P teams significantly more efficient. Clalit also required a platform that could deliver benefits quickly and at reasonable cost and provide greater visibility into overall supplier relationships and transactions, while also meeting regulatory requirements. To this last point, Israel, like a growing number of countries throughout the world, has its own unique invoicing tax requirements. In Israel's case, the tax authorities require a signed image

of the original invoice to be submitted.

Nipendo met their business requirements as well as the regulatory ones. The platform allows suppliers to submit invoices in a machine-to-machine manner (or through Nipendo's portal and Print to Cloud™ options) and then automatically create a signed PDF of the invoices for the tax authorities as well as an XML capturing all of the data and metadata associated with the transaction in electronic form – at the same time and from the same source. In Clalit's words, "Nipendo's ability to understand the content of the invoice, link it with corresponding transactions, validate it based on our business rules, and reduce all process errors and manual interventions gave the company a great ability to control overall processes to drive compliance with regulation, plus achieve an improved business outcome."

While invoicing is an important component of how Nipendo is used, the platform connects to suppliers before the invoice process. Nipendo currently provides a means to issue purchase orders directly out of SAP and communicate directly with suppliers across direct and indirect spend areas across all spend areas (not just indirect/MRO purchases, which many current integrated P2P implementations are limited to) including pharmaceuticals and medical supplies which make up more than 75% of these purchases in terms of dollar value.

Then, on the back end of the transaction when they receive the goods or service from a supplier, they record it in SAP and a message is directly sent to the Nipendo platform that matches it with the supplier shipping notice, which allows Nipendo to notify suppliers specifically what was received. Based on this confirmation, the supplier can then issue an invoice that's essentially preapproved for payment, a process that takes "less than three minutes from issuing the invoice to payment confirmation, which includes the amount and date of payment and is automatically submitted to the supplier."

All of this activity takes place automatically without any manual intervention for over 89% (yes, this is not a mistake!) of the transactions, a number that keeps growing over time as Clalit continues to correct issues the system helps them identify. It is driven by business rules based on the type of purchase and activity, identifying the exceptions that need to be handled manually.

26 different business validations with over 240 data fields for collection, go into each invoice, receipting, confirmation and matching process before Nipendo sends a final approval message to Clalit's SAP system. Throughout the process, "if there are any issues with validations, Nipendo sends a message directly back to the supplier before a Clalit resource even knows about it, enabling the supplier to self-correct any errors and discrepancies before they reach SAP." Clalit shared that these automated remediation steps might be because of discrepancies based on unit of measure, pricing, currency exchange rates, tax rates, and several other fields.

The Nipendo system has adapted to changes in the business environment dynamically and helped spot supplier errors. For example, Israel has changed the level of taxes to be collected based on invoices between 16% and 18% in recent years. This has created issues with invoices, as taxes need to be paid on the date the goods are received. Through Nipendo, Clalit found, as one example, that in one month following a change, "tax rates were incorrectly entered by suppliers in over 1,000 invoices totaling more than \$12 million." These errors were captured by Nipendo's validation rules and resolved by the suppliers, saving Clalit hundreds of thousands of dollars in overcharges as well as many hundreds of working hours of reviewing the invoices and fixing these errors manually.

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Additional validation rules Clalit has defined include requiring validation of quantities received, albeit with flexibility based on actual receipting (e.g., an invoice has to match the quantity received, although a purchase order can be for greater quantities). Another rule includes the validation of goods received based on strict non-substitution rules (a “must” for medical rules). In a clinical setting, there is no such thing as an equal substitute at the same price.

Beyond these validations, broader financial controls and the ability to avoid payment discrepancies, the system also gives Clalit a level of cross-process visibility where they can identify and correct previously undetected problems ranging from data quality (e.g. suppliers with multiple supplier numbers) to compliance issues.

As of today, close to 100% of the suppliers of direct and indirect goods are connected to the Nipendo platform (service providers will be brought on board in 2014). Even though Clalit is working with many small suppliers through Nipendo, over 50% of its connectivity to date is “machine to machine.” The remaining suppliers go through the Nipendo portal solution to connect.

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