



Healthcare ePayables

Curing Inefficiencies in the Healthcare Payments Market

Q2 2013

Featuring Insights on ...

*Underwritten in part by
Nipendo*

Adoption of AP Automation in Healthcare

Challenges to Healthcare ePayables
Adoption

Benefits of Healthcare ePayables

Healthcare ePayables Universe

Tips for Selecting a Healthcare ePayables
Solution

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Executive Summary

Healthcare reform is well underway in the United States, and there has been a lot of information published on the impact that the reform will have on patient payments and the healthcare payments market as a whole. According to IDC Health Insights, in 2011, the U.S. healthcare payments market was projected to grow to an estimated \$2.7 trillion, as a total of both payer and patient payments. Today, payers are faced with finding ways to reduce administrative/back-office costs in the accounts payable and procurement departments, as this paper intensive process contributes to inefficiencies and spiraling costs of over \$300 billion each year. According to the Nation's Health Expenditures, by some estimates, nearly a third of every dollar spent on healthcare in the United States is consumed by administrative/back-office expenses.

With the goal of reducing administrative costs in the nation's healthcare system and curing inefficiencies in the healthcare payments market, more healthcare organizations are now implementing automation solutions. Healthcare organizations are slowly transforming the way they do business by migrating away from outdated, manual processes and implementing automation solutions in an effort to maximize cash flow and maintain profitability. Automation solutions work to automate time consuming, manual tasks, reduce errors and accelerate the invoice receipt-to-pay cycle.

PayStream Advisors uses the term Healthcare ePayables to define these solutions. This report examines strategies around automating core finance functions in accounts payable for the healthcare industry, and should serve as a guide for finance and AP managers actively searching for innovative ways to reduce costs and improve efficiency.

The report compares 2012 Healthcare ePayables survey results to survey results gathered in the first quarter of 2013. The report will address the following questions:

- » What are the benefits of healthcare ePayables?
- » What is the biggest challenges healthcare organizations face in invoice management?
- » What are the benefits of adopting AP automation technologies?
- » What factors disrupt the average invoice processing cycle?
- » What are the top AP automation goals for 2013?
- » What percentage of invoices do healthcare organizations receive electronically?
- » How can implementing a solution help identify both hard dollar and soft dollar cost savings?

The overall goal in transforming back-office accounting operations at healthcare organizations is to optimize limited IT and accounting resources, lower costs and increase productivity. All of these goals can be achieved through AP automation solutions.

Case for Healthcare ePayables

The U.S. healthcare payments market is growing and changing rapidly, which is impacting the way both payers and providers do business. According to the Clearing House Association, today's healthcare payment cycle is ten times less efficient, and decidedly more complex than payment processes found in virtually any other industry. This is due to the fact that payments and related remittance data are predominately time consuming paper-based systems that require manual intervention. The majority of payments are made by paper checks, see Figure 1. Further compounding this problem is the fact that invoices are not received, approved and paid from one central location, see Figure 2.

Figure 1

Supplier Related Payments

The vast majority of healthcare payments are made via paper checks.

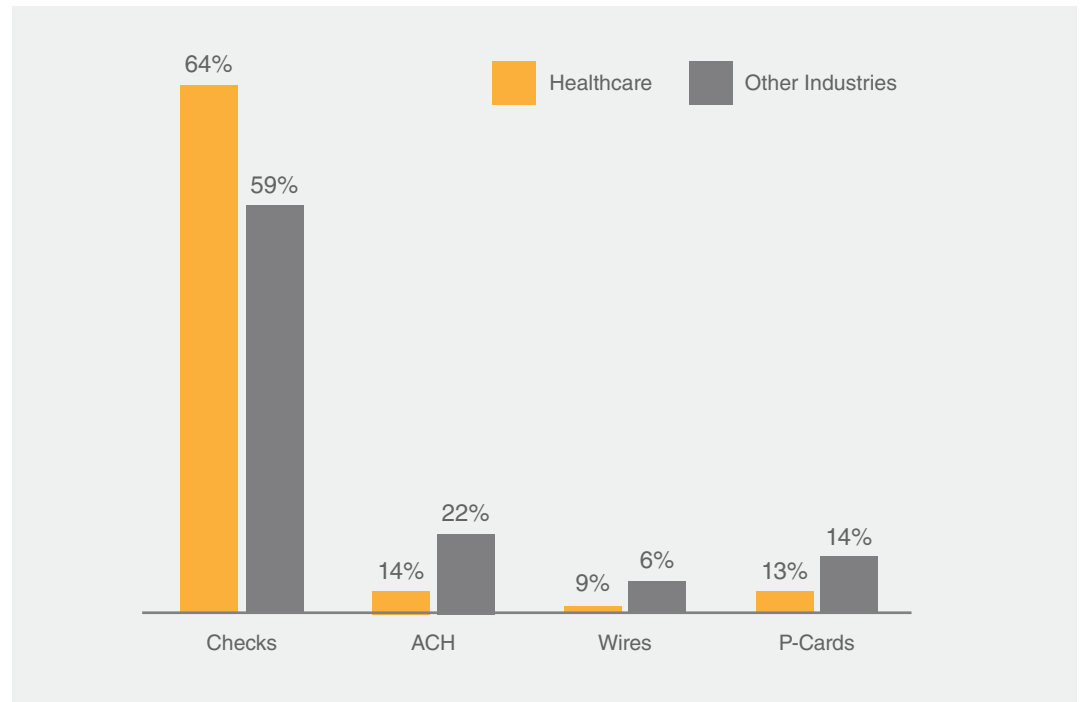
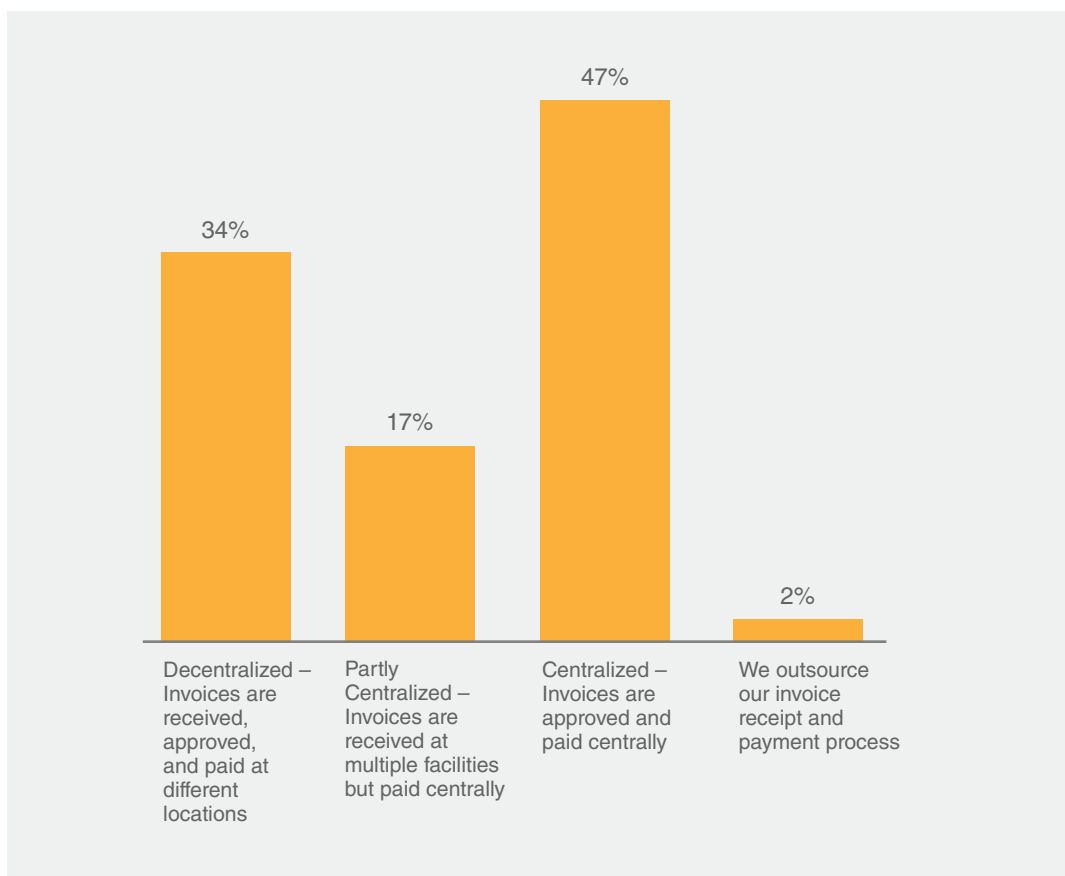


Figure 2

Healthcare AP Operation Models

Over one-third of healthcare organizations are operating decentralized AP operation models.

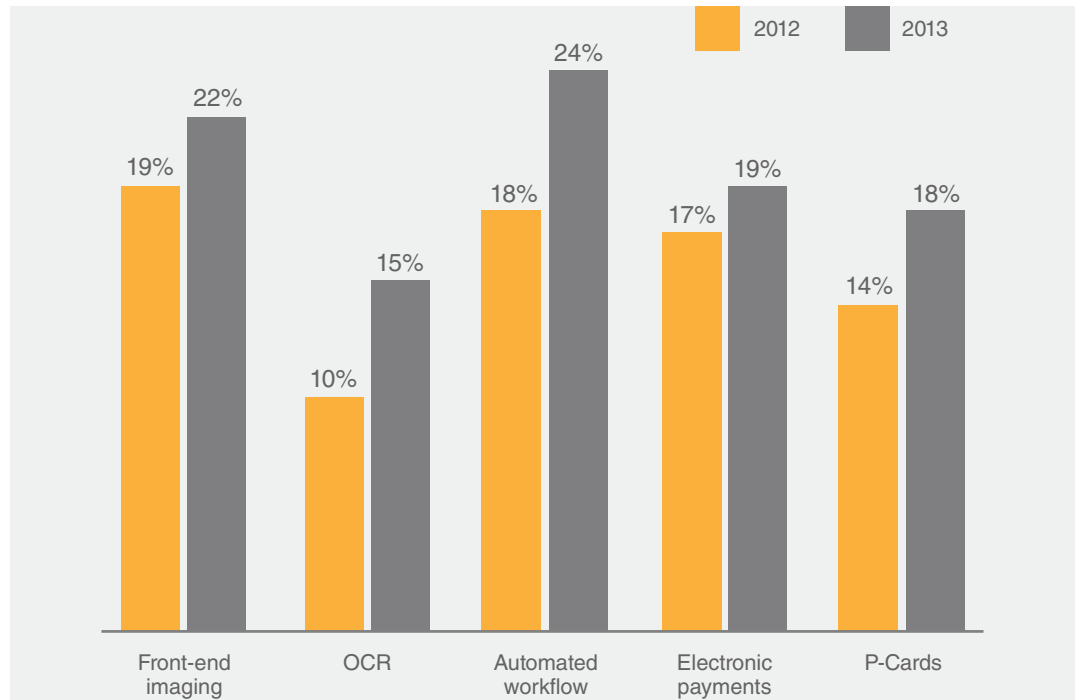


Often invoices are sent to the wrong department, or sit on an approver’s desk for weeks on end before they are entered into the accounting system. A formal policy mandating that all invoices be sent to the AP department is the first step in addressing this issue.

Figure 3

Adoption of AP Automation Technologies

Use of AP automation is increasing in the healthcare industry.

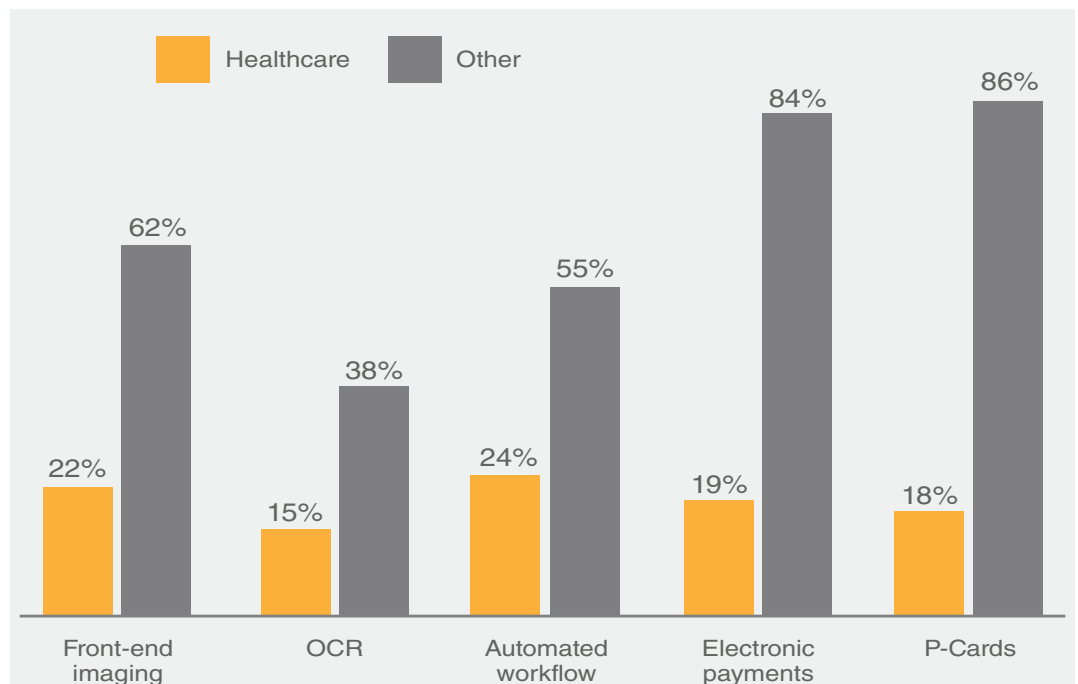


While the healthcare industry is increasing the use of automation solutions to drive efficiency, see Figure 3, the industry as a whole is still lagging in adoption, when compared to other industries, see Figure 4.

Figure 4

Adoption of AP Automation Technologies

Healthcare is lagging behind other industries in the adoption of AP automation technology.



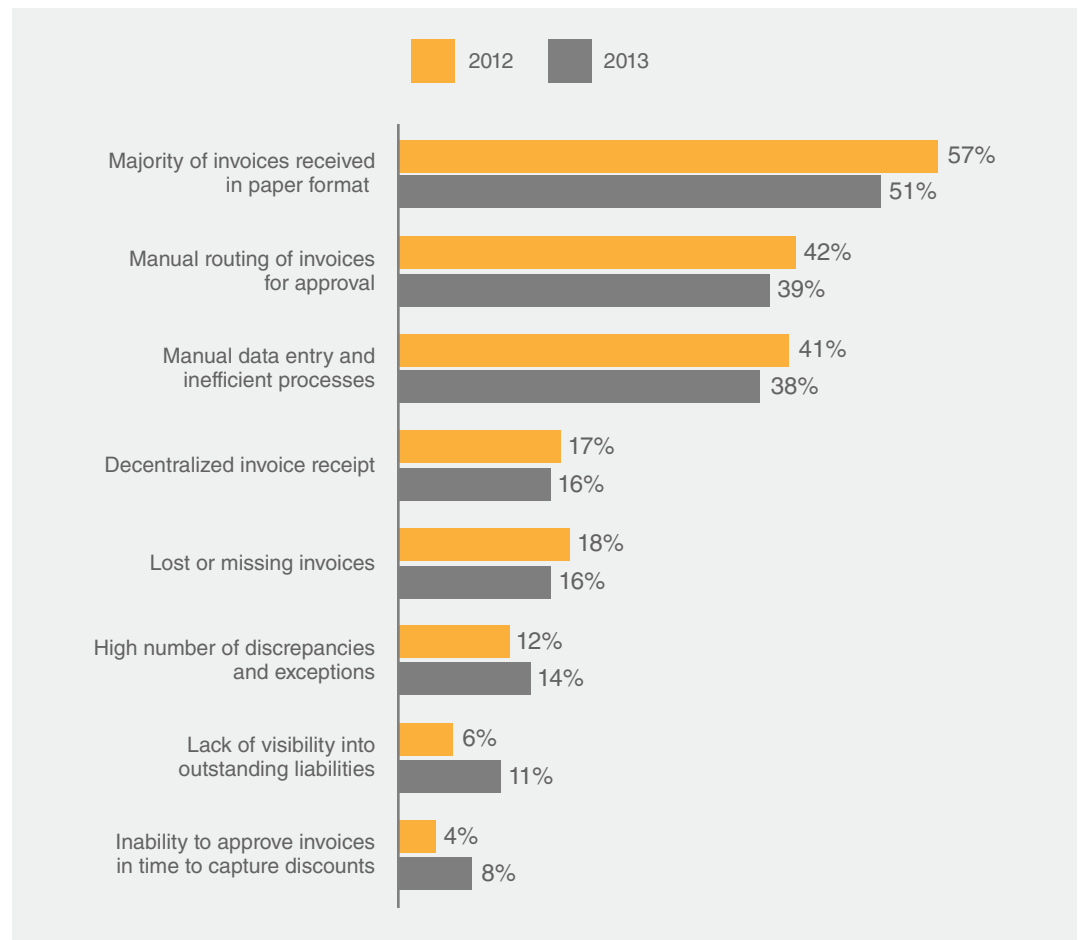
Challenges to Healthcare ePayables Adoption

The number one challenge facing all accounts payable departments, irrespective of the industry, is paper. Paper is the enemy of efficiency, resulting in increased invoice payment cycles, late payments, missed discounts, and more. According to PayStream survey results, 51 percent of respondents reported the number one challenge in the invoice management process is the fact that the majority of the invoices are received in paper format, see Figure 5.

Figure 5

Healthcare Challenges in the Invoice Management Process

Paper invoices remains the number one challenge in the invoice management process.



Technical Challenges

Many of the barriers to the adoption of ePayables in healthcare involve basic issues such as the lack of infrastructure and technical resources. Efficient healthcare ePayables require hospitals and their suppliers to be plugged into a common system, allowing for fast processing of information and funds.

Currently many healthcare organizations do not have the technical infrastructure and the investment required to migrate to a web-based, electronic environment. However, hosted and Software-as-a-Service (SaaS) or web-based solutions that

require relatively low investments and technical expertise are rapidly emerging as a viable alternative.

Enrollment Issues

A number of healthcare organizations have been eager to go the electronic route, but have held back due to a seemingly insurmountable barrier – supplier enrollment. Persuading suppliers to change their processes to align with buyers' needs can be a costly and time consuming process, and success depends largely on the buyers' ability to present a compelling value proposition to suppliers.

To aid in supplier onboarding, many automation solution providers deliver value added services around supplier management in conjunction with the technology itself. Some providers have gone as far as providing a dedicated supplier enablement team to help with the supplier onboarding strategy in an effort to maximize adoption.

Business Practices

Healthcare ePayables heralds a tremendous change to the way business is done today and the way information and funds are exchanged between healthcare buyers and their suppliers. Due to this fact, there can be resistance from within the AP department. Managers may be reluctant to invest the money and time necessary to implement a new system. Recognizing this, solution providers are delivering applications that integrate seamlessly with existing processes and systems, and require little or no change to current trading partner relationships.

The perception that increased efficiency automatically translates to a reduction in staff is another issue faced. Managers may delay adoption because they are reluctant to lose some of their staff when they are confident in the proposed automation solution. The realization that staff can be deployed to more strategic tasks like working on continuous improvement projects and resolving discrepant invoices, rather than being eliminated is working to increase the adoption of Healthcare ePayables.

Benefits of Healthcare ePayables

More healthcare organizations are witnessing the results of early automation adopters and are now migrating away from manual, paper-based processes to AP automation initiatives, in an effort to emulate those same results. According to PayStream's survey results, the need to reduce overall payment costs (60 percent) and better cash management (60 percent) are the top two factors driving the healthcare industry to focus on electronic payments, see Figure 6. There is a wide range of operational, strategic and financial benefits to AP automation solutions. While the benefits vary significantly with the type of solution implemented, healthcare organizations can expect to achieve the significant pain relief, including:

Processing Efficiency

Healthcare ePayables solutions work to increase AP department efficiencies by enabling invoices to enter processing queues faster providing visibility to invoice information, which can be used to accelerate the invoice approval process. The workflow capabilities provided as part of these solutions facilitate automatic routing of invoices to individuals distributed across the organization based on clearly defined and highly customizable business rules, thereby compressing the invoice receipt-to-pay cycle. For example, if an invoice was routed to someone on vacation for a week, rather than the invoice sitting dormant for five business days, the workflow could be temporarily changed to route the invoice to a supervisor while a user is away on vacation, in order to keep the invoice process moving.

Lower Costs

Healthcare ePayables solutions drive down document storage cost by substituting electronic repositories for filing cabinets and effectively eliminating the need for long-term storage space. In addition, healthcare ePayables solutions enable an accounts payable operation to trip its full-time equivalent (FTE) requirements. PayStream research shows that hospital AP departments spend a minimum of 25 percent of their labor allocation on data entry and another 35 percent managing discrepancies. ePayables solutions deliver tangible savings as organizations can re-assign AP staff to more value added activities and work to turn the AP department into a profit center. Automation solutions also provide the ability to reduce late payment penalties and capture a higher percentage of prompt or early payment discounts.

Automation makes achieving payment discounts possible by expediting invoice and payment processing, ensuring that invoices are ready for payment in time to meet the discount terms. Advanced data capture and electronic invoicing speed up the receipt and entry of invoices, resulting in increased approval time and the ability to capture payment discounts.

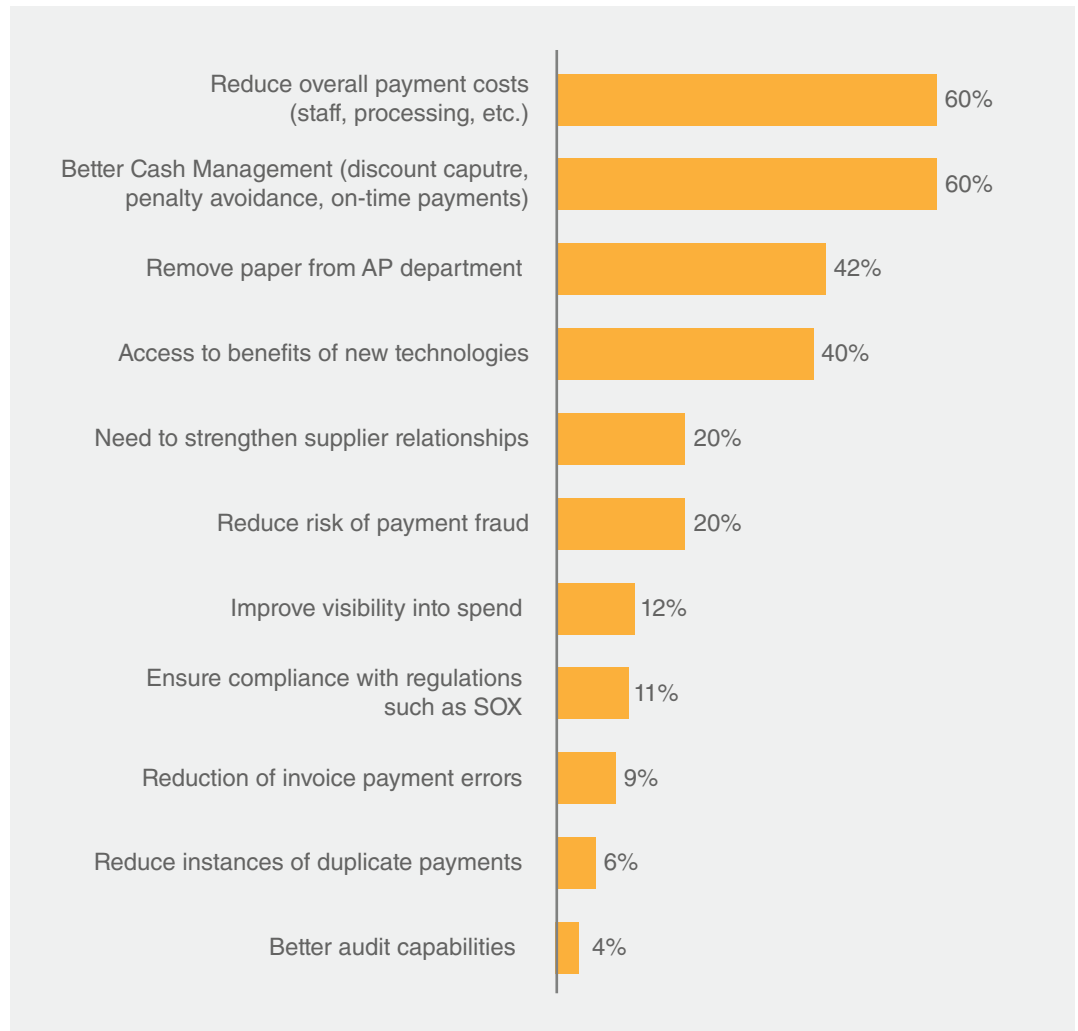
Enhanced Visibility and Control

ePayables solutions provide secure storage for invoices and support corporate policies and statutory requirements for document retention and disposal. Anytime access to invoice images facilitates reporting and analysis by eliminating the need for physical, paper documents. It also improves the speed and accuracy of decision making by providing visibility to users to access accurate, up-to-date information from any location via a web browser. Many solution providers are providing mobile functionality for decision makers to gain visibility from any location, at any time. The ability of automation solutions to deliver real-time views into invoice accruals and liabilities provides senior management with the needed tools for improved cash flow forecasting.

Figure 6

Factors Driving the Healthcare Industry to Focus on Electronic Payments

Reducing overall payment costs and better cash management rank as the top factors driving healthcare organizations to focus on electronic payments.



Regulatory Compliance

Another key benefit of Healthcare ePayables solutions lies in the functionality that they offer in the area of compliance management, enabling organizations to adhere to regulatory requirements and control the costs of compliance initiatives. ePayables technology can facilitate the compliance process and reduce its cost by providing comprehensive audit trails and by simplifying the auditing of internal controls. Hospitals that deal with compliance on a departmental, or project-based, approach are now realizing the benefits of centralizing, organizing, managing and storing all of the information related to a wide array of compliance initiatives.

Purchasing Policy Compliance

Standardization of products and prices with preferred vendors keeps costs controlled. Materials management negotiates contracts with vendors to



achieve the best prices for products provided. When purchases are made with vendors that are not preferred, an increased cost is occurred with each product ordered. In an effort to prohibit rogue spending, contracts are negotiated with standardized costs for each product. An automated accounts payable solution will enforce compliance and drill down on spending.

The Drive Towards Straight Through Processing

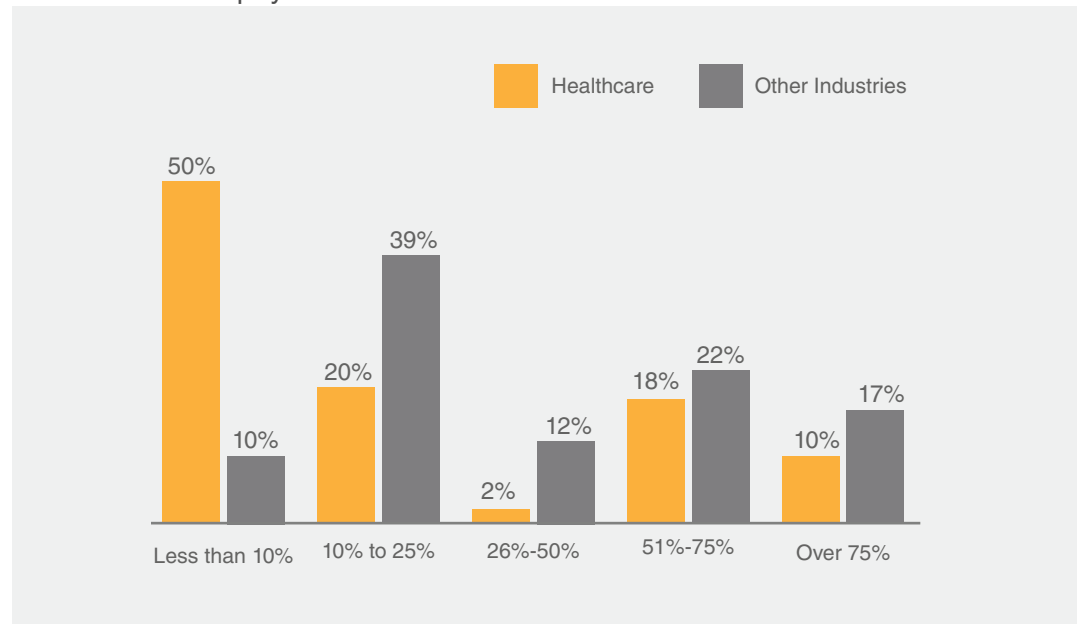
Straight Through Processing (STP) or Touchless Processing, is the automated matching of invoices against purchase orders and requisitions. Matching the purchase order to the receipt of goods is a core function of today's ERP system; however, automated processing typically breaks down because AP doesn't have the data in a format to match the invoice to the receipt. Thus AP staffers spend excess amounts of time manually reviewing invoices line by line in order to post vouchers. Manual matching is both time consuming and prone to errors.

STP is a simple concept, but one that is not consistently achieved. In fact, it is a rarity in the healthcare industry, resulting in AP and materials management spending a significant portion of their time researching lost invoices, resolving missing information and exceptions on invoices, see Figure 7. In addition to the wasted staff time, there is a direct financial cost associated with invoice discrepancies due to wrong shipments, cancelled orders and other costly delays that result in late payments and missed discounts.

Figure 7

Percent of Healthcare Invoices that are Touchless

The majority of healthcare invoices are not processed straight through.



The higher discrepancy rates within the healthcare industry are caused by inaccuracies in exchanging prices and other line item information between healthcare providers and suppliers. The three main reasons for these inaccuracies include:

- » Complex pricing structures of items procured by healthcare facilities, with frequently changing prices;
- » Prices not loaded into the systems of hospitals or not being done in a timely manner; and
- » Inability to resolve pricing discrepancies with suppliers prior to delivery of goods or services and issuance of invoices.

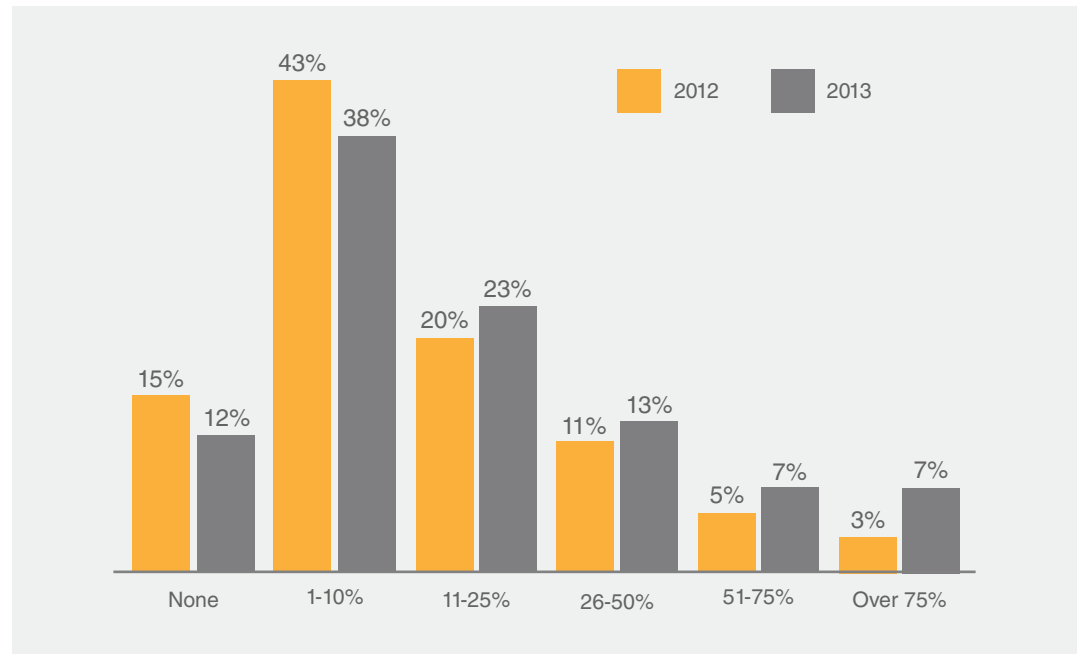
Evolution of AP Automation in Healthcare

New 2013 data reveals that the needle is tipping in the right direction when it comes to the healthcare industry’s adoption of AP automation; however, the industry still has a long way to go to catch up with adoption in other industries. When analyzing survey data from 2012 to 2013, research shows that more healthcare facilities are paying invoices electronically, while at the same time more suppliers are submitting invoices to healthcare organizations electronically via EDI, XML, web portal or eInvoice networks; and do not require any extraction or manual data entry, see Figure 8.

Figure 8

Invoices Received Electronically in Healthcare

Electronic invoicing continues to rise in the healthcare industry, as more invoices are being sent to healthcare facilities electronically and do not require data extraction or manual entry.

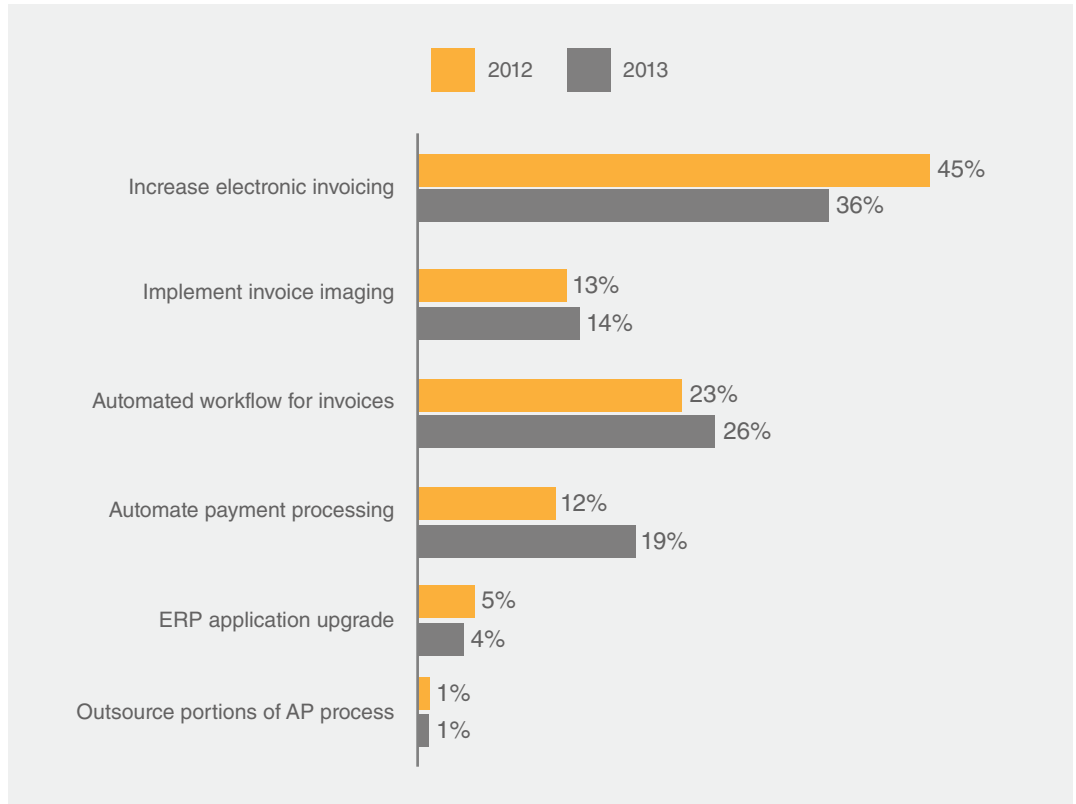


The increase in electronic invoicing from 2012 to 2013 reveals that some healthcare organizations stuck to their 2012 top financial automation goal, reported by 45 percent of respondents. While electronic invoicing remains the top automation goal in 2013, automating the payment process witnessed a dramatic increase from last year's survey findings, see Figure 9.

Figure 9

2013 Top Financial Automation Goals

Increasing electronic invoicing remains the top goal; however, automating the payment process witnessed the largest increase year-over-year.



Healthcare organizations are taking a hard look at automation solutions and are focused on improving best practices by leveraging automation options. However, change does not come easy. When asked to select the top three barriers to electronic payment adoption, the number one barrier (40 percent) is the belief that checks work well and there is no need to convert to electronic payments, see Figure 10.

Figure 10

Barriers to Electronic Payment Adoption

The belief that checks work well is the top barrier to ePayment adoption.

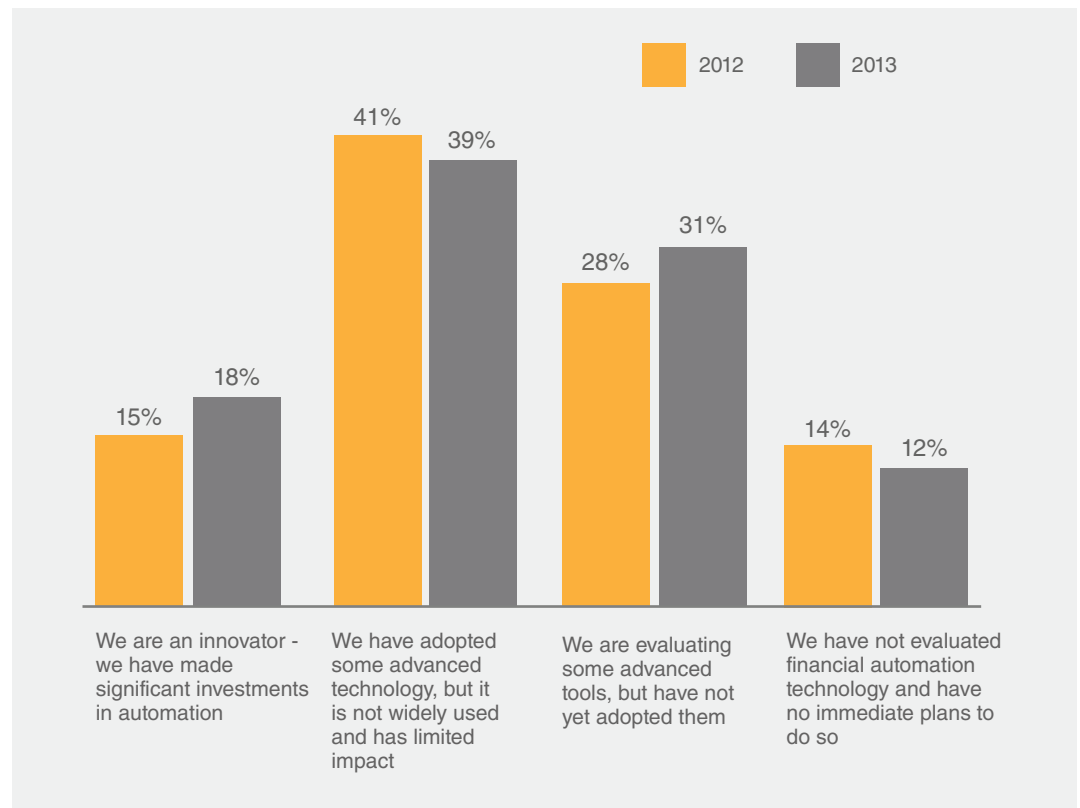


Due to the increase in automation solutions in healthcare from 2012 to 2013, more healthcare organizations consider their organizations as innovators, having made significant investments in automation initiatives (18 percent in 2013, up from 15 percent in 2012), see Figure 11.

Figure 11

Where Healthcare Organizations See Themselves Relative to their Peers

An increased number of healthcare organizations see themselves as innovators in 2013.



Healthcare ePayables Universe

Healthcare ePayables automation solutions streamline the invoice receipt-to-pay cycle by enabling hospitals to convert paper invoices into digital images and extract data from the images or receive invoices electronically, store all invoices and associated images in a Web-based repository for rapid retrieval, leverage automated workflow to enhance approval processing and make payments electronically. The AP automation universe is comprised of several functional components. Some vendors deliver all the functionality in an integrated, end-to-end solution, while others focus on some of the components.

PayStream defines the Healthcare ePayables Universe as follows:

Invoice Receipt

This is the hands-on process that is necessary to prepare paper invoices for scanning and electronic access. Steps may include sorting invoices into different batches (by cost center, business unit, vendor type, etc.), removing invoices from envelopes, removing staples and making photocopies of smaller items, if required. Sometimes blank separator pages need to be inserted between invoices and their attachments. AP operators in the mailroom typically carry out this initial step.

Document and Data Capture

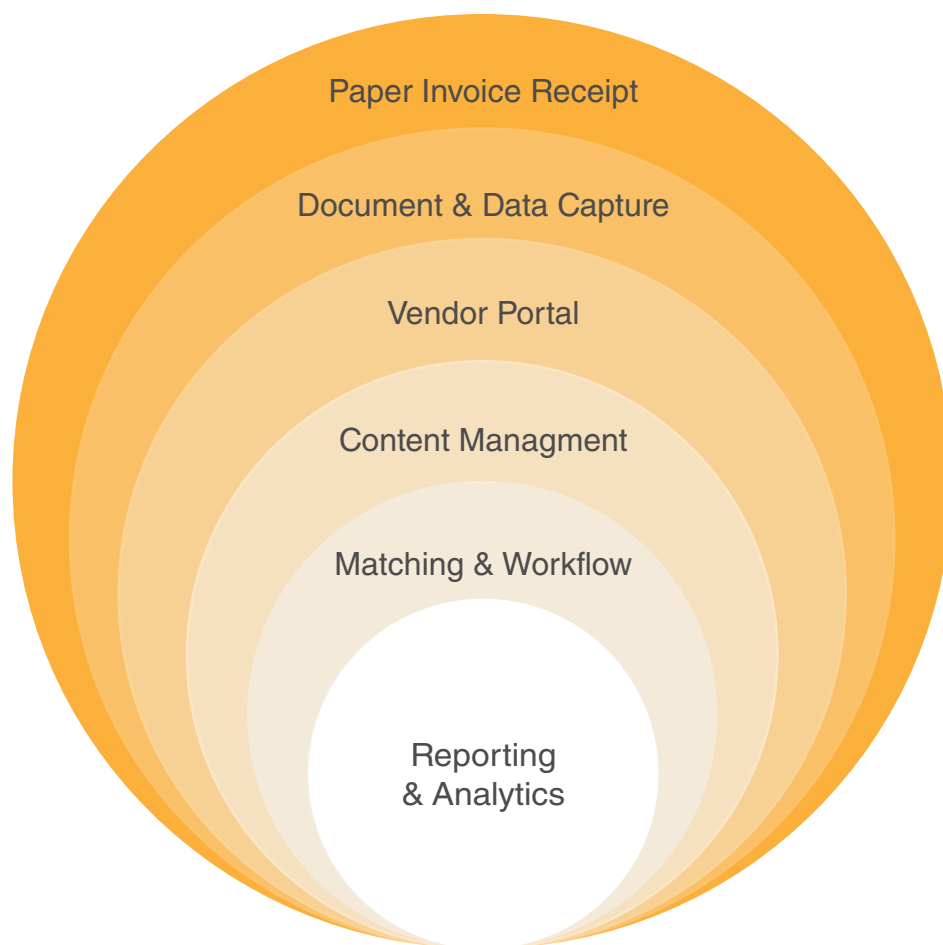
This is the process of converting paper invoices and transaction related documents, such as proofs of receipt, into digital images and index data. Document scanning and data extraction could be centralized or remote, based on a healthcare organization's needs. Specific invoice receipt steps include scanning, image enhancement, indexing, validation and data extraction based on bar codes, optical character recognition (OCR), intelligent character recognition (ICR), or manual data entry.

Electronic Invoicing

Most AP automation solutions come bundled with a vendor portal or can be integrated with an electronic invoicing network, which suppliers can use to submit invoices electronically. Suppliers have the option of selecting the method that best suits them from a range of electronic submission options, enter data manually in the portal, flip purchase orders into invoices, or browse and upload documents from accounting systems. The electronic invoicing component is also configured with validation checks and buyer-defined tolerance levels to check invoices for missing information and exceptions. Suppliers are immediately notified about invoices that fail the validation criteria and are asked to correct the exceptions before the invoice is forwarded to the hospital's AP department.

Figure 12

Healthcare ePayables
Universe



Content Management

This refers to the delivery, storage, management and disposition of electronic documents and index data. Some automation solutions come bundled with a central repository that can store invoice images and data while others rely on third party content management solutions for this purpose. The content management system integrates closely with clients' existing ERP or back-end financial systems to enable seamless retrieval of documents from within the client system to users with the appropriate access rights.

Matching and Workflow

This includes the matching of PO-based invoices as well as the electronic approval of non-PO based invoices and the resolution of any exceptions related to PO invoices. Most solutions allow the creation and maintenance of workflows through a menu driven, easy to use interface, which can be managed by business administrators without the involvement of the IT department. Tasks and pending invoices can be routed to various individuals within the hospital

according to pre-defined business rules. Common features include automatic notifications to users when specifications are required, reminder messages and escalation procedures based on approval hierarchies.

Payment Processing

The steps that hospitals take to initiate post and execute payment; including preparation, processing, and submission of the payment file to the bank are all a part of payment processing. Most solutions offer multiple payment options and allow hospitals to configure payment types at the supplier level. This stage also includes integration with and posting of the payments to ERP and financial systems. Some solutions also offer dynamic payables discounting functionality allowing buyers to configure multiple discount schemes and enabling suppliers to discount all or any of their receivables at any time, up to the maturity date.

Reporting and Analysis

Analyzing key invoice receipt-to-pay metrics and the ability to monitor individual users' actions for quality control and load balancing is a key part of implementing an AP automation solution. Typical reporting and analysis tools include the generation of standard and ad hoc reports detailing invoices pending approval, past due invoices and average invoice processing time. Some solutions offer robust reporting capabilities bundled with the solution, while others only allow for download of transactional data to third-party reporting tools.

Next Steps

The multitude of benefits that healthcare organizations receive as a result of automation solutions provides a compelling case for consideration. Especially when provided with the tangible return on investment (ROI) results that both large and small organizations have witnessed as a direct result of healthcare ePayables implementation.

Before jumping in head first, healthcare organizations need to determine how efficiently they manage the invoice-to-pay cycle. Developing the Paper Invoice Quotient (PIQ) will help avoid automating a bad AP process. The PIQ is a score developed by PayStream from a standardized survey that represents dependency on paper in AP, and is a representation of processing efficiency. A healthcare organizations PIQ is determined by dividing the percent of electronic invoices (whether EDI, P-Card, or conversion of paper invoices by OCR-enabled data capture) by the average number of approval days, from invoice receipt to approval, as shown below.

PayStream counsils its healthcare clients to work towards a PIQ ratio of at least three or more, by either increasing electronic invoice receipt to drive efficiency or accelerating processing speed to improve organizational effectiveness.

Table 1

Paper Invoice Quotient

Percentage Of Electronic Invoices	10%	24%	40%
Approval Time (Number Of Days From Invoice Receipt To Approval)	28	24	14
Paper Invoice Quotient	0.4	1.0	2.9

Gain a Competitive Advantage – Getting rid of the paper and migrating towards an automated AP solution will provide healthcare organizations with a competitive advantage to manage detailed processes with the click of a mouse, resulting in:

- » Increased efficiencies, improved accuracy and reduced labor costs
- » Increased visibility and instant access to accurate and timely data and reporting
- » Improved vendor relationships
- » Increase in on-time payments
- » Improved cash management/Increased capture of supplier discounts

Nipendo

Founded in 2007, Nipendo is a provider of supplier cloud Procure-to-Pay (P2P) automation. The Nipendo platform empowers enterprises including healthcare organizations around the world to achieve over 90 percent straight-through processing.

The Nipendo solution automates the entire P2P process. It is ERP agnostic and integrates seamlessly with any ERP or accounting system, including multiple methods for integration with hospital and healthcare systems. The latest version of Nipendo Supplier Cloud, recently released includes a new and extremely easy to navigate user interface (UI). It also introduces new functionality including dynamic discounting, supplier onboarding, business intelligence, KPIs, and an action-oriented dashboard with user-configurable notifications and alerts. The new release also includes robust mobile functionality that allows users on the go to stay plugged into their business documents at any time, from anywhere.

Nipendo's electronic invoicing solution empowers an automated end-to-end process that matches invoices with purchase orders (POs) and receiving records, enabling nearly 100 percent invoice reconciliation on the buyer side and providing suppliers with instant acknowledgement and confirmation.

Nipendo provides three guarantees, including:

1. Ninety percent touch-free, error-free straight-through processing.
2. Leverage existing solutions - Nipendo enables enterprises to achieve the next level of P2P automation while maximizing any investment made in buyer-supplier connectivity solutions.
3. Pay only for automatically reconciled invoices – this pay for performance pricing model delivers exceptional value, allowing users to pay only for invoices that are process straight-through to the ERP, without any errors, fully reconciled and ready for payment.

Website	www.nipendo.com
Founded	2007
Headquarters	Israel
Number of Employees	50+
Number of Customers	18,460
Target Verticals	Aerospace and Defense, Consumer Goods, Energy and Utilities, Engineering and Construction, Financial Services, Healthcare, and Manufacturing
Partners / Resellers	IBM, Microsoft, PNM Soft, SAP SB1, Synertrade, Top Image Systems, and Tom Group
Awards / Recognitions	2013 Green Supply Chain Award (Supply and Demand Chain Executive)

Solution Overview

Nipendo Supplier Cloud is delivered exclusively as a cloud-based Software-as-a-Service (SaaS) model and supports the entire P2P lifecycle, including POs, shipping, receiving, electronic invoicing and payments. The company has a proven track record of large scale implementations, along with rapid onboarding of thousands of suppliers to achieve over 95 percent supplier participation. This high level of automation enables Accounts Payable (AP) to shorten the cycle time for invoice approval and processing from days and weeks to only minutes. Nipendo’s open platform allows plug-in integration of best-of-breed third party solutions, such as sourcing, workflow, optical character recognition (OCR), and digital signature.

Nipendo works with a number of highly sensitive organizations including defense contractors and healthcare organizations that require top-level security practices and auditing of Nipendo’s adherence to these practices. Nipendo employs multiple levels of security including private cloud infrastructure protected by best-of-breed hardware and software solutions, secure Web service connectivity, three-way verification for user login, optional digital signature, and Internet security procedures.

Supplier Engagement

Nipendo currently has nearly 20,000 suppliers enrolled on their network, with hundreds more added each month. Any supplier connected to the Nipendo Supplier Cloud can immediately start collaborating with any buyer organization connected to Nipendo without any additional effort. This is regardless of any differences in data structure, business rules, process flow or any other specific buyer requirements. This unique B2B integration platform removes the barriers to connectivity across the supplier ecosystem and requires no complex

customizations, data mapping or changes to existing business processes. Once on-boarded, suppliers can receive POs, approve, reject or modify the orders, send shipping notifications, submit invoices, and receive payment confirmations—with any buyer organization connected to Nipendo.

Suppliers can utilize the Supplier Cloud portal for free, or pay a nominal fee for higher-value services such as direct B2B connectivity to the Nipendo Supplier Cloud.

Electronic Invoicing

The Nipendo Supplier Cloud provides suppliers with a range of options for submitting electronic invoices. Suppliers can submit invoices directly from their ERP or accounting system (either with direct machine-to-machine connectivity or using the Nipendo Print2Cloud solution), or through the Supplier Cloud Web portal. In addition, Nipendo Supplier Cloud accepts paper invoices through their partnership with TIS (Top Image Systems).

Nipendo's eInvoicing accelerates the speed of business and eliminates non-productive manual processes. Even before an invoice is received on the buyer's side, it is preemptively validated by the Nipendo platform for data accuracy and compliance with the buyer's specific requirements. Validations are based on business rules that can be specifically configured based on a customer's requirements, including price and quantity matching, exchange rate verifications, and tax compliance. Customers can use pre-defined business rule templates and modify them to match their requirements.

In addition to data validation, invoices are also matched with POs and receiving records, in real-time. Nipendo's instant invoice reconciliation immediately alerts suppliers if an invoice is non-compliant, so they can correct any issues before the invoice enters the buyers accounting system. Automated reconciliation allows buyers to immediately process close to 100 percent of invoices straight-through to their ERP system. Designated users get alerted to the few invoices that require attention, allowing AP to transition from tedious manual processing into management by exception.

Invoice Receipt

The Nipendo solution supports the acquisition of invoices in multiple formats, including paper, image and PDF. It also provides a variety of options for invoice capture, such as email, fax, and paper invoices (through TIS). All captured invoices regardless of method are processed in the same manner and automatically imported into the Nipendo Supplier Cloud solution. Web invoices can be submitted through the Nipendo Supplier Cloud portal. Any invoice from any source can be sent to the Nipendo Supplier Cloud by utilizing the Supplier Cloud Printer.

In addition to invoices, buyers and suppliers use the platform to send other transaction related documents that support the entire P2P process, including:

- » RFQ/RFP
- » Purchase Order
- » Purchase Orders and Confirmations
- » Shipping Notices
- » ASN (Advanced Shipping Notices)
- » Receiving Confirmations
- » Payment Notice

Paper Documents and Data Capture

Nipendo partners with Top Image Systems Ltd. (TIS), a leading global provider of Optical Character Recognition (OCR) solutions. TIS provides the technology to automatically transform any type of document in any form into electronic data. Together, Nipendo and TIS provide healthcare organizations with the ability to integrate paper documents such as invoices into the automated P2P process enabled by Nipendo Supplier Cloud.

The Nipendo solution utilizes state-of-the-art OCR and ICR engines that automatically recognize invoice header and foot data as well as line item details. Metadata including posting date, time and location of scanning is attached to each invoice.

Vendor Portal

The Nipendo Supplier Cloud portal allows suppliers to not only submit invoices, but to collaborate with buyer organizations throughout the entire P2P process, including:

- » Reply to a price quote
- » Accept / decline POs
- » Update delivery dates
- » Send shipping note
- » Get receiving acknowledgment
- » Send invoice
- » Correct invoices in real-time to ensure higher acceptance rate
- » Select dynamic discount offers
- » Receive invoices and payments status

Any communication through the Supplier Cloud portal goes through Nipendo's validation system for analysis and verification. The system provides suppliers with real-time feedback if any errors or mismatches are found during validation, which allows suppliers to take immediate corrective action.

Content Storage and Management

The Nipendo solution includes archiving of business documents in any format. All documents are archived with a complete reference to any and all business processes they are associated with, enabling users to quickly search and retrieve any document and all related documents and images. Users can easily search for documents based on any field.

Approval Workflow

Over 90 percent of the invoices that go through the Nipendo Supplier Cloud are processed straight-through to the buyer's ERP system without any manual intervention. For invoices that are not automatically approved, Nipendo offers an integrated partner solution from PMNSOFT that provides best-of-breed workflow capabilities including user hierarchies, approval authorities, routing to specific users or roles, task prioritization, alerts and notifications and graphical user interface for workflow design. Nipendo Open Platform architecture enables customers to utilize any workflow solution they prefer and seamlessly incorporate it into the Nipendo Supplier Cloud platform.

Electronic Payments

Nipendo offers a variety of payment methods ranging from PayPal to ACH to payments through its partnership with a Supply Chain Financing service provider. Nipendo's automated invoice approval enables the buyer to automatically notify the supplier of an expected payment date and update the invoice status with the payment notice when payment is complete.

Nipendo Supplier Cloud enables a range of financing options that include Dynamic Discounting and Supply Chain Financing (SCF) through its partnership with Integrate Financials, providing buyers with the flexibility to extend a mix of advanced payments methods to their supplier ecosystem. Following the receipt of invoice approval notification (typically a few minutes after sending the invoice), suppliers are presented with financing options based on the buyer Dynamic Discounting rules as well as the available Supply Chain Financing offers.

Reporting and Analysis

Nipendo provides robust reporting functionality that allows both buyers and suppliers to generate a wide range of online reports for all types of business documents. All reports can be quickly filtered and sorted by any data attributes

for drilling down into detailed analytics. A complete business intelligence dashboard is available that delivers key performance indicators (KPIs) to provide a comprehensive real-time view of performance and areas for improvement. Reports can be downloaded as Excel or CSV files and scheduled for email delivery.

Pricing and Implementation

Nipendo is the only company that offers a unique fee model that guarantees a return-on-investment (ROI) on the solution. Customers pay a per-transaction fee but only for invoices that are processed straight-through to their ERP without any error or manual effort. There are additional professional service fees for implementation of the solution, but no license fees as long as a minimum transaction volume is reached.

Nipendo's average implementation takes two to three months and includes project definitions, system configuration and customer side development.

Nipendo provides a complete suite of deployment and support services, including:

- » A dedicated project manager for the entire implementation phase
- » Account manager during and post-implementation
- » Online and phone support for both buyers & suppliers
- » On premise and online training
- » User guides and walkthrough videos
- » Turnkey supplier onboarding management (optional)

Selecting a Healthcare ePayables Solution

“Where do I start?” is one of the very first questions to ask when investigating in AP automation solutions. Healthcare organizations need to decide whether a tightly focused or comprehensive end-to-end solution would better fit their specific needs. PayStream analysts believe that technology buyers should ask the following questions prior to making a decision.

- » What are my financial automation goals? Do I want to start with just front-end imaging or invoicing or am I comfortable migrating to an application that delivers full circle procure-to-pay functionality?
- » Do we have the required skilled staff or can we hire the needed people to manage the process or are we better off leveraging the expertise of an outsourcing provider?
- » Is the automation process we are considering a core component of our business?
- » **Security of Data** – How comfortable are we about handing over our data to an outsourcer? This becomes extremely important when dealing with financial processes.
- » **Ability to Customize** – Are our processes unique and not able to be handled by a one-size-fits-all approach?
- » **IT Resources** – Do we have the IT staff needed for hosting and maintaining an in-house solution? If not, do your homework and investigate the benefits of a SaaS solution.
- » **Financial Resources** – Do we have the budget to cover the upfront costs associated with a technology solution?
- » **Control** – Are we giving up any control if we decide to use an outsourcing partner?

Is it better to automate or outsource? There is no simple answer to this question. Each healthcare organization must consider its transaction volumes, existing staff and technologies, availability of IT resources, and costs to determine if outsourcing one or more of these functions would be beneficial.

Choosing a Licensed Software Solution, SaaS or Outsourcing

Healthcare organizations investigating ePayables solutions must consider whether a licensed software solution or a SaaS option would be more suitable to meet their specific needs. A strong case can be made for licensed software solutions, which are implemented inside the company’s firewall, as ownership provides a high degree of control and security.

Another solution that is currently gaining in popularity is a SaaS model, where the system is hosted and maintained by the solution provider. A major benefit of SaaS solutions lies in the fact that they require minimal up-front investment

due to the lack of licensing, hardware and software costs. An additional benefit includes the receipt of innovations and system upgrades from the solution provider multiple times per year.

Some technology vendors charge a small fee upfront to cover implementation costs and other professional services, and then charge recurring fees based on the transaction volume, while others operate entirely on a per transaction pricing structure.

Healthcare organizations should also keep in mind that ePayables services are available through business process outsourcers. The rationale for outsourcing invoice receipt-to-pay functions is the same as it is for business process outsourcing in general. Outsourcing is a cost effective method to remove non-essential functions without increasing costs through financial investments in software, hardware and technology solutions. Communication and customer control are not limited by the physical location of the customer. Due to advancements in technology, the delivery of outsourced AP automation solution can be provided expeditiously with decreased cost instead of purchasing licensing software and integrating the organization with additional responsibilities. Healthcare organizations must consider the benefits of outsourcing services with an established provider versus increasing selecting in-house automation capabilities which includes upgrades, new versions and staff training and/or onboarding to support automated process. Outsourcing automated services is an advantageous solution that does not add additional expense that can be incurred through internal technology upgrades and staff training.

As a service delivered over the Internet, SaaS and outsourced AP automation solutions may be deployed faster and less expensively than software solutions that require extensive integration with enterprise legacy systems.

All three options outlined have advantages, disadvantages and associated costs. The solution of choice depends entirely on the individual healthcare organization's requirements and specific needs. A critical factor to consider prior to making a decision is the total cost of ownership, which includes:

- » Implementation and Integration Costs
- » Functionality Fit
- » Ease of Use
- » Ability to Adapt to a Constantly Evolving Healthcare Landscape

Vendor Selection

Once you decide on the type of ePayables solution, the next question should be, "How do I choose a vendor to work with?" Implementation of any solution requires due diligence, but due to the sensitivity of information in the healthcare industry, HIPAA regulations and privacy concerns, choosing an enterprise

healthcare electronic payables vendor demands even more research and evaluation.

While all ePayables solution providers seek to deliver operational and strategic benefits to healthcare organizations through their solutions, they differ significantly in their approach. Some of the vendors offer solutions that address the entire procure-to-pay cycle, while others focus heavily on front-end data capture or the workflow management areas. Some offer their solutions in a SaaS or outsourcing formats, while others deliver their solutions via a software license model. To help distinguish between the diverse vendor strategies and identify solutions for further investigation, PayStream provides information on factors that determine the solution of choice.

Technology Approach

There are a number of things to consider in terms of technology when deciding on a solution that will fit your specific needs. While best-of-breed security standards are important, backups, redundant sites, infrastructure and platform capability and methods of data retrieval need to also be top of mind considerations. Many users need a solution that can interface easily with existing accounting, health information management (HIM), or materials management applications; for others, a standalone product is fine. Web based or on-demand solutions can lower your up-front costs of implementing an ePayables solution and should also be considered.

Financial Stability

While economic conditions are improving, any company can still be vulnerable. Mergers and acquisitions happen frequently and are not necessarily a cause for concern; it's often easier and less expensive to acquire a product than to develop one from scratch. What should be a concern is whether a company has the financial wherewithal to support ongoing development and retain valuable technical resources.

Cost

Many solutions available on the market today are offered in a SaaS model, which can lower the investment required to get started. Still, fee structures can vary greatly. Be sure to inquire if there is an implementation fee and if fees are based per transaction. Some solutions are sold by module, and you may need multiple modules in order to get all of the features you want.

Scope and Industry Experience

In the healthcare industry, supplier reach is critical. The more suppliers that are onboard, the greater the number of electronic transactions that can be

processed, improving efficiency and lowering costs. A delay in a shipment of healthcare products could have a direct impact on patient care. Therefore, maintaining and strengthening relationships with key suppliers should be one of your goals. The complexity of HIPAA regulations and EOB forms, coupled with a multitude of medical billing formats and coding standards, can make healthcare industry experience a major selling point for vendors.

Prior to purchasing a solution, be sure to follow these basic steps:

- » Perform a current state analysis and design a future-state roadmap.
- » Benchmark to identify existing issues and develop a strategy to resolve them.
- » Create a business case that clearly demonstrates ROI.
- » Form a steering committee that includes representatives from IT, finance, end users, and upper management, and get the buy-in of everyone involved.
- » Determine requirements, taking into account budget, user needs, resource allocation during and after installation, training, support and service level agreements.

Conclusion

As the healthcare industry continues to change, healthcare organizations are faced with the challenge of making critical back-office process and system changes in an effort to decrease administrative expenses. Providers who embrace automation that provides improved, more efficient service and easy access to vital information will gain a competitive edge over healthcare organizations that choose to keep the manual, labor intensive paper process.

As healthcare organizations consider AP automation solutions they should take a careful and strategic approach to back-office technology investments. Partnering with the right solution provider is a key component to the success of a healthcare organizations automation program. The first step in this journey is reviewing the Selecting a Healthcare ePayables Solution section of this report. It provides an overview of the different types of solutions, platforms, and basic steps to follow prior to choosing a solution partner and purchasing an automation solution.

Research Methodology

The findings in this report are based on the results of PayStream's 2013 electronic invoicing and invoice workflow automation surveys. Participants in the survey included more than 600 professionals from a variety of finance and accounting positions, within the healthcare industry. Based on our experience and the number of respondents, the survey has a confidence level of +/- 5 percent.

About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at www.paystreamadvisors.com.