Accounts Payable Automation for McKesson™ via APSmart™

Featuring:

Transforming Manual Invoice Processing

Self Regional Healthcare is a major referral and medical center providing advanced healthcare services to a population of more than a quarter of a million people in the Lakelands region of upstate South Carolina.

> "*We've been* very pleased with APSmart, and though we've moved along slower than we initially hoped, the support from CloudX has been great throughout the process! Their team has worked with us to make changes and adjustments that fit our process." *–AP Manager, Self Regional*

Executive Summary

Faced with pending cuts to their AP personnel budget, Self Regional Healthcare successfully automated their AP process in a way that enabled them to attain scale, visibility, and speed within the process by deploying APSmart integrated to McKesson Pathways.

Highlights include:

- **75% reduction in invoice processing time**

- **100% increase to invoice status visibility**

- **50% gain in payment discount capture**

Challenges

Self Regional Healthcare's Accounts Payable department was in a pressurized situation as they were looking for ways to improve their AP operations while simultaneously facing imminent personnel budgeting constraints. As a result they began looking for providers of AP automation but quickly realized that their options were going to be few due to limited resources from a capital investment standpoint. After having evaluated several vendors who required between $50,000-80,000 for implementation costs and additional recurring costs, they looked for an alternative approach, similar to what CloudX offers via document process outsourcing. In this way they were able to justify bringing in high technology in an affordable and scalable way that light from an Information technology management footprint.

Prior to working with CloudX, Self Regional Healthcare grappled with several key issues in their AP process; manual keying of invoices into McKesson Pathways Materials Management, physical routing of invoices for approval and GL-coding, and difficulties in turning invoices around from presentment to payment in a timely fashion. Self Regional Healthcare processed approximately 5,000 invoices per month with three full time processors prior to working with APSmart.

Invoices were manually keyed and physically scanned at the end of the process into an archival system. However, all GL Coding and approvals were done by handwriting on invoices and copies of invoices in a less-than-efficient manner. As a result, having insight into outstanding payables by approver or department was totally limited. Additionally in many cases invoices could take upwards of 5-

10 minutes per document to capture all necessary information and assimilate it into McKesson. Because of this, some departments outside of AP were made to manage their own payables processes with priority vendors. This also has to do with unique data capture points including multiple Purchase Order referencing conventions that were unique to large volume vendors, specifically in their Food & Nutrition and Pharmacy departments. Due to disparate purchase order data, the task of matching invoices was made extremely difficult and as such, clerical staff in those departments was inundated with data entry without a means of improving the process.

From an executive standpoint, limited visibility within the process made for more challenging cash flow management and lack of timeliness to the process meant both late payment penalties and missed opportunities to recoup early payment discounts.

These issues created a perfect storm of discontent sufficient to propel Self Regional Healthcare's Accounts Payable and Finance leadership to seek out improvement methodologies and ultimately lead to deploying CloudX's flagship solution, APSmart.

How APSmart from CloudX Helped

CloudX integrated APSmart to McKesson through multiple methodologies. For Purchase Order based invoices, CloudX successfully automated Self Regional Healthcare's AP invoice processing through a customized ANSI 810 EDI file format which dynamically feeds invoice data that McKesson ingests and populates into its Pathways Materials Management module. Through this approach all PO-based invoices are dynamically pushed to PMM after they have undergone CloudX's rigorous optical

character recognition and data validation processes. Additionally, numerous fail-safes and process validation steps that were previously manual have been automated including look ups to Self Regional Healthcare's PO data table. Through this approach open PO's are quickly identified and reconciled through APSmart in conjunction with the pertinent invoice and line item data conveyed on the invoice.

For Non-PO based invoices, Self Regional Healthcare required both GL-coding and approval authorizations to be had for an invoice to be processed. As such, CloudX expedited this process through APSmart's electronic workflow and GL-coding feature. Once Non-PO invoices have been electronically coded and approved, they are then posted automatically through a robotic integration utility that closes out individual invoice records within PMM. Additionally, this technology was leveraged to not only mimic human data entry and capture information correctly but also to specify preferred payment methodology by vendor and eliminate additional manual steps that previously bogged down AP staff.

From a process management perspective, the AP leadership at Self Regional Healthcare now enjoys total visibility to their AP process and can quickly identify invoices that are bottlenecked in the organization. This makes collecting all priority invoices simplified prior to check runs as Approvers can be monitored through APSmart's native approval dashboard. Secondarily, using various reporting and search functions Self Regional Healthcare is now able to focus on invoices with critical payment terms and as such meet early payment discount terms with priority vendors and simultaneously

eliminate late payments and the fees that accompany them.

Invoices are captured, indexed and made available turned around within a 24-48 hour timeframe for Self Regional Healthcare. Additionally, their vendors can now directly submit e-mailed invoices for processing thereby cutting down on the physical volume of paper-based invoices entering the organization.

The result of these advancements have dropped invoice transaction cycle times significantly, from over 10 minutes in many cases to mere seconds. In other cases, total flow-through automation is achieved with high percentages of accuracy through various validation points to the process.

Results, Return on Investment and Future Plans

The advantage to this approach from Self Regional Healthcare's standpoint is that they have been able to successfully automate their process and comply with the organizational budgetary mandates for personnel in their department. Their process is now substantially faster, denoting a 75% reduction in invoice processing cycle time with over 99.9% accuracy on transactions end to end. Furthermore, this was done with a nominal capital investment compared to the show-stopping dollar values that were presented to Self Regional Healthcare as ultimately non-viable options.

From a monetization standpoint, the value of the initiative has been doubly impactful as Self Regional Healthcare is now capturing 50% more early payment discounts, especially on their high volume critical

vendors in their Pharmacy and Food & Nutrition departments. What's more is that these vendor invoices have demanding terms (2 % Net 5) that they have been able to consistently meet and thereby reap the discount benefits instead of paying penalties.

Future plans at Self Regional Healthcare include further monetizing the payment process to make payables an unexpected profit center of sorts to the organization. By exploring virtual credit card payments, Self Regional Healthcare is further mitigating the flow of paper in their organization, this time in the costly and time consuming form of checks. Self Regional Healthcare believes that this initiative will enable them convert a significant percentage of their payments to eligible vendors to single use virtual credit cards in lieu of hard copy checks. Alternatively, some vendors may prefer ACH as an electronic alternative, which CloudX will help them deploy as well. The anticipated financial gains from this initiative will more than offset their investments and sustain the costs of ongoing and future accounting automation programs.

Company Profile: Self Regional Healthcare
Location: Greenwood, South Carolina
Industry: Healthcare
Accounting System: McKesson - PMM
Initiative Leads:
Bob McVicker, Director of Accounting
Accounts Payable Manager
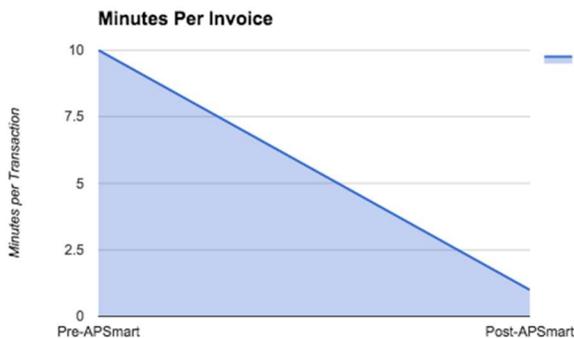
Minutes Per Invoice

About:

At CloudX, our vision is to be the global leader in Document Process Outsourcing delivery. With that in mind, we have a suite of cloud-based document management solutions, state of the art scan facilities, a robust consulting organization that is familiar with the best practices for improving document processes, and a global operations team.

Many companies today are realizing the need to improve their document processes. Pressures to reduce costs, drive efficiency, and focus on core business functions are causing them to look for new ways to streamline how they operate.

We have developed turnkey offerings for specific processes including:

- Accounts Payable Invoice Processing
- Accounts Receivable Remittance Processing
- Expense Report Processing
- Sales Order Processing
- Check Processing
- Virtual Credit Card Payments