

Mohawk Medbuy's Use of Purchase-to-Pay Analytics Supports Hospitals and Patients

By Amy Fong and Laura Gibbons

Executive Summary

Implementing a shared solution for process automation allowed healthcare shared services organization Mohawk Medbuy to channel invoices for non-wage spend into a consistent platform and process, using either e-invoicing or scan-and-capture technologies. The Basware platform currently supports nine different member hospitals and is very scalable. Its interface was designed to collect and organize information in a consistent structure for analysis at individual and aggregate levels. This has permitted Mohawk Medbuy to develop analytics and dashboards that inform and guide member hospitals' operations, providing significant value for individual cost-reduction and growth opportunities.



Mohawk Medbuy is a national shared services organization that hundreds of Canadian hospitals and community-based healthcare facilities rely on to maximize their savings on medical supplies, drugs and other services. By combining individual member needs into much larger volumes, the not-for-profit organization has significant power to negotiate better contracts, terms and pricing with vendors. Mohawk Medbuy also provides other services to Canada's healthcare sector, including warehousing and just-in-time logistics, hospital linen/laundry and accounts payable processing. The Accounts Payable Centre in Hamilton, ON, with 19 employees, is moving in early 2019 to a new head office in Burlington to support growth of AP services.

As a single integrated organization, Mohawk Medbuy Corporation helps improve patient experiences and outcomes by supporting hospitals and other healthcare providers with innovative end-to-end supply chain, clinical and back-office services that yield value, efficiencies and cost savings. Mohawk Medbuy provides a wide range of procurement, supply chain and other services to member hospitals throughout Canada. In April 2016, following requests from CEOs at nine member hospitals, the company facilitated discussions regarding shared solutions for process automation to optimize operational systems.

Janice Mundell, Vice President of Strategic Growth, Business Development and Communications, called the initial meeting a "visionary session" where all parties agreed to collaborate on supply-chain improvement initiatives. Accounts payable emerged from the discussions as having the most potential for short-term ROI and offered the opportunity for a longer-term initiative to expand automation across all purchase-to-pay processes. To facilitate its optimization strategy, Mohawk Medbuy selected Basware, a purchase-to-pay platform and buyer-supplier network focused on process automation, to handle accounts payable approval and workflow.

During the project's first year, Mohawk Medbuy implemented a solution that streamlined operations, channeling all member hospitals' invoices for non-wage spend into one process, using either e-invoicing or scan-and-capture technologies. The solution offers a customizable system to meet the needs of individual hospitals, essentially operating as nine different systems within the Basware platform. Its interface was designed to collect and organize information in a consistent structure for analysis at individual and aggregate levels.

About the Mohawk Medbuy dashboard

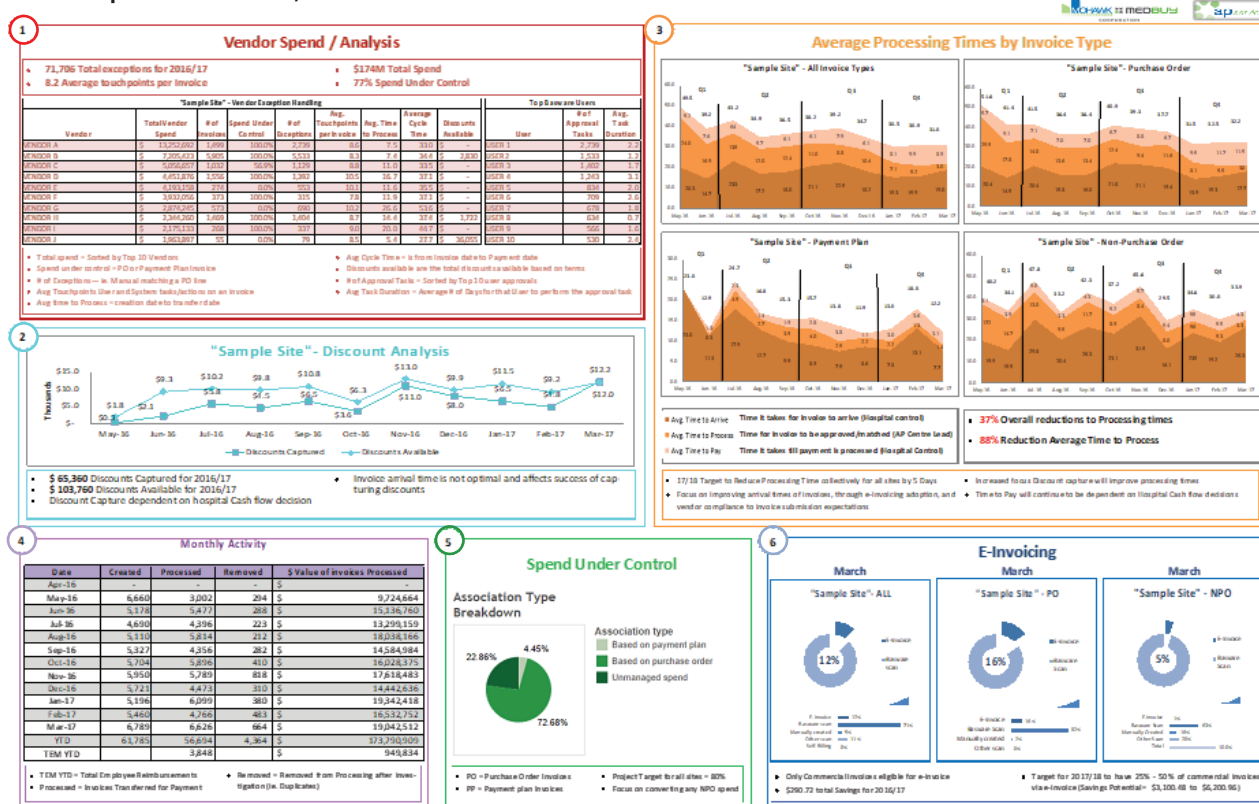
Metrics that were chosen relate to a particular project outcome. Typical member hospital scorecards include metrics such as:

- Processing times by different invoice types
- Overall spend and volumes
- Invoice aging
- E-invoicing uptake by type
- Use of purchase orders
- Spend under control
- Top 10 vendors for the site
- Contract terms
- Payment terms
- Discounts captured

Ryan Martens, who directs Mohawk Medbuy's Accounts Payable Centre, explained what he called the "ah-ha" moment with the Basware implementation team: "This installation is different than other companies, in that we have nine different companies with their own data, but fall under the same Local Health Integration Network.¹ In our case the system must operate according to the needs of nine individual entities ranging from large teaching hospitals to small rural hospitals." According to Martens, "A distinctive feature of the application here is that an interface has been designed to take this basketful of information and distill it down in the same way. That's 300,000 invoices and CAN\$1.7 billion in spend annually – but it's spread across nine different hospitals and nine different ERP systems." The ability to extract findings from that basket of information has been key to performance improvement.

While core automation alone is an impressive accomplishment, Mohawk Medbuy's use of analytics and dashboards to inform and guide member hospitals' operations provides significant value for their individual cost-reduction and growth opportunities. New dashboard and custom reports allow members to track their performance and draw comparisons with peer hospitals over time (Fig. 1). While hospitals use the information for different purposes, the summary report allows each member to compare its own data with other hospitals in the areas of accounts payable operations, supplier management, cash management and working capital.

FIG. 1 "Sample site" scorecard, March 2017



Source: Mohawk Medbuy

Data as of April 25th 2017

Member dashboards are developed based on the recommendations of Mohawk Medbuy's Accounts Payable Functional Advisory Committee, which is comprised of a finance representative from each hospital using the service. The committee fosters ongoing collaboration and is responsible for identifying key performance indicators to measure. The dashboard provides access to enriched data which has been normalized to ensure accuracy, displaying it in a scorecard by both individual site and aggregated

¹ Local Health Integration Networks are the health authorities responsible for regional administration of public healthcare services in the province of Ontario, Canada.

Quick facts: Mohawk Medbuy

- Serves 120+ hospital members and 300+ additional healthcare organizations
- >\$1 billion in member spend under contract
- >15% annual savings to members over the last five years
- >1,200 medical/surgical and pharmaceutical contracts managed on behalf of members
- >200,000 contracted items, offering a wide range of product choices
- >300,000 accounts payable invoices processed annually
- >700,000 invoices processed to date, representing more than \$4 billion
- >\$2 billion in member spend data analyzed annually to optimize contract utilization

from all participants. In addition, with the support of an analytics leader in Mohawk Medbuy's Accounts Payable Centre, members can develop custom reports to provide greater insight into their own operations.

Within the first year, Mohawk Medbuy reached its initial goal of having all sites operational on technology that was scalable for future growth. The second year, as operational processes were refined, the AP Centre saw a 59% increase in discounts captured, a 47% increase in payment-plan invoices, improved e-invoicing, faster invoice arrival time, and a reduction in days to process (Fig. 2).

FIG. 2 Mohawk Medbuy aggregate performance metrics for nine hospitals



Source: Mohawk Medbuy

In the latter half of that second year, the project focus shifted to deriving insights from the data by addressing the following questions:

- What does our spend data tell us and how does that affect performance?
- Beyond efficiency performance improvements, what other enhancements can be made with common vendors?
- What lessons can be learned from performance wins or the way we engage with vendors?
- Is there a way to find improvements from the patient-care, performance or value perspective?

Information gained from investigating these questions allowed Mohawk Medbuy to make comparisons between peer hospitals and against leading industry standards. Findings from analytics are communicated to Mohawk Medbuy's Strategic Sourcing team so it can identify opportunities for future growth and savings for members. For example, while only one hospital was involved in a capital improvement initiative, the results, learnings and best practices from this process were shared system-wide, prompting other member hospitals to show interest in the initiative based on the corresponding benefits.

When applied to patient safety, the technology allows member hospitals to review common processes, like patient transfer services, and engage with suppliers and partners to ensure consistency across sites, enhanced patient safety, and the best possible care. Michael Parzei, Mohawk Medbuy's Chief Customer Officer and Vice President, Member Engagement, Clinical Services & Accounts Payable, underscores the point. "Hospitals are responsible and accountable for patient safety, but we see ourselves as an enabler and a partner in assisting them. Although we're talking about accounts payable, what the information is telling us can provide intelligence that allows

more strategic and evidence-based decision-making. That's where the power is. It's not about anyone's opinion, it's about data that shows a trend." These process improvement opportunities help define a path for members to reduce costs and increase safety and quality of care in the healthcare delivery system.

Peer-to-peer information-sharing allows hospitals to compare their performance with facilities of similar size and focus. Parzei gives an example of one hospital that was struggling to handle multiple payment plans and feeling they were constrained by their size. In comparison to peers with similar characteristics, the hospital realized there was a better solution available. "Sometimes we act like a 1940s telephone operator, taking information, connecting one area to another for information flow, and suddenly it's peer-to-peer sharing," says Parzei. "That's when you tend to get the results – when one hospital shares that experience with others." The oversight and facilitation that Mohawk Medbuy offers helps raise the bar for all its member hospitals.

Mohawk Medbuy is dedicated to increasing the value it offers member hospitals throughout Canada. The ability to provide deep insights into process performance and collaborative process-improvement opportunities through automation and analytics is a differentiator in the competitive healthcare industry and offers substantial value to members. Participants in the program become stronger as the hospital network grows and the data becomes more comprehensive, allowing them to derive greater benefit from the program, ultimately improving overall efficiencies and enhancing patient outcomes.

About the Advisors

Amy Fong

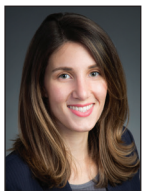
Associate Principal, Procurement Advisory Program, and Program Leader, Purchase-to-Pay Advisory Program



Ms. Fong has 20 years of experience in industry and consulting with a focus on procurement, supply chain and organizational effectiveness. She helps business leaders improve source-to-pay processes, manage complex supply chain partnerships and mature their organization's service delivery model. She also performs primary research in source-to-pay and operations and is the author of a number of publications on these and other topics.

Laura Gibbons

Research Director, Procurement Executive Advisory Program



Ms. Gibbons has industry and consulting experience in areas such as purchase-to-pay, strategic sourcing, payment strategies, manufacturing operations, economic impact analysis, and organizational and process design. She previously worked in The Hackett Group's Strategy & Operations consulting practice, where she specialized in sourcing, procurement and supply chain. Before joining The Hackett Group, Ms. Gibbons served as Strategy & Operations Associate at Groupon.

The Hackett Group (NASDAQ: HCKT) is an intellectual property-based strategic consultancy and leading enterprise benchmarking and best practices digital transformation firm to global companies, offering digital transformation including robotic process automation and enterprise cloud application implementation. Services include business transformation, enterprise analytics, working capital management and global business services. The Hackett Group also provides dedicated expertise in business strategy, operations, finance, human capital management, strategic sourcing, procurement and information technology, including its award-winning Oracle and SAP practices.

The Hackett Group has completed more than 15,000 benchmarking studies with major corporations and government agencies, including 97% of the Dow Jones Industrials, 89% of the Fortune 100, 87% of the DAX 30 and 59% of the FTSE 100. These studies drive its Best Practice Intelligence Center™ which includes the firm's benchmarking metrics, best practices repository and best practice configuration guides and process flows, which enable The Hackett Group's clients and partners to achieve world-class performance.



Email: info@thehackettgroup.com
www.thehackettgroup.com

Atlanta +1 770 225 3600
London +44 20 7398 9100
Sydney +61 2 9299 8830

Atlanta, Chicago, Frankfurt, Hyderabad,
London, Miami, Montevideo, New York,
Paris, Philadelphia, Portland, San Francisco,
Seattle, Sydney, Vancouver