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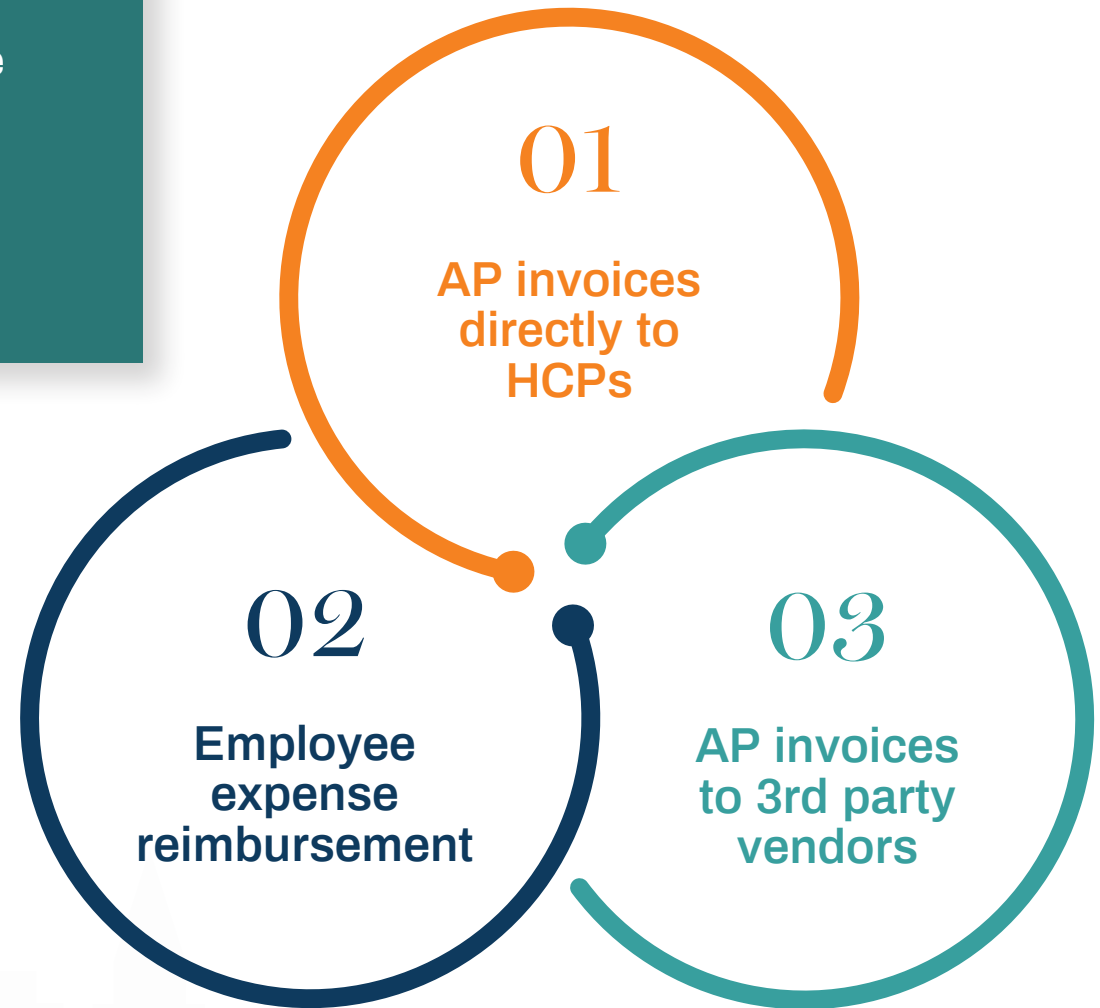
ERP and tracking aggregate spending in
the pharmaceutical industry

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Pharmaceutical manufacturers that are looking to implement a new ERP solution will invariably ask about options for meeting requirements of the Sunshine Act. This act protects consumers by ensuring transparency in the reporting of financial relationships between pharmaceutical companies and health care providers (HCPs). While pharmaceutical companies generally purchase a software solution specifically designed to track their aggregate spending to HCPs, the ERP solution generates much of the information, which becomes the input for the aggregate spend system.



Typically, money flows from pharmaceutical manufacturers to healthcare providers in three forms that are generally handled in three very distinct manners.



01 AP invoices directly to HCPs

Vendors that are HCPs are defined as such in the ERP solution. Any expenses that are booked in the ERP solution directly to HCP vendors are pushed to the aggregate spend system via an integration. Typically, a relatively small number of HCPs become direct vendors in the ERP solution. The process of setting up new vendors is mostly a highly controlled process that lends itself to accurately defining and identifying an HCP.

02 Employee expense reimbursement

Employees of the pharmaceutical company meet with HCPs and incur expenses that need to be reimbursed to them by the company. Assuming the company has an expense reimbursement system (such as Concur), the expense reimbursement software generally just feeds the core accounting (general ledger) data to the ERP solution. Also, it sends the HCP spend information directly to the aggregate spend software. Therefore, it is necessary to have the HCPs defined in the expense reimbursement system, but the ERP solution is not involved in this process.



03 AP invoices to 3rd party vendors

It is possible to capture this data in the ERP solution (on a custom field linked to the PO or invoice) and push it to the aggregate spend system. However, there are a few complicated factors that lead many companies to enter these transactions into the aggregate spend software manually. Also, they can choose to upload vendor documents directly to the aggregate spend software in addition to recording the invoices in ERP:

Timing



At the time that a PO or invoice is entered, do we necessarily know which HCPs will benefit from the spend? For example, speaker bureau invoices often arrive in advance of the list of attendees (HCPs).

Accuracy



HCPs that benefit from expenses incurred with 3rd parties are can be very large in quantity. Ensuring that the correct HCP is selected and linked to an expense can be challenging, especially when many health care providers may have similar names (or even the same names). In such cases, AP clerks that have no direct knowledge of the circumstances surrounding the expense could have a difficult time selecting the correct HCP. Aggregate spend software systems typically have matching algorithms to identify HCPs accurately.

Contact:

 888 209 3342  info.us@columbusglobal.com

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