



SUCCESS STORY FOR HEALTHCARE

## University Hospitals

University Hospitals controls costs and sharpens its healthcare focus by streamlining the back office with Kofax Markview® for Accounts Payable. Now the AP department is processing 47% more invoices without adding staff, paying key vendors faster, capturing more early-pay discounts and shortening approval cycle times by 83%—from 30 days to five.

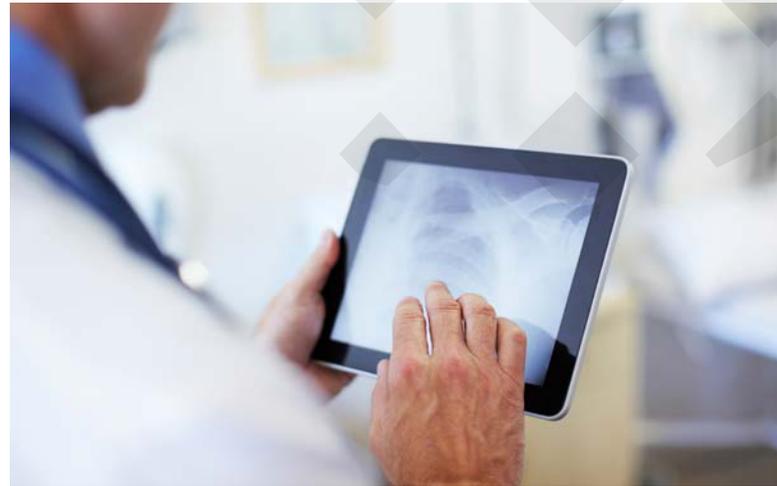
### Challenge

In 1993, University Hospitals embraced a new business strategy that called for geographic expansion across Northeast Ohio and an increase in the types of services the organization offered. Twenty years later, the award-winning hospital system continues to advance its mission and improve how it delivers care. Integral to this effort is the hospital system’s commitment to becoming a more efficient and accountable operation, from direct care delivery to back-office operations.

Along these lines, University Hospitals recently began focusing more attention on its financial management operations, including accounts payable systems that procure essential goods and services for the hospital network. Administrators reasoned that efficiency and productivity gains in this function would help the hospital system streamline procure-to-pay processes and concentrate more resources on patient care and professional development.

The accounts payable group, which is part of University Hospitals’ shared services center, relies on Oracle enterprise resource planning (ERP) software to run its core financial processes. While the system has performed solidly in most respects, the AP function frequently lagged when it came to processing invoices promptly and accurately. This could lead to delays in paying vendors and even threaten the delivery of critical medical supplies and services. Staff members spent hours every week troubleshooting these issues, cutting into the time they could devote to analytical and planning tasks.

Working with invoices not associated with a specific purchase order was especially challenging, with managers noting that it sometimes took more than 30 days to approve and pay these



*One of the nation's leading health care systems, University Hospitals provides high-quality, patient-centered medical care at locations throughout Northeast Ohio. More than 20,000 physicians and employees constitute University Hospitals and its joint venture hospitals, ranking it Northeast Ohio's second largest private sector employer. UH performs more than 5.4 million outpatient procedures and nearly 64,000 inpatient discharges annually..*

### Products in use:

- ◆ Kofax Markview®
- ◆ Kofax Transformation™
- ◆ Kofax VRS Elite™

### Focus:

- ◆ Accounts payable automation

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***“ When we look back at the results, we wish we would have implemented MarkView much sooner.”***

**Jeff Lubbe**  
Corporate Finance Director, University Hospitals

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“non-PO” invoices. Moreover, managers lacked an online view of the overall flow of invoices, a capability that could have helped them quickly spot bottlenecks, track trends and address problem areas.

Research and analysis for the study in this report were conducted by Mainstay Salire, an independent consulting firm, drawing from interviews with employees of University Hospitals, review of planning documents and searches of industry literature. ROI calculations use industry-standard assumptions regarding the time value of money. Mainstay Salire is the leading provider of independent value assessment and IT strategy services. For more information, please visit [www.mainstaysalire.com](http://www.mainstaysalire.com). Information contained in this case study has been obtained from sources considered reliable but is not warranted by Mainstay Salire.

## Solution

The search for a better invoice processing solution led University Hospitals to Kofax. Administrators were attracted to MarkView, which features advanced technologies for automating invoice capture and data entry, including best practice workflows for resolving discrepancies, a self-service supplier portal and an AP process optimization dashboard.

Administrators also liked the fact that MarkView had been specifically engineered and tested to provide real-time integration with Oracle enterprise software, including the ERP system that University Hospitals was currently running. Prior

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***“ One of the most recent initiatives focused on University Hospitals’ accounts payable operations, where administrators hoped to improve invoicing accuracy, accelerate vendor payments and increase staff productivity. The initiative culminated in an \$800,000 investment in an automated invoice processing platform featuring advanced imaging, data extraction and workflow solutions from Kofax.***

Jeff Lubbe  
Corporate Finance Director, University Hospitals

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to deploying the MarkView platform, University Hospitals began the first phase of a three-phase strategy, beginning with implementing organizational changes designed to better integrate AP operations. It also sought to consolidate invoices from high-volume suppliers and switch many of these vendors to efficient EDI-based invoicing.

In phase II, the organization launched a document imaging and automated workflow platform centered on MarkView and expanded its use of self-service invoicing for expense reports and non-PO invoices. This phase focused on eliminating unproductive document-handling routines, boosting invoice accuracy, and establishing tighter internal controls and greater management visibility. Phase III concentrated on using Kofax Transformation and Kofax VRS Elite™ to improve document capture and data extraction accuracy. It also redirected AP staff to more analytical tasks, such as statement reconciliation and capturing vendor discounts.

## Results

According to an assessment by IT market researcher Mainstay LLC, after implementing the MarkView solution, University Hospitals’ AP department saw a surge in employee productivity as it eliminated hours of manual invoice-tracking tasks, improved payables accuracy, accelerated payments and improved management visibility and control.

The move to Kofax helped the hospital system handle ongoing business growth—over the past few years invoice volume has risen 47%—with 10% less staff. This is expected to save University Hospitals about \$1.2 million in staff optimization and avoided hiring over three years.

Today, the average AP employee processes about 2,100 transactions per month and the average cost for processing an invoice has declined from \$3.17 in 2004 to \$2.13.

The solution’s ability to eliminate routine manual processes—such as opening mail, data entry and filing—has given AP staff more time to focus on higher-value analytical tasks, including account reconciliation, discount capture and solving complex invoicing issues needing special attention.

University Hospitals is seeing significant benefits—valued at about \$265,000 per year—by capturing more discounts

through early payment of invoices. The MarkView solution has been key to these savings, managers noted, because it collapses payment cycles and provides analysts with better visibility throughout the procure-to-pay process.

Today it takes 83% less time to approve invoices compared to before the implementation or just 5 days compared to 30 days previously.

Since implementing MarkView, University Hospitals' AP department has shifted to more electronic and automated financial transactions. The department has steadily increased invoice automation over the past few years, virtually eliminating manual processing as of the current year. At the same time, the department has virtually eliminated manual processing of purchase order invoices.

The switch to MarkView has been key to the department's progressive reduction of storage of physical invoices. As a result, University Hospitals closed several document filing and storage rooms and cut back physical mail pickups from five days per week to two. These efficiencies are generating annual savings of approximately \$53,000, according to the assessment.

A recent independent audit of University Hospitals' AP operations confirmed the department's success in boosting invoice efficiency, accuracy and internal controls. After examining more than \$2.2 billion in payables (and some 500,000 invoices), the auditors found that less than 0.01% of the total value qualified for recovery, indicating an extraordinarily high level of AP accuracy with close to zero instances of overpayments, duplicated invoices or errors. At a

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cost of \$2.13 per invoice processed, University Hospitals also compares favorably to industry benchmarks.

Administrators noted that AP's operational improvements—including greater accuracy, faster payment cycles and better visibility—are helping improve the perception of AP in the eyes of the hospital system.

“When auditors review our system, they are very impressed with the level of internal controls,” said Jeff Lubbe, Corporate Finance Director, University Hospitals. And the efficiencies we've achieved have allowed us to reinvest resources into patient care and high-value analytical services.”

Managers in the AP department noted that after the move to MarkView, they have reduced invoice backlogs and cut through bottlenecks that used to hold up payments for complex or problematic invoices. Significant speed improvements were seen in processing invoices not tied to specific purchase orders, with the system allowing for real-time accrual of these items as well as expense reports.

In addition, the MarkView solution generates a real-time view into the overall disposition of invoices and payments, so administrators can track operational performance and intervene when backlogs arise.

A summary of the assessment results:

- ◆ 32% Return On Investment (ROI) from phase II and III investments
- ◆ 33% reduction in invoice processing costs
- ◆ \$1.2M in staff productivity gains
- ◆ Handled 47% increase in invoice volume with 10% less staff
- ◆ \$265K savings from capturing more early-payment discounts
- ◆ 83% reduction in invoice approval time
- ◆ \$53K in document shipping and storage cost avoidance

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