University Hospitals Controls Costs and Sharpens Health Care Focus by Streamlining Back Office with Kofax MarkView for AP

EXECUTIVE SUMMARY

When Cleveland-based University Hospitals launched a major business transformation initiative several years ago, the health care system sought to improve every phase of its operations – from care delivery to professional development to administrative efficiencies. The resulting multi-year effort has cemented University Hospitals’ reputation as one of the nation’s premiere health care systems and Northeast Ohio’s second largest private sector employer.

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 a $800K investment in an automated invoice-processing platform featuring advanced imaging, data extraction, and workflow solutions from Kofax®. One of the main components of the solution is Kofax MarkView® for AP, a market-leading AP automation solution that integrates in real time with University Hospitals’ Oracle ERP platform.

Since implementing the Kofax MarkView solution, University Hospitals has seen significant efficiency and productivity gains. Most notably, the AP department is processing 47% more invoices with 10% less AP staff. Furthermore, the organization is now paying key vendors faster, which has improved these relationships and averted delivery bottlenecks. Other benefits include expansion of electronic invoicing and management dashboards that are used to help staff respond faster to AP issues. The average cost for processing invoices has declined by a third, from $3.17 in 2004 to $2.13 today.

According to an assessment by Mainstay Salire, University Hospitals is expected to realize a 32% ROI on its Kofax phase II and III investments. Moreover, the organization has been able to redeploy staff to focus on higher value analytical tasks and ultimately channel more resources toward improving patient care.

Client Profile

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.

Results Summary

- 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% fewer staff
- $265K savings from capturing more early-payment discounts
- 83% reduction in invoice approval time
- $53K in document shipping and storage cost avoidance
THE 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 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 “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.

THE SOLUTION

The search for a better invoice-processing solution led University Hospitals to Kofax. Administrators were attracted to Kofax MarkView for AP, which features advanced technologies for automating invoice capture and data entry, including best practice work flows 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 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 work flow 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 Modules™ and Kofax VirtualReScan™ 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.

University Hospitals Awards in 2012

- U.S. News & World Report Best Hospitals
- UH Rainbow Babies & Children’s Hospital Earns Gold Award for Web design
- 2012 American Hospital Association-McKesson Quest for Quality Prize
- Best-in-Class for Board Diversity
- U.S. News & World Report’s Best Children’s Hospitals
- The Leapfrog Group’s Hospital Safety Score℠
- DiversityInc’s Top 5 Hospital Systems
- Ethisphere’s 2012 World’s Most Ethical Companies
- Best Doctors in America®
- Beacon Awards for excellence in critical-care nursing
THE RESULTS

According to an assessment by IT market researcher Mainstay LLC, after implementing the Kofax 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 – which over the past few years has seen a 47% rise in invoice volume – with 10% fewer staff. This is expected to save University Hospitals about $1.2M over three years in staff optimization and avoided hiring. 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 today.

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.

Capturing Early Payment Discounts

University Hospitals is seeing significant benefits – valued at about $265K per year – by capturing more discounts through early payment of invoices. The Kofax 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, as shown in Figure 2.

Greater Management Visibility

Managers in the AP department noted that after the move to the MarkView AP system, 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. Furthermore, 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.

“When auditors review our system, they are very impressed with the level of internal controls. And the efficiencies we’ve achieved have allowed us to re-invest resources into patient care and high-value analytical services.”

JEFF LUBBE, CORPORATE FINANCE DIRECTOR, UNIVERSITY HOSPITALS
Document Handling and Storage Savings

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 manual handling and 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 $53K, according to the assessment.

Better Performance Bolsters Reputation

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 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, 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 re-invest resources into patient care and high-value analytical services.”

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

JEFF LUBBE, CORPORATE FINANCE DIRECTOR, UNIVERSITY HOSPITALS

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1. 2009 recovery audit by BSI Healthcare Services
ROI SUMMARY

Combining the savings and efficiencies reviewed above, the assessment shows that University Hospitals is on track to realize total benefits of $1.5 million for the phase II and III investment period, as shown in Figure 5. Factoring in investment costs, University Hospitals is now on track to achieve a 32% ROI for the phase II and III investments.

Figure 5. Financial Summary: Phase II and III View

ABOUT KOFAK

Kofax® is a leading provider of smart process applications for the business critical First Mile™ of customer interactions. These begin with an organization’s systems of engagement, which generate real time, information intensive communications from customers, and provide an essential connection to their systems of record, which are typically large scale, rigid enterprise applications and repositories not easily adapted to more contemporary technology. Success in the First Mile can dramatically improve an organization’s customer experience and greatly reduce operating costs, thus driving increased competitiveness, growth and profitability. Kofax software and solutions provide a rapid return on investment to more than 20,000 customers in financial services, insurance, government, healthcare, business process outsourcing and other markets. Kofax delivers these through its own sales and service organization, and a global network of more than 800 authorized partners in more than 75 countries throughout the Americas, EMEA and Asia Pacific.

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