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Using Rebates to Turn Bills into Cash... E-Payables

How long have we had ATM cards in our pockets to conduct banking transactions across the globe? Yet, in healthcare we still struggle with the concept of a portable electronic health record? To address the financial challenges that healthcare reform is demanding, we must continue to look outside the industry and bring in solutions that will help us improve margin without affecting people, equipment or programs.

One such idea comes from our personal lives. Most of us who use credit cards have used them to receive frequent flyer miles, merchandise, and/or cash rebates. Many organizations are now taking that common personal practice and applying it – on a larger scale. This general concept of turning bills into cash through incentives is a unique way to improve your bottom lines.

Historical hurdles for cash rebate programs

In recent years, many organizations have established a Procurement Card (P-Card) process which places cards in the hands of select managers to facilitate purchases and gain access to select discounts/rebates. Although this process has its advantages – over the time and expense of generating a paper check – this decentralization has other pitfalls; namely, the lack of automation, tracking, compliance, and control.

Others have turned to a local banking relationship to have payments made automatically with an associated cash rebate. Once again, there are some positive advantages and cash to be generated with this process. The pitfalls are related to either the lack of automation or the difficulty in gaining vendor acceptance/participation.

There are now companies available who are partnering with the major credit card companies to offer a process that takes the concepts of P-Cards and bank based e-payable options to a higher level. The improvement in e-payables relates to the ability to automate this process directly into an organization's accounts payable financial system. By using their own system, end users can mirror their exact process of paying an invoice all the way to the last step of writing a check.

At that point they have the ability to request a virtual credit card number which is unique to that transaction that allows for tracking, reporting, and reconciling – just like a check number. This centralization and automation decreases labor associated with paying bills, tightens control and compliance, as well as provides for significant cash rebates.

Evaluating the opportunity

When assessing the opportunity in your organization, the first step is to compare the current accounts payable list to the associated credit card vendor list. Typically, about one third of healthcare vendors already accept payment with a credit card. This is the natural group to begin with because they have already incorporated credit card fees into their cost of doing business. Also, if they accept a credit card from one person they should offer that form of payment to all their customers. The best of class companies in this area are offering typical cash rebates of around 1.5% of the total spend. To calculate



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a high-level estimate of opportunity in a given organization, you must first know the total non-labor spend. Once you have that number, multiply it by .33 (33%) to calculate the estimated spend that can flow through the virtual credit card process. Then, multiply that number by .015 (1.5%) to calculate the estimated annual cash rebate.

Implementation strategies

Unlike many cost savings and revenue enhancement programs, the top e-payables companies do not charge to implement the system and cash rebates can be acquired in about 45 days. To implement a program, you must first identify your current vendors that accept credit card payments. Then, in conjunction with the e-payables company, the necessary components are installed on your financial system to allow for total automation of the process. A separate bank account is established to allow for a controlled protocol of receiving the cash rebates. This, in essence, turns your accounts payable department into a revenue center. There are no credit issues or restrictions because the program is totally self-funded – just like when we cover checks. There are generally no fees associated with this process, only the collection of cash into your account monthly which can then in turn be used to fund future purchases.

Case study

A 900-bed health system in the Southeast has implemented an e-payables program with the best of class characteristics outlined above. They currently have \$50 million of total spend going through the program representing 20,000 transactions per year with an average transaction amount of \$2600. This activity generates \$850,000 of annual cash rebate, and when coupled with the cost savings associated with the decreased check writing, this number equates to at least \$1 million of financial improvement every year.

Summary... Note **(Our vendor partner now offers to guarantee to increase your current rebate by at least 25%)**

All healthcare organizations have accounts payables and most have made changes over the years to improve efficiency and streamline the cost of paying bills. Some of the more innovative organizations have created e-payables programs that generate cash rebates simply for paying bills you must pay anyway. The most effective of these programs are fully automated, offer a high percentage of vendor participation, and generate a significant percentage of cash rebate. If we look for every opportunity to lower costs – or enhance revenue in areas that do not affect labor – we can maintain better staffing ratios in our organizations – leading to improved quality and safety for the patients we serve.