

Supply Management Online Account Management

McKesson Health Systems

CASE STUDY

"During the first year of use, Supply Management Online helped St. Luke's avoid over \$12,000 in late payment fees."

Alfred Hogenauer, Operations
Manager of Pharmacy



ST. LUKE'S REGIONAL MEDICAL CENTER BOISE, IDAHO

Invoice Number	Date	PO Number	Cash	Amount	Amount	Due Date	Status	Approval
2008031247	10/01/2008	WYTCN3 00 00 00	413.68	413.68	413.68	10/15/2008	Approved	Approved
2008031248	10/01/2008	ARESLC 00 00 00	415.79	415.79	415.79	10/15/2008	Approved	Approved
2008031249	10/01/2008	WYTCN3 00 00 00	3183.49	3183.49	3183.49	10/15/2008	Approved	Approved
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2008031300	10/01/2008	WYTCN3 00 00 00	413.69	413.69	413.69	10/15/2008	Approved	Approved



Online Approval of
Invoices for Payment

Transform Your
Manual A/P Process

St. Luke's Profits from Web Enabled Payment Process

CHALLENGES

- Streamline A/P process for seven hospital pharmacies.
- Minimize causes of late payment fees.
- Increase pharmacy buyer efficiency.

SOLUTION

Migrate pharmacy payables process from paper-based to Web-based, using McKesson's Supply Management Online, to shorten payment cycle times and more efficiently manage A/P activity.

RESULTS

- Avoidance of over \$12,000 in late payment fees in the first year.
- Faster invoice approval resulting in cost-of-goods savings rate of \$100,000 annually.
- Significant reduction of A/P rework by pharmacy staff.
- Accounts Payable staff labor savings of 20 hours a month.

Customer Profile

Founded in 1902, St. Luke's Regional Medical Center is headquartered in Boise, Idaho. Once a simple six-bed hospital, St. Luke's is now Idaho's largest health care provider with three full-service hospitals and more than 25 outpatient treatment facilities. Each year, more than 600 physicians and 4,200 employees serve over 325,000 patients—regardless of their ability to pay. The St. Luke's system and nine hospitals in the region, are partners in the Southwest Idaho Community Health Network (SWICHN), a Novation member.

A Closer Look

McKesson became SWICHN's primary distributor in October 2000 following a comprehensive review. According to Alfred Hogenauer, Operations Manager of St. Luke's Pharmacy, all suppliers offered competitive pricing. But McKesson had the technology to handle the complex relationships between multiple hospitals in the same system.

St. Luke's has a progressive culture which encourages embracing new technologies to manage costs and streamline processes. In any large institution, managing payables and making timely payments is always a challenge. Reengineering this task was imperative for St. Luke's, which manages the Accounts Payable function for seven SWICHN pharmacies.

The paper chase. St. Luke's has always used a traditional paper system for managing their A/P. When they received their daily distributor delivery, staff at each pharmacy would manually approve each invoice and hand write their internal general ledger account number. Approved invoices were sent each day to St. Luke's centralized A/P department where clerks keyed them into their financial system and ultimately cut the checks. Says Hogenauer, "This process took a lot of time, and there was a great potential for lost papers and delayed payments."

This daily manual process required constant monitoring by both Pharmacy and A/P and led to inevitable rework. When a pharmacy could not locate an invoice or credit memo, they would have to call the distributor to request a faxed reprint. According to Tami Throngard, Pharmacy Buyer, "Just moving invoices from pharmacy to A/P was a chore."

In addition to time consumed by this process, substantial late fees posed a financial risk. Compounding this risk, the paper system afforded no easy visibility into the process and overall payables status of St. Luke's McKesson accounts.

Getting it right. Understanding St. Luke's challenges, their McKesson team recommended they take their A/P process online. In early 2002, St. Luke's implemented

ST. LUKE'S REGIONAL MEDICAL CENTER BOISE, IDAHO

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Alfred Hogenauer, Operations
Manager of Pharmacy

McKesson's Supply Management Online Account Management. This system established a streamlined and secure paperless payment process (1) by providing the pharmacy and the Accounts Payable department access to real time financial information, including paid and outstanding transactions, (2) by facilitating the invoice review and approval process, and (3) by enabling online payments.

St. Luke's piloted the new online process with several of their remote facilities. Soon after, the whole St. Luke's system, along with two other SWICHN sites, adopted Supply Management Online. "We quickly saw the advantage when invoices didn't have to travel 100 miles to get to A/P in Boise," Hogenauer explains.

The advantages of the Web. Upon receipt of their McKesson orders, pharmacy personnel in disparate locations now review invoices on the Web and mark them as approved. Supply Management Online captures this information in a common, secure database. Throngard can log on from many computers in the hospital, a capability she highly values. A/P has instant access to all invoices and the ability to initiate an electronic funds transfer to speed payment and apply credits. With this Web-based communication between Pharmacy and A/P, the hospital system is able to more closely monitor and reconcile unpaid invoices, thereby reducing costly late payment fees.

According to Hogenauer, "The system has empowered our buyers to own the process. Now, at a glance, any of our managers can check how we're doing with our payables and there are no surprises."

Putting time to better use. With Supply Management Online, the pharmacies can easily look up documents by McKesson account number, invoice date, and invoice number – and print them if necessary. Throngard's efficiency has increased dramatically, she reports. She especially likes the ability to differentiate between paid and unpaid transactions, making it easy to identify what is unpaid and needs her attention. "I am the one who approves our invoices to be paid and I know exactly where every dollar is going," Throngard states.

"By doing away with so much manual data entry in our A/P department, we've eliminated the possibility of accidentally miscoding an invoice and the constant checking and inevitable corrections required by pharmacy staff," says Hogenauer.

Electronic payment instead of checks. By taking advantage of electronic funds transfer (EFT) to initiate payment of pharmacy approved invoices, A/P no longer has to cut paper checks. With this new online processing of McKesson invoices, St. Luke's still retains the integrity of their built in checks and balances and maintains control over the payment process. A/P happily reports a labor savings of over twenty hours a month.

Hard-dollar savings in six figures. Before Supply Management Online, St. Luke's – like all hospital systems – was challenged by missing invoices and resulting late fees. "During the first year of being online," Hogenauer discloses, "Supply Management Online helped St. Luke's avoid over \$12,000 in late payment fees."

Cost of goods went down dramatically, too. "With the Web we've collapsed our payment cycle and have since moved our whole health system from paying twice a month to weekly pay. We're saving at a rate of over \$100,000 a year with the new cost of goods we earned."

Working more efficiently and controlling costs help keep St. Luke's Pharmacy and A/P operations running smoothly. McKesson's Supply Management Online Account Management provides an important tool for doing this by helping make the best use of the hospital's most critical assets – employee's mind share and their valuable time.

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