



## ePayments in Healthcare Quickly Gaining Traction

AP Direct From Wright Express Balances Technology & Supplier Onboarding to Deliver Immediate ROI

Increasingly, hospitals and healthcare providers are evaluating new opportunities to achieve efficiencies and financial benefits in an often overlooked area of Finance – their A/P departments. Several opportunities exist to move away from slower, less efficient, and more costly paper-based processes in the normal spectrum of procure to pay. **However, ePayments – or solutions that help payers move away from paper checks for payment disbursement – are experiencing the fastest growth.**

While ePayments come in several forms (ACH, Wire, Plastic Purchasing Cards), Buyer-initiated payments (B.I.P) is receiving a lot of attention. Our AP Direct program is an example of this method. For vendor payments, it's a bank to bank transfer of funds over commercial credit card networks (like MasterCard®). Unlike typical ACH or Wire payments, funds are not immediately debited from a payer's account. Recent advances in technology provide for simple interfaces with your existing accounting and ERP systems, as well as detailed data capture with each transaction that help improve reconciliation efforts. And in addition to improving working capital, payers can often benefit from revenue share, or cash back on payments made by this payment method.

### Current Consideration for ePayments in the Healthcare Sector

HFMA and Wright Express recently collaborated to better understand ePayments in the healthcare sector. While over 70% of organizations have considered ePayments in the last 12 months<sup>1</sup>, only about 10% of hospitals and healthcare organizations have adopted ePayment solutions – generally lagging other sectors' adoption by more than half. As such, the healthcare sector is heavily reliant on check payments – accounting for 82% of payments made and an estimated 11 million checks per month to their vendors. Common reasons cited for *not* adopting ePayment solutions include concern that vendors will not accept B.I.P forms of payment due to higher acceptance costs for vendors. Additional reasons cited include technology & compatibility concerns, and the perception that ePayments is expensive to implement.

1. HFMA Accounts Payable Research, May 2011. Sponsored by Wright Express.

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## The Changing ePayments Landscape

Ironically, the three driving forces that have led to the emergence of B.I.P specifically address the three reasons most commonly cited for not adopting B.I.P:

1. A reinforcing phenomenon is addressing the vendor acceptance issue: as more hospitals adopt B.I.P, more regular vendors to the healthcare sector become familiar with and appreciate the benefits of accepting B.I.P at an accelerating rate. Vendors commonly cite getting paid faster, knowing that payment is guaranteed, and efficiencies in A/R as benefits of accepting B.I.P payments. *Better still, solution providers like Wright Express are taking an active role in signing up vendors on your behalf, helping to drive increased acceptance.*
2. From a technology perspective, solutions like Wright Express's AP Direct require very little involvement from IT resources. Simple flat files passed securely between your finance systems and Wright Express's system make this technology process seamless. The majority of effort to implement B.I.P. ePayments can be led by your business team, and solution provider partner.
3. Best in class B.I.P. solutions do not require an initial capital outlay for purchasing, nor would you be saddled with ongoing licensing fees. It's pretty straight forward – providers are paid on the basis of payments flowing through the system.

## A Plan for Your Healthcare Organization

Here are four areas of consideration as you chart a path towards increasing ePayments.

1. First, establish a baseline of current state cycle times, payment & other A/P operations metrics. What are the metrics that your A/P department tracks that will help you uncover the opportunities for greater efficiencies? How frequently are you looking at these metrics?

You cannot improve what you do not measure or see. Here are some starting metrics and benchmarks you may consider:

- Percent of transactions paid electronically / paid by check
- Number of invoices handled Per A/P Staff
- Invoice exception rates
- Payment dispute rates
- Cost per invoice
- Days Invoice approval outstanding

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HOSPITAL SIZE	AVERAGE INVOICES PER MONTH	FTE	MONTHLY INVOICES PER FTE	PERCENTAGE PAID BY CHECK
1-50 beds	721	1.0	721	84%
50-100 beds	1,223	1.0	1,223	82%
100-200 beds	1,770	1.6	1,106	87%
200-300 beds	2,494	2.0	1,247	81%
300-500 beds	4,808	3.4	1,414	77%
Greater than 500 beds	12,636	8.3	1,522	76%

2. Secure executive sponsorship and the support of cross-functional teams. In some instances, you may need to educate your team on the relative simplicity and low costs of implementing an ePayments solution. To maximize ePayments over time, your sourcing and procurement teams may want to consider ePayments acceptance in any new RFP bids. Any successful implementation will have support and buy in from multiple stakeholders, even if their involvement in implementation is limited.
3. Involve your vendors from the start. While your solution provider—like Wright Express—will take the lead on enrollment, your choices in selling the value to your vendors, and willingness to consider quid pro quo concessions can make a good program a great one. Consider both softer benefits like “preferred vendor status” for future orders, and hard benefits like adjusting payment terms where appropriate. For example you may choose to pay vendors net 10 with B.I.P. ePayments, versus net 45 with a check payment.
4. When choosing an ePayments solution provider, push hard to understand what steps your partner will take on your behalf to maximize vendor enrollment. What level of support will they provide in segmenting and analyzing your vendor file? What communication channels will they leverage for communicating to your vendors, and how frequently? Will they actively re-mine your vendor file? Do they put purchase thresholds below which they will not attempt to enroll your vendors? In addition to a robust enrollment strategy, make sure your provider has the technology to support multiple ways to process payments. Wright Express’s A/P Direct program can process payment with a direct deposit-type “push payment.” “Pull-pay,” or the second way of completing payment, would mean the vendor you are paying would key payment information into their existing credit card terminal after receiving a systematic notice to do so. The latter is ideal for vendors who may be a little wary at first, and may also introduce a marginal error rate in payment processing. Vendors who only provide deliver pull pay technology introduce inefficiencies in reconciliation that may be counterproductive. Finally, best in class B.I.P. ePayment providers will not charge fees for enrollment, program implementation, software purchase, or ongoing software licensing.

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