

Case Study

Healthcare



Automating Invoice Processing Cuts Costs by 30 Percent for Major Belgian Hospital

AZ Groeninge Hospital is one of Belgium's largest health institutions with 2,400 employees and 200 physicians on its staff. Based in Kortrijk, the hospital has 1,100 beds and a turnover of 200 million Euros. Internationally acknowledged for its attainments in oncology, the hospital specializes in the diagnosis and treatment of breast cancer, rheumatology, geriatrics, psychiatry as well as cutting-edge robot-assisted surgery.

In order to maintain this world-class healthcare service to patients, AZ Groeninge uses a broad network of suppliers for goods and services. This generates approximately 45,000 paper-based invoices annually, all of which need to be processed in an efficient and timely manner.

The Challenge

Like all commercial enterprises or institutions, hospitals are obliged to improve efficiency and to reduce operational costs. The hospital had already taken great strides toward improving processes with the automation of its stock and purchase management as well as its general, analytical and fixed asset accounting by implementing an SAP R/3 ERP system. The processing of supplier invoices, however, remained a manual procedure.

A highly labor-intensive process, it previously took about seven days to register an invoice in the system before the accounts team could initiate payment. Initially the invoice subject would be input into the SAP R/3 ERP system, at which stage the original invoice was sent for approval to an appropriate staff member. The process of sending, securing sign-off and then returning could take at least a week, which could delay the ability to initiate payment. The process could only be completed once the accounts team had received the approved invoice and its details had been manually entered into the hospital's ERP-system.

This multilevelled, heavily paper-based and lengthy process represented some major financial risks:

- Weak internal control of the invoice approval process
- Administrative organization was not in line with the best practice and internal audit instructions
- Potential loss of original invoices and risk of double payments
- Invoices often comprised attachments, which could not be stored in the SAP system and had to be filed separately, whereby the complete invoice information wasn't directly accessible

Not only was the entire process a tedious one that resulted in high labor costs, but delayed payments held the risk of 'prompt payment discount' losses on top of strained customer – supplier relationships.

With all that in mind, AZ Groeninge began the search for a solution that could automate its paper-based invoice management system. As the hospital was midway through the construction phase of a new building with 1000 beds, there was little room in the budget for spending on risky IT projects.

The hospital outlined the criteria any potential solution had to meet if it was to be considered; it should be a proven solution, could be implemented in a relatively short period of time and at short notice, and support AZ Groeninge's SAP infrastructure as well as the decentralized approval process. Naturally, the solution must yield immediate results in terms of return on investment.

The Solution

During the evaluation process, AZ Groeninge considered several service providers. It quickly turned out that Arco, a local Kofax Certified Solution Provider, was the perfect fit for all the hospital's requirements. Arco had already shown a proven track record of handling similar technology implementations in other hospitals. The solution was based on a combination of the "Arco Routing" software and Kofax's Intelligent Capture & Exchange solution.

"It was Arco's ability to demonstrate the results of how the combined Arco and Kofax solution had performed in comparable environments, coupled with the positive feedback from institutions already running the solution, that made this choice an easy one," said Marc Van Uytven, director finance and administration at AZ Groeninge.

Arco designed the project 'Electronic Approval of Supplier Invoices', which comprised key elements of Kofax Intelligent Capture & Exchange. These included the Kofax Capture used to automate the information capture platform, Kofax Intelligent Capture & Exchange for Invoices to efficiently capture invoice data and transposing that into the hospital's ERP systems. It also employed Kofax VirtualReScan (VRS) to improve the quality of scanned documents regardless of their original condition.

The implementation of both the new workflow software and the capture solution took two weeks. Following the successful completion of the project, AZ Groeninge's streamlined invoice processing workflow is now as follows:

1. Initially all incoming invoices, including their related attachments, are scanned at a central service. VRS guarantees the best possible image quality, Kofax Intelligent Capture & Exchange for invoices intelligently recognizes its content and automatically extracts all relevant data including date, invoice amount, vendor name and tax information

2. Subsequently following the defined workflow, the invoice is validated and assigned with a vendor number that is cross-checked with AZ Groeninge's accounting system. An appointed approver receives an email notification and starts the approval process, at which stage a result file is then inserted into AZ Groeninge's SAP-system
3. Finally, all invoices including their related attachments are offered for filing to AZ Groeninge's archiving system

Results

According to Marc Van Uytven, the benefits of the new solution have been numerous. Van Uytven said, "We already knew from the evaluation process that the combination of Kofax Intelligent Capture & Exchange and Arco's workflow expertise would yield the anticipated results quickly. The fact that it took only two weeks of implementation time until the new system was productive without any serious constraints exceeded even our expectations."

Van Uytven elaborated, "Investment costs have been kept down due to the relatively short implementation time and because the virtually complete automation of the invoicing process superseded lengthy training sessions. The risk for errors dropped significantly and we are now able to conceivably pay an invoice within 24 hours, which means a gain of more than one week and prevents us from losing early payment discounts. The efficient tracing and audit functionality allows a real-time overview of all actions that have been carried out. We now dispose over a complete digital archive, enabling fast access to all stored invoices."

In addition, having automated virtually all of the process, AZ Groeninge has been able to free up employee resources, allowing them to perform more valuable tasks than simply copying and following up circulated invoices.

Van Uytven, who estimates the cost savings per invoice at about 30%, said "Retrospectively, I wish we had made this investment at an earlier stage, but that wasn't possible due to the strong expansion of our institution. But now looking ahead and in view of the outstanding satisfaction rate with the Kofax solution we are already preparing the next step, which is the integration of electronic invoices."