Case Study

HCR Manorcare

Advancing digital transformation with invoice automation

basware
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HCR ManorCare

✓✓ **Basware fundamentally changed AP's role. The AP organization, which shrank over time from 38 to 4 people, now focuses on exceptions. Account recovery audits were finding nearly $2 million per year in duplicate invoices and overpayment errors – recoveries have been reduced to occasional exceptions. Today, most invoices are processed on the same day they are received."**

Dave Danko,
Business Solutions Product Manager, HCR ManorCare

Read the full story

Industry: Healthcare

Regions: US

Solutions: Basware AP Automation
Basware Network

Introduction

HCR ManorCare, a network of assisted living communities and skilled nursing locations with over 500 locations, has been automating its Accounts Payable (AP) process with Basware for over a decade.

In 2016, HCR ManorCare recognized that its overall IT infrastructure had reached capacity with its on-premise Basware solution. This realization underscored the need for a digital transformation of the AP department.
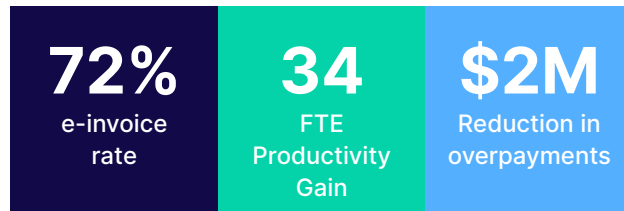
Challenge

The new system needed to handle the unique aspects of processing medical invoices, where no two medical providers submit in the same format. This also had to occur at high volumes, with HCR ManorCare having over 21,000, primarily local, suppliers sending invoices directly to the 500 individual facilities.

Additionally, a new solution was necessary to reduce the significant amount of paper-based invoices received. The AP resource was too focused on keying in invoices, preparing documents, and filing. Beyond high processing costs, service quality often suffered, leading to duplicate payments, late payments, and payment errors.

Finally, there was resistance across parts of the organization to transforming to a new solution. There wasn't a strong understanding of the benefits that moving to a cloud solution would bring.

"HCR ManorCare realizes digital transformation and longer-term excellence in business services depend on building a solid foundation of information, automation and connectivity throughout purchase-to-pay."

Dave Danko, Business Solutions Product Manager, HCR ManorCare

A long-standing customer with Basware, HCR ManorCare embarked on a transformation from an entirely manual and paper-based world to a streamlined and automated future. On that journey, they unlocked significant cost savings and productivity gains.

Optimizing the process

72%	34	$2M
e-invoice rate	FTE Productivity Gain	Reduction in overpayments

Solution

HCR ManorCare's IT department was fully supportive and viewed moving to Basware's cloud platform as an obvious choice, eliminating database administration-related storage requirements and allowing more frequent, less disruptive updates, which were an immediate win.

Working with Basware's consultants, HCR ManorCare designed their new solution in only three months and fully rolled it out in under six months.

A supplier enablement campaign was launched to reduce the volume of paper-based invoices. Suppliers were shifted from mailing paper invoices to decentralized facilities to a centralized Basware scan and capture center and offered an e-invoicing solution. Also, P-cards were rolled out for low-dollar items.

Basware conducted a campaign to increase understanding of the new solution within HCR ManorCare and help drive product adoption. This started with presenting to key stakeholders the main features, anticipated productivity gains, and cost savings. For the wider organization, an online university was launched to teach users how the solution would simplify their day-to-day tasks.

Results

The initial adoption of AP automation addressed fundamental problems of high costs and high error rates. HCR ManorCare has seen a reduction in invoice cycle times and improved on-time payments. In parallel, they have reduced the overall volume of invoices with a better-quality process that eliminated duplicate invoices.

These improvements in invoice handling proved a strong incentive for suppliers to get on board with the new centralized system and move to fully digital invoicing. At the start, about 20% of invoices were sent electronically; with the supplier enablement campaign, this number increased to 72% of invoices.

The net result is that invoices are now processed the same day they are received, and with increased spend visibility, $2 million in over-payments made annually have been removed entirely.

There has also been a significant productivity gain with the AP team reducing from 38 down to 4 people. Audit selections are automated, so fraud

Takeaways

- AP team's roles fundamentally changed
- Increased spend visibility with faster invoice handling
- Onboarded 20k+ suppliers to the new system
- Removal of annually $2 million in overpayments
- AP reduced from 38 to 4 FTEs

and error reduction can concentrate on select criteria or random samples. The level of control and reduction in process costs are incontestable.

✓✓ **Basware offered the flexibility needed to transform our AP team."**

Dave Danko,
Business Solutions Product Manager,
HCR ManorCare

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