



Finance-Supply Chain Partnerships Extend Beyond 'Show Me the Numbers'

Data accuracy drives cost management, healthy operations for patient care

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Many healthcare provider-based Supply Chain departments report up through Finance with the CFO their official connection to the C-suite. Supply Chain reporting through Operations and the COO or even occupying a seat themselves as Chief Supply Chain Officer remains the minority with the latter more of a rarity.

Some healthcare organizations, however, have developed, nurtured and seasoned the professional relationship between Finance and Supply Chain to go beyond stereotypical observations and expectations. In short, they've slashed through complications and capitalized on camaraderie for the benefit of their organizations and the patients they serve.

This white paper explores a Finance-Supply Chain success story at Adventist HealthCare, an integrated delivery network (IDN) in Gaithersburg, MD. The story shows what works between Adventist HealthCare's Finance and Supply Chain teams and how their attitudes, attributes and characteristics can be translated, adopted and implemented at other facilities.

Looking back, Finance and Supply Chain at Adventist HealthCare, an integrated delivery network (IDN) in the Washington, DC, region that serves more than 400,000 patients in the community, weren't always on the best of terms.

Adventist HealthCare in Brief

Source: Adventist HealthCare for 2022



664,444

Total Patient Encounters



147,946

Emergency Department Visits



37,544

Admissions



6,100+

Team Members

"Years ago, our teams didn't work very collaboratively, and there was a lot of finger-pointing when [Accounts Payable] couldn't process invoices because they were waiting for Supply Chain to respond to something or vice-versa," recalled Maureen Dymond, Adventist HealthCare's vice president, Finance, echoed by her colleague Talia Mauck, vice president, Supply Chain.

Rather than continue chipping away with complaints both Dymond and Mauck decided to file down and smooth out all the rough edges.

"Talia and I started a series of recurring meetings to get to the bottom of what the hurdles were to the teams working well together and how to address them," Dymond noted. "Ultimately, it is frustrating for the AP and Supply Chain team members when processes are inefficient and/or there is tension with their co-workers, so it really is a win-win for everyone involved to improve the working relationship between these groups."

Defining operational realms made a huge difference, according to Mauck.

“We have a common goal, to make sure we are in good standing with our vendors/suppliers,” Mauck said. “We have different areas within our vendor relationships that we each have control of: Supply Chain controls who we work with, the contract terms and future business. Finance controls the payment and cash flow. Both of these are key to creating a healthy vendor/provider relationship. In Supply Chain, we measure our vendors’ performance, but we also ask them to measure ours. Are we paying them on time and correctly? If we are measured well, it’s easier for us to discuss other areas of our relationship, such as savings, continued business and other opportunities for them to serve us better.”

Dymond and Mauck agree that their success and that of Adventist HealthCare (AHC), can serve as a model to be replicated elsewhere.

Ways of Working

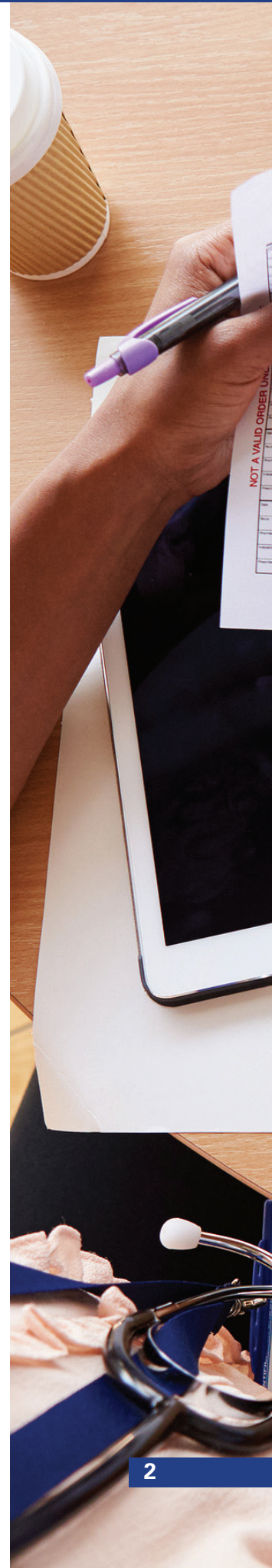
Supply Chain’s connection to the C-suite typically flows through Finance even as it serves as a bridge between multiple departments within a healthcare organization. But its relationship with Finance tends to be more symbiotic and data-centric.

Dymond sees three ways Finance and Supply Chain can collaborate and continually work together, regardless of a reporting relationship.

1. Supply Chain and A/P need to work together regarding invoices referencing purchase orders, specifically to resolve any match exception issues. “Open communication and routing meetings to discuss and resolve purchase order (PO) issues have really helped to reduce the overall number of PO issues at AHC,” she said.
2. Both areas need to work together regarding suppliers that transmit invoices through an upload. “Communicate frequently with Supply Chain regarding invoices that didn’t make it into the system via upload so they are aware and can resolve with the suppliers,” she said.
3. Work closely regarding any credit holds or potential for credit holds. “Proper communication when issues arise help to resolve them more quickly,” she added.

“Trying to address issues in the early stages before they escalate into larger problems has been effective for us,” Dymond explained. “When we face challenges, we schedule time with Supply Chain to break down the issue to identify the root of the problem and then agree on a solution. Ultimately, this approach has resulted in stronger working relationships between our teams. If you ignore issues that are impacting the routine workflows of our teams, they don’t go away, they only create barriers.”

Mauck concurs and recites several of the myriad ways the two teams collaborate around shared goals.



"Supply Chain and Finance routinely work together on day-to-day needs, such as vendor payment relationships, reviewing leases or purchase agreements for equipment, etc." she indicated. "These things wouldn't work well if we didn't have a well-established relationship with Finance. There have been times when we worked on different projects, such as how we manage our vendors. This includes measuring diversity spend, which is an important goal of Adventist HealthCare as well. We are also focused on managing our cash flow and making sure we do not pay our vendors prior to their payment terms. These types of routine conversations help us all be organized and successful. For diversity spend, we worked together to set a baseline on who our diversity spend vendors are, identifying them in our system and understanding what our annual spend is, and then from there, setting some targets and a plan to improve."

Historically, Supply Chain has not always been at or even remotely near the executive table, according to Keith Lohkamp, senior director, Industry Strategy, Workday, who is well-versed on supply chain's corporate history and participation.

"Supply Chain was expected to 'move boxes' or 'cut costs,'" Lohkamp observed. "However, today's Supply Chain executive is a key partner to the boardroom, a partner for innovation, a partner to deliver excellence in patient care."

One way to incorporate Supply Chain within an organization is to ensure the department serves as a key player in the strategy of the health system and align Supply Chain strategy to the objectives of the organization, Lohkamp advises. "So, if the organizational goal is to expand services, how can Supply Chain support the new business? Or if the goal is to manage margins, how can Supply Chain deliver cost reductions? If the goal is to reduce variation and improve outcomes, how can Supply Chain influence clinical behavior?" he asked.

"Supply Chain's sourcing and contracting produces a savings pipeline that can be shared with execs and CFOs to provide live data around initiatives and costs at any given time," he said, emphasizing the concept of a single source of truth shared throughout the organization.

Lohkamp recounts the vice president of Supply Chain at one large multi-state health system who shared how being on one system strengthened the partnership between Finance and Supply Chain. "Having the same source of truth for expenses can drive conversations on strategic topics like cost-per-case or contract compliance," he added.

Lohkamp cites another health system based on the West Coast that appreciates how supply chain is a strategic partner within their organization and has a stake in the growth and strategy. "The more money supply chain can pull out is more money for growth and revenue, new beds, new towers, new ambulatory surgery centers, so it is key to have both areas connected at the hip," he urged.

Mauck favors Supply Chain occupying a seat at the C-suite executive table for one reason: "It's critical for supply chain to help drive the strategy of the organization," she said.



Progressing the Partnership

All collaborations and partnerships face a rocky road at times and stumble, Finance and Supply Chain being no exception, so mutual hand-holding may be just the ticket to reset the relationship.

Both Mauck and Dymond cite times of tension as part of a developing collaboration.

“Earlier in our relationship, we experienced a lot of pointing fingers on why we couldn’t get vendors paid on time,” Mauck recalled. “What we realized after working closely together is that it requires a team approach to managing our vendor payment relationships. We set up a time to routinely meet with Accounts Payable to review vendors that were having payment issues, usually related to match exception. We started working through the list, cleaning up pricing, making sure AP knew how to match lines correctly, discussing statements together and proactively reviewing accounts to make sure they were set up in a way to meet payment terms.”

Frank Batelka, manager, Treasury and A/P, remains an integral part of the bridge between Finance and Supply Chain, according to Dymond, who says that “his leadership is key to the successful collaboration between the teams.”

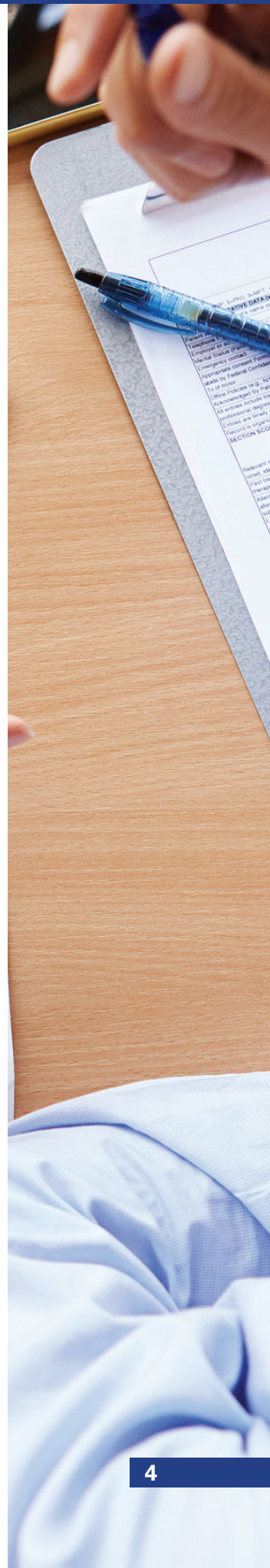
Batelka itemizes distinct areas where Finance might struggle with Supply Chain

Perhaps the biggest challenge is trying to manage invoices using purchase orders. “When suppliers reach out regarding past due invoices, A/P’s goal is to get them into the system to be approved and then paid,” Batelka noted. “However, when the invoices are using purchase orders and in match exception, they can’t ‘fix’ them and get them processed without collaborating with Supply Chain.

“Working with Supply Chain is a positive thing,” he continued, “but it can add another layer when trying to resolve the invoices that often results in extra time. Since purchase order invoices need to pass a three-way match process, multiple people may need to get involved to resolve various exceptions. This can add time and cause delays with processing invoices.”

Another challenge for A/P is not having the knowledge needed to communicate with suppliers about invoices where the automatic upload process fails so they don’t get into the system for processing. “Often, A/P doesn’t find out that a lot of invoices are not in the system until they are a couple of months old,” Batelka indicated. “This means that A/P has to request copies of past due invoices, and then there is an urgency to get them into the system and approved to be paid. To avoid credit holds, the past-due invoices must be paid immediately, which has a negative impact on cash flow management. Needing to pay past due invoices impacts the current invoices that would have been paid.”

Dymond points to ongoing communication and education as the keys to work through any challenges.



“Being knowledgeable of how each department works will help to generate the right dialogue to resolve issues and improve processes,” she said. “Another important thing is for everyone to understand that there is a common goal and that is to provide the best possible patient care. What Supply Chain and Finance do behind the scenes allows the frontline workers to do their jobs efficiently and effectively. How we work together to ensure they have what they need is critical to AHC’s mission. There will always be hiccups throughout the day, but how the two departments come together to help each other is how we are able to achieve success together.”

Lohkamp acknowledges the history of conflict and tension between the two areas, which makes Adventist HealthCare’s success quite the model to emulate. “Supply Chain and Finance have not always worked well together, sometimes because of misaligned objectives or conflicting/split ownership across areas like supplier management or the procure to pay process,” he said. “In addition, the expectations and demands on supply chain may not always come with the resources to execute on those expectations. Often, resolving this goes back to regular clear communication and agreement on key shared objectives.”

Fulfilling Finance’s Needs

This opens the door to great expectations – that is, what Finance expects of Supply Chain. At Adventist HealthCare, Finance lists six expectations of note, according to Batelka, who works with Dymond and Mauck.

1. Manage match exceptions. “Supply Chain manages the match exception invoices daily,” Batelka said. “A/P also reviews the total amount of items in exception daily and it is evident that invoices are being reviewed/resolved.”
2. Keep the catalogues with pricing updated. “Having the right pricing is hit or miss,” he continued. “There seems to be more issues here, and it could be that the suppliers pricing is changing more often than expected so the catalogues can’t be updated fast enough. Another complicating factor is when there are acquisitions and pricing changes without the proper communication from the suppliers.”
3. Work with A/P to resolve purchase order issues. “This happens frequently either via meetings or email,” he noted. “The key is communication and collaboration to resolve the issues.”
4. Communicate/collaborate regarding contract payment terms. “This topic is one that is probably not done as much as it needs to be,” Batelka indicated. “Finance is usually not involved with any contract discussions and, for the most part, doesn’t need to be since most of the discussions are not related to Finance. However, payment terms are a critical part of the negotiation process that impacts Finance from a cash management perspective. Being able to collaborate upfront can help mitigate potential issues in the future regarding the payment of invoices.”



5. Work together regarding the automation of invoices through direct feed/upload. “This process is complicated, and Finance doesn’t necessarily need to be involved a lot. However, there should be some A/P representation when working with suppliers to create uploads and/or direct feeds for invoices since A/P is responsible for getting the invoices processed and paid. Right now, A/P relies solely on Supply Chain to resolve issues because A/P has very limited knowledge of the details of the process.”
6. When the aforementioned items aren’t necessarily done, they lead to unpaid invoices. “The end-result of unpaid invoices is unhappy suppliers and credit holds,” Batelka summarized. “When suppliers put credit holds in place, it impacts the company’s ability to get the supplies needed to provide the best possible patient care. Patients should not suffer because of issues out of their control, which is why it is so important for Supply and Finance to work together on a regular basis.”

Finance often has expected supply chain to “deliver savings,” according to Lohkamp, and for most healthcare organizations this expectation remains. “However, they also should expect supply chain to be a strategic partner to help the business execute and make sure the right products are there at the right time at the right cost,” he continued. “Delivering this relies not just on clear targets but also on adopting proven techniques for inventory management and for sourcing such as category management. Often these techniques [involve] creating alignment across various stakeholders, particularly in clinical areas where buy-in is critical to success.”

Supporting Supply Chain

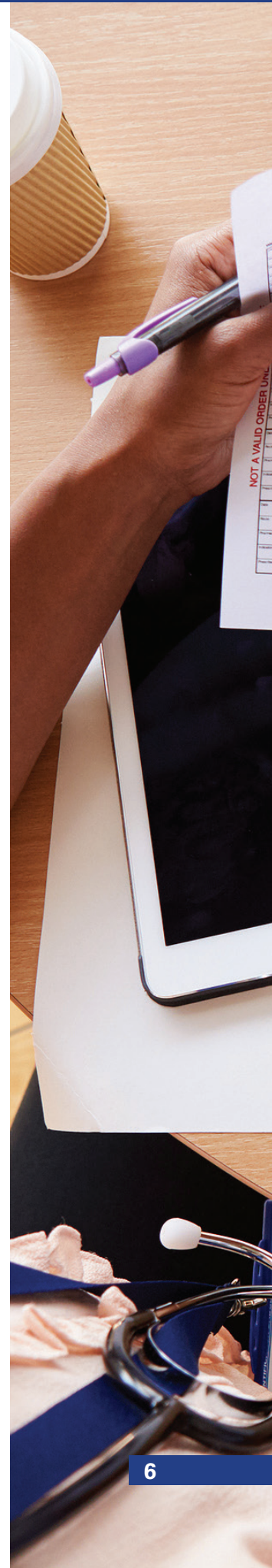
Not surprisingly, Supply Chain maintains expectations of Finance to ensure either carries its own weight in the process.

For Mauck, mutual efforts center on communication and promotion.

“I like to share things that my team is working on that could impact savings, vendor selection and cash flow,” she said. “We rely on Finance to help us with visibility into how our financials are looking, areas of variances of spend and areas that we should focus on to look for savings.”

Because Finance specializes in quantifiable data and information, accountability comes into play, according to Lohkamp.

“Supply Chain expects clear goals and alignment on strategy and objectives,” he observed. “And sharing of clear financial data. Since success often involves organization alignment, supply chain needs the support of the office of the CFO to encourage and endorse that alignment. Establishing clear lines of communication and trust up front will help the organization navigate any misses.”



Finance recognizes that they need to focus on the fundamentals, which set the foundation for financial success, according to Batelka.

First is process and pay invoices in a timely manner. "This is done for the most part but can be difficult at times," Batelka noted. "Finance is responsible for managing the company's cash so there must be a balance between paying suppliers (timely) and managing cash flow."

Next, communicate when there are purchase order issues. "This happens regularly as A/P reviews supplier statements," he added.

Third, communicate when there are upload issues. "This is also done regularly when reviewing supplier statements," he continued.

Finally, when there is a disconnect with the aforementioned items, the main issue has to do with being put on credit holds. "When this happens, A/P must work quickly and closely with Supply Chain and the suppliers to resolve the issues and process payment," Batelka insisted. "The goal is to ensure that this doesn't affect patient care so there is a lot of work done trying to find the right balance of paying vendors timely and managing cash flow."

Accurate Data is the Way

Finance and Supply Chain both strongly understand the importance of data and information accuracy.

"Supply Chain plays a very important role as they manage/oversee the relationships with the large suppliers that are critical to AHC's ability to secure the necessary equipment and suppliers to provide excellent patient care," Batelka acknowledged. "Analyzing the companies' spend and relationships helps them to negotiate the best pricing. Making sure the catalogues are accurate also allows the company to review pricing and decide which suppliers to use to purchase items."

Mauck cites their teamwork in successfully implementing Adventist HealthCare's Workday enterprise management cloud system to replace their legacy enterprise resource planning (ERP) system and continuing to optimize the modern solution together.

"As with any item master, our data in Workday needs to constantly be massaged and managed," Mauck indicated. "This helps both Supply Chain and Finance to have good information to pay vendors, work on projects, negotiated contracts, have good cash flow and be in a good standing with all of our vendor relationships. It also cuts a lot of wasted time cleaning things up or searching for information."

But both Finance and Supply Chain need a launching point rather than spreading fast and wide that can slow progress, according to Lohkamp.



“Supply Chain should start with identifying what is critical to measure and putting in place mechanisms to gather that data,” he recommended. “For example, during COVID, one children’s hospital in the Midwest identified the inventory and supplies that were critical to measure and then rolled out dashboards, reports and alerts that were needed not just by Inventory managers and supply chain leaders but also by Finance and the C-suite. The entire organization was able to see the same real-time data on the most critical of supplies.”

Setting the Common Standard

Supply Chain must work with Finance to establish and maintain a common technology platform and a single source of truth for financial and supply chain data that ultimately leads to integrated charge data masters and item masters to close the loop.

“We are completely intertwined,” Mauck said. “When onboarding a new facility into Workday, Supply Chain relies on Finance to create the departments, [General Ledger] Codes, and other needed set-up information before we can build what we need in supply chain. We must work closely together to make sure data transactions are clean, inventory is well managed, and our business processes make sense.”

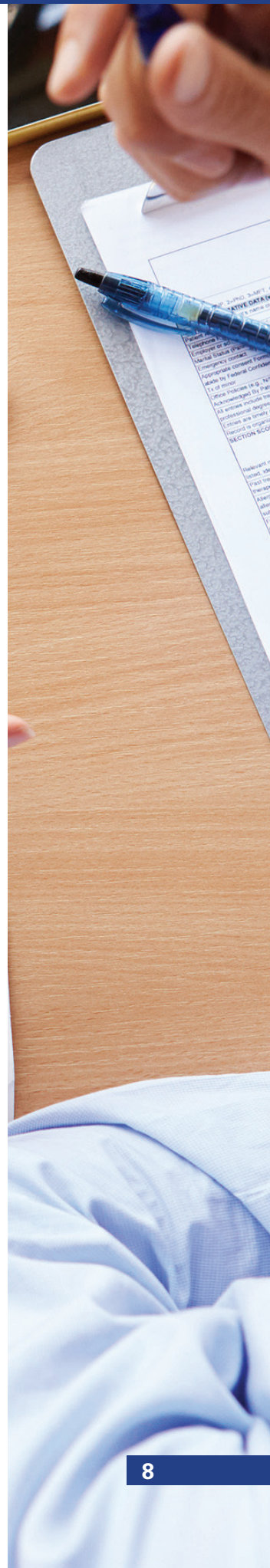
Dymond agrees. “Having a single source system that allows full visibility by Supply Chain and Finance creates efficiencies and promotes communication,” she said. “Transparency is very important when working to resolve issues and improve processes. For that to be possible, both parties need to be able to see things within the system to help generate conversations and questions that will result in improving the overall processes in place.”

What Adventist HealthCare achieved should serve as a baseline model for what’s possible among other healthcare organizations, Lohkamp suggests.

“Implementing a unified enterprise solution for finance and supply chain creates the foundation for a common view of data,” he noted. “But it does not automatically mean that both groups are looking at the same information. Ultimately it goes back to the alignment on strategy and objectives, leading to a common set of ways to measure outcomes.

“Once in place, it requires ongoing governance of both the data and the system, including a common understanding of how decisions are made and impact each team,” Lohkamp continued. “This requires regular communication across the teams. With this common understanding of what is happening within the organization, conversations between finance and supply chain teams can expand beyond explaining data to acting upon data.”

Dymond views her organization’s experience with the Workday system as strengthening their ability to deliver and serve.



“System navigation in Workday – in particular how purchase orders are viewed – has helped improve the way that Supply Chain and Finance work together,” she said. “The improved navigation compared to our previous system has resulted in more efficient workflows for the A/P team and increased productivity.”

Mauck sums up Workday contributions to Supply Chain with two simple but salient words: “More visibility!”



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