

Mayo Clinic Supply Chain Management becomes a revenue-generating division

About the Mayo Clinic ePayables program

- Annual e-payables to vendors: \$335 million
- Vendors enrolled: 1,240

As the world's largest multi-specialty practice, the Mayo Clinic is known for its innovative and effective world-class care. That philosophy is also adhered to in Supply Chain Management, where the invoice and payment functions have been thoroughly streamlined in order to advance efficiency, save money, and generate revenue.

Mayo Clinic took a systematic approach to best-in-class Supply Chain Management practice about five years ago, says Jennifer Matey, operations manager, procure-to-pay. "We made a conscientious effort to evaluate processes in the department and move to a lean organization," she says. Mayo Clinic was drowning in paper and not truly optimizing people, standard processes or the technology that was in place. Under a newly formed Procure-to-Pay (P2P) structure, the time was right to automate purchase order and invoice processing, reduce check volume and eliminate paper and non-value added activities.

Mayo Clinic discovered an opportunity to reduce the number of checks issued from accounts payable by implementing an e-payables solution. The solution served a threefold purpose: improve automation within P2P; optimize Mayo Clinic's cash flow; and address the cash flow needs of the vendors through better payment opportunities.

Within the first six months of the program, Mayo Clinic paid more than 1,000 vendors through the e-payables purchase card program and eliminated processing over 11,000 checks per month.

"We continue to see a decrease in checks issued every month, despite incremental growth in business," says Matey.

In addition to decreasing the expense associated with paying vendors by check, the Supply Chain Management division has transitioned into a revenue-generating entity, bringing in revenue through ePayables, Travel and Purchasing Card programs, a Consolidated Service Center and other business development activities to cover approximately one-third of their operating budget.

To get to this point, Mayo Clinic vendors had to move seamlessly from a check payment system to an automated payment system. While the number of vendors enrolled has tripled since inception of the program, there were some concerns about adoption early on, says Matey.

"We weren't sure if our vendors would participate as strongly as we wanted," she says.

But they did, and continue to do so, underscoring some important best practices for success. “It is imperative to promote dialog with vendors before roll out of the program,” Matey explains. “Share your vision with them and explain your objectives.”

Mayo Clinic views the relationship with vendors as a working partnership and wanted to incentivize vendors to adopt the new payment practice, Matey says. Many new vendors to the program do not realize the benefits they gain related to controls, cash float, operational efficiencies and the ability to get quick payment with detailed remit advice – something that most healthcare providers struggle to deliver to vendors. This became a matter of explaining how vendors would benefit, such as receiving payment faster, and being able to bill electronically to save time on their invoice process.

Mayo Clinic also incorporated card payments as the standard option in RFPs and updated vendor agreements to incorporate e-payables as the primary form of payment. If vendors decline to enroll in the e-payables payment option because they prefer the existing program or are concerned about fees, Matey suggests re-negotiating payment terms and emphasizes the benefits of the program.

An important resource that helped Matey and her team initiate and sustain vendor enrollment was the relationship Mayo Clinic has with its issuing bank, which has practices in place to help increase vendor adoption of e-payables.

In order to have a successful e-payables program, the customer, issuing bank and the vendor community need to work together. “Mayo Clinic feels that there are saving opportunities for all involved, which lead to our ability to inspire hope and contribute to health and well-being by providing the best care to every patient through integrated clinical practice, education and research,” she says.