OCHSNER HEALTH SYSTEM RISES TO THE CHALLENGE OF HEALTHCARE REFORM

COLLABORATION WITH AMERICAN EXPRESS IS KEY COMPONENT OF ORGANIZATIONAL STRATEGY
Ochsner Health System is one of the largest independent academic health systems in the United States and Louisiana’s largest not-for-profit health system. With over 15,000 employees and 2,500 affiliated physicians spread across ten hospitals and 40 health centers, Ochsner has been recognized by *U.S. News & World Report* as a “Best Hospital” in nine different specialty categories.¹

**HEALTHCARE’S CHANGING LANDSCAPE**

Spending cuts in Medicare, coupled with reforms brought about by the Affordable Care Act, have prompted hospitals across the country to improve cost efficiencies and recoup expenses wherever they can. In response, Ochsner Health System challenged its employees company-wide to meet three goals: (1) improve efficiency, (2) utilize resources better and, of course, (3) save money—all while maintaining their leadership position as Louisiana’s premier healthcare system. Each department was asked to take a fresh look at how it could do its part. After evaluating its payment processes, accounts payable utilized a strategic relationship with American Express to help drive down its operating costs and actually recast itself as a role model for efficiency across the Ochsner organization—a role unheard of in a traditionally back-office department.
Ochsner had been employing a hybrid electronic payment solution serviced by two separate providers. Although it served its purpose, Stacy Bundrick, Assistant Vice President of Accounting over Accounts Payable at the time, believed this process could be more efficient and cost-effective. After a thorough evaluation process, Ochsner decided to switch to a multi-faceted approach offered by American Express. Bundrick stated, “The key criteria in our evaluation was to choose a true strategic collaborator that focused strictly on payments. American Express is all about payment systems, so it made sense to migrate our electronic payment systems to them.”

Healthcare finance managers also need tools that will help them adapt to any changes that may yet come along. Adds Bundrick, “We wanted to collaborate with a company that could adapt to changes the future may hold and ensure at the end of the day, we’d still have a good payment program. We believe American Express has the technology and expertise to ensure that our payables system and processes will be sound for years to come.”

American Express offers a suite of payment solutions that can help automate vendor payment processes and increase financial incentives. After analyzing their payment processes, American Express healthcare payment specialists developed a customized solution for Ochsner. One key product was Buyer Initiated Payments (BIP), an easy-to-use, web-based solution that automates payments and streamlines approvals, helping to ensure that vendors are paid quickly while also enabling Ochsner to manage days payable outstanding and increase Days Cash on Hand. BIP, in concert with the vPayment solution from American Express, enabled Ochsner to implement electronic payment processing requirements across its vendor base.

Ochsner made the switch to American Express in July 2013. Bundrick says, “American Express was the only payment services provider for us who could provide the variety of electronic payment solutions that worked for our vendors, making it easy for them to participate in our electronic payment program.”
**PRACTICAL, ONGOING SUPPORT FROM AMERICAN EXPRESS**

With careful planning and support from American Express, Ochsner’s team was well equipped to handle the transition. “In collaboration with American Express, some of our vendors were lined up and ready to go,” says Joan Gabler, Director of Accounts Payable.

Still, setting up a new electronic payment system is one thing; convincing vendors to participate is another. Traditional payment providers do not have the capability to pursue every single vendor for participation in an electronic payment program. American Express, however, has the freedom to target an entire vendor base. Leveraging decades of experience in merchant services and supplier enablement, American Express worked directly with Ochsner’s vendor base and clearly presented the value of getting on board with Ochsner’s new electronic payment systems and—most importantly—it helped them make the move. By reaching out to Ochsner’s vendors directly, American Express’ dedicated Supplier Enablement Team was able to help with the transition by personally assisting vendors with the onboarding process, thus closing the loop between the two parties. Continues Bundrick, “Our American Express account team was central to the implementation and support of the program.”

Not only did such cooperation ensure the success of the new program, but the increased vendor participation allowed for improved cash management. As Ochsner saw more vendors come into its electronic payment network, it watched its rebate program grow dramatically. It was able to extend “float” payments by up to 14 days by utilizing the credit provided by American Express—managing cash flow and increasing Days Cash on Hand. In this age of healthcare reform, these two metrics can contribute significantly to the financial health of the overall organization.
ROI FROM AN UNEXPECTED SOURCE

Just one year after the new program launched, results have exceeded all expectations. “We’ve already doubled our electronic vendor spend volume, which has not only increased our financial incentives [received through the American Express BIP rebate program], but also improved our vendor payment processes,” says Bundrick.

Streamlining Ochsner’s payment system has permitted the Accounts Payable department to contribute toward the bottom line. As Bundrick says, “Our invoices come in electronically, they’re approved electronically and they’re paid electronically. I don’t have to cut a paper check. This alone has cut our cost per invoice from $3 to $1.”

Adds Gabler: “Accounts Payable is now able to recoup part of its own operating costs.”

By renegotiating payment terms and introducing its vendors to its new strategic partner for payments and electronic payment program, Ochsner Health System has, in effect, engaged its vendors to do their part to get paid in a more timely and efficient manner—a winning proposition for Ochsner and its vendors.

The success of the American Express relationship has rippled throughout the whole organization. Though it began as a tactical project, it soon became something more integral to Ochsner’s business. “We’re now better coordinated with senior management and purchasing to maximize the value of our relationship with American Express,” says Bundrick. “What started out as a departmental project became a true strategic initiative across our entire organization.”
Ochsner Health System is southeast Louisiana’s largest non-profit, academic, multi-specialty, healthcare delivery system. Driven by a mission to Serve, Heal, Lead, Educate and Innovate, coordinated clinical and hospital patient care is provided across the region by 10 hospitals, both owned and managed, and more than 40 health centers in Louisiana. Ochsner is the only Louisiana hospital recognized by U.S. News & World Report as a “Best Hospital” across eight specialty categories.1 Ochsner employs more than 15,000 employees, over 900 physicians in over 90 medical specialties and subspecialties and conducts over 300 clinical research trials annually.

“WHAT STARTED OUT AS A DEPARTMENTAL PROJECT BECAME A TRUE STRATEGIC COLLABORATION.”


2 The number of days by which your DPO is extended will depend on when during your American Express Card billing cycle you charge a transaction to a supplier. The date the transaction is posted to your account, and the date you pay the amounts due on your American Express billing statement will determine the number of days you extend which may be less than 14 days.

3 The number of days by which your float is extended will depend on when during your American Express Card billing cycle you charge a transaction to a supplier. The date the transaction is posted to your account, and the date you pay the amounts due on your American Express billing statement will determine the number of days you extend which may be less than 14 days.

Views expressed here are of Ochsner Hospital and do not necessarily reflect the views of American Express.