

Takes Disbursement Control in High-Growth Situation for ACH Payments and Positive Pay

THE BACKGROUND

A predecessor company to AmSurg Corporation provided physicians in surgery centers (single-specialty, practice-based outpatient, or ambulatory) with consulting services for practice development, licensing and Medicare certifications. Often, doctors expressed interest in a partner company that could handle business, risk and financial management, leaving them free to focus on their specialties. AmSurg became that partner. Formed in 1992, the company had grown to 119 specialized operating facilities in 29 states, with 12 more in development as of September 20, 2004.

AmSurg enters into partnerships with existing practices or establishes a new surgery center in association with a medical center or private practice. The centers vary greatly in staffing and capabilities and not surprisingly, each typically has had its own way of doing things in the back office. Each surgery center paid its own bills using methodologies ranging from handwritten processes to PC-based applications like QuickBooks, and sophisticated enterprise solutions such as MAS-90. As acquisition momentum gathered, the company became concerned that it needed to standardize the payment process.

THE PROBLEM

One person used to spend two days writing out monthly checks to vendors that supply the two AmSurg specialty surgery centers in Louisville, Kentucky. Today, a single individual has the checks in the mail in less than one day. The difference is an innovative application of ACOM's EZPayManager payment management solution, working in tandem with two Citrix Metaframe servers at AmSurg headquarters in Nashville.

THE SOLUTION

Management knew something had to be done. Standardization would be necessary if the company was to fulfill the mission it had established for itself. Its payment process called for each center to pay its own bills, and then send the data to Nashville headquarters to be re-keyed into the corporate accounting system. The company began to consider alternatives, including remote processing and rolling out the corporate payment process in use for replication at the surgery centers.

The company assembled a team comprised of Controller Kevin Eastridge, Accounting Manager Kristy Rutherford, and Financial Systems Analysts Mark Guinsburg and Jody Tootle, who together devised an "e-payable centers" strategy, under which remote locations could access SmartStream to perform their payment processing remotely.

"Our controller saw Citrix as an aggressive technology concept and one that could be useful in setting up the new payment strategy," said Guinsburg. "It is a broadly applicable solution that allows our employees to access information on a need basis from any place in the field. For example, when I travel, I can access the e-mail, our corporate network, application files like Word and Excel, and so on."

The Citrix MetaFrame XP Presentation Server allows the management of applications from a central location, with access to them from anywhere, using virtually any device. At AmSurg, it resides on a two-unit server farm at Nashville headquarters, with each of the two servers accommodating up to 50 users in a load-balancing configuration.

While SmartStream has payment capabilities, they are limited, according to Rutherford. Its check-production features require the use of preprinted check stock and the associated handling processes – both of which are expensive and inefficient. With input from the migration team, management decided that it would be preferable to eliminate the use of expensive preprinted stock in favor of checks generated on plain security check stock and an office laser printer.

The SmartStream consultant working with the migration team during the accounting conversion previously had been exposed to ACOM's EZPayManager payment management solution at other SmartStream clients, and she suggested that the team explore implementing the advanced payment solution at AmSurg.

EZPayManager is a universal payment platform that allows users to perform disbursements by MICR laser check and by electronic direct deposit, using the banking industry's Automated Clearing House (ACH) network, with both checks and direct deposits executed during the same payment run. A choice of the following payment notification options can also be included in the mixed payment run: printed copies, automated fax, automated secure e-mail, automated secure web posting, and F-EDI (which allows greatly expanded remittance details to be inserted into the ACH envelope).

AmSurg purchased EZPayManager in spring 2002 and the SmartStream migration team implemented three pilot centers in July. Impressed with the performance, they began a "full bore" roll-out in August, Rutherford says.

"In the implementation, surgery center personnel can have two views, SmartStream and EZPayManager," she says. "If they just want to make a payment, they log-on to

EZPayManager and print a check on their local printer. If they want to process invoices, they log-on to SmartStream and perform the necessary processing. Then, after the invoices are approved for payment by the financial representative, the SmartStream files are moved to EZPayManager for printing at the local surgery center.

THE IMPLEMENTATION

Payment volume among the centers varies from as few as 40 to as many as 200 and more checks per month, with each center employing two to four bank accounts.

SmartStream and EZPayManager each work with their own SQL Server databases and one implementation challenge concerned extending the SQL Server limit of 255 records to accommodate the continuously growing number of bank accounts that would be used as the company expanded.

Beyond that, however, implementation was quite simple, Rutherford says. ACOM's professional services implementation team developed standard check formats. The e-payables team was then able to modify them with account specifications obtained from centers' banks using the EZPayManager design tool. Security is an inherent feature of the system.

Currently, about 85 percent of AmSurg's surgery centers have implemented the new system. The centers that are now live with EZPayManager participate in a simple ten-step process:

- Surgery center logs-on to SmartStream
- Invoices are keyed-in and scanned to the scanning software
- Scanned file(s) are released to Filenet in Nashville
- Accounting staff reviews invoices with the attached images
- Accounting staff creates check file
- Appropriate funds are transferred to the center's account
- The check file is transferred to EZPayManager
- Accounting confirms the funds transfer
- The center prints checks from EZPayManager on its printer via Citrix
- The checks hit the mail.

The corporate office follows the same process, but with an enhancement – the use of the ACH module, which the company acquired as part of the initial EZPayManager purchase. AmSurg uses the ACH module for two functions:

- Direct deposit of employee expense reimbursements.
- Accounts payable to vendors that have agreed to accept ACH payments.

"All of our employees are set-up for direct deposits, and they are pleased with this procedure because it saves them trips to the bank and they are able to know exactly when the money will arrive in their accounts," Rutherford says.

"Vendors have been similarly receptive to direct deposits, and for the same reasons. Corporate used to send out about 100 vendor checks per week and now we're down to about 35. The remittance advice details goes out using EZPayManager's automated email module, generated concurrently with the payment run. The only glitch we encountered concerned getting the e-remittance files into Lotus Notes, but that was not an EZPayManager problem and it was easily solved."

Some vendors felt that they were not well set-up for receipt of ACH payments, but most were, she said. The conversion process was very straightforward: "An accounts payable processor simply called each vendor and asked if they would be willing to accept electronic payments. Most were pleased with the idea that their money would be posted to their accounts automatically and that they would be paid faster."

The benefits of the centralized-distributed accounts payable system have been numerous, Guinsburg says. "It was largely a standardization issue," he says, "and the new process is easier both for the centers and for corporate. Our reports are timelier and more accurate and we've gained a great deal of flexibility. Each center pays on its own schedule, and at corporate, we can go into the system and view any expenditure at any time. We can identify cost savings through bulk buying, and eliminate the need for locally preprinted stationery."

The company has also dramatically reduced the tendency towards end-of-month accruals says Guinsburg. And having a "second set of eyes," reviewing each invoice has led to greatly increased accuracy. Moreover, the new solution makes it easy to view the costs of non-routine items purchased across the network of centers, enabling vastly improved financial benchmarking.

SUCCESS!

All in all, the diagnosis was sound, the treatment has been successful, and the prognosis is excellent for a healthy and effective accounts payable process at AmSurg -- just what the doctors ordered!

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