

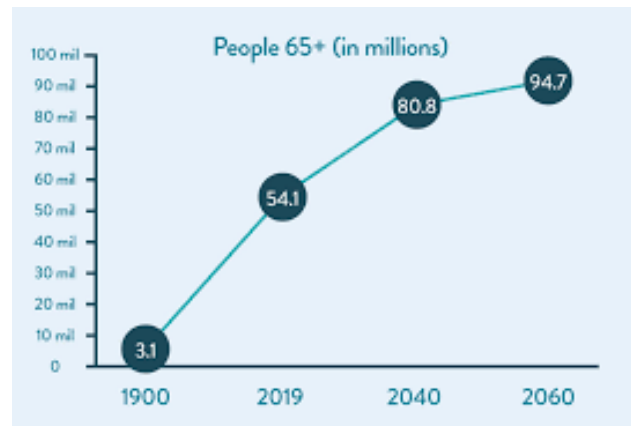


How to create a resilient payment strategy

Presented by: **Blake Sorrell, Director, Healthcare Banking @ FNBO**

Challenges facing healthcare finance

- Rising Costs: Healthcare costs have been rising steadily for many years due to several factors



Challenges facing healthcare finance

- Reimbursement rates from insurers are declining, which is squeezing healthcare providers' margins



Challenges facing healthcare finance

- According to the American Hospital Association, the median operating margin for hospitals was 0.2% in 2022, down from 3% in 2021.
- How to improve operating margins
 - **Reduce costs:** Healthcare organizations can reduce costs by streamlining operations and reducing waste.
 - **Increase revenue:** Healthcare organizations can increase revenue reducing denials, improving collections or even outsourcing RCM



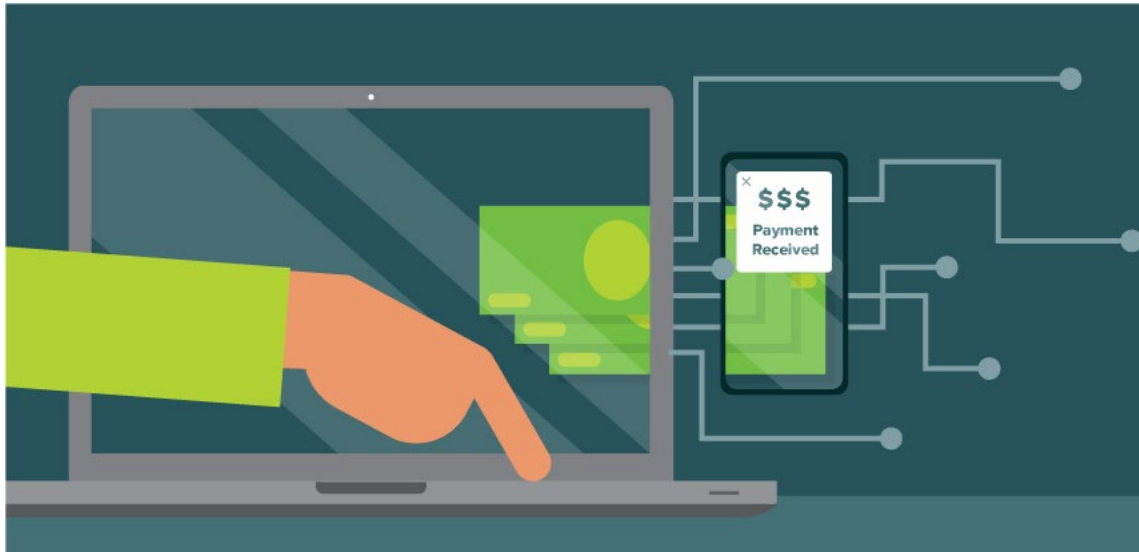
Household payment strategy

- Goal: **Southwest Airlines Companion Pass**
- Means: Obtain the Southwest Airlines credit card and put as much spend on it as possible



Household payment strategy

- Current strategy: Pay all but one bill electronically
- Means: Online Bill Pay and Credit Cards



Household payment strategy

- Current Impact: Majority of bills are automated which saves time each month, rebates off set expenses, float maximization with High Yield Savings account

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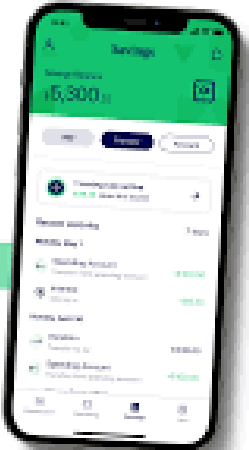
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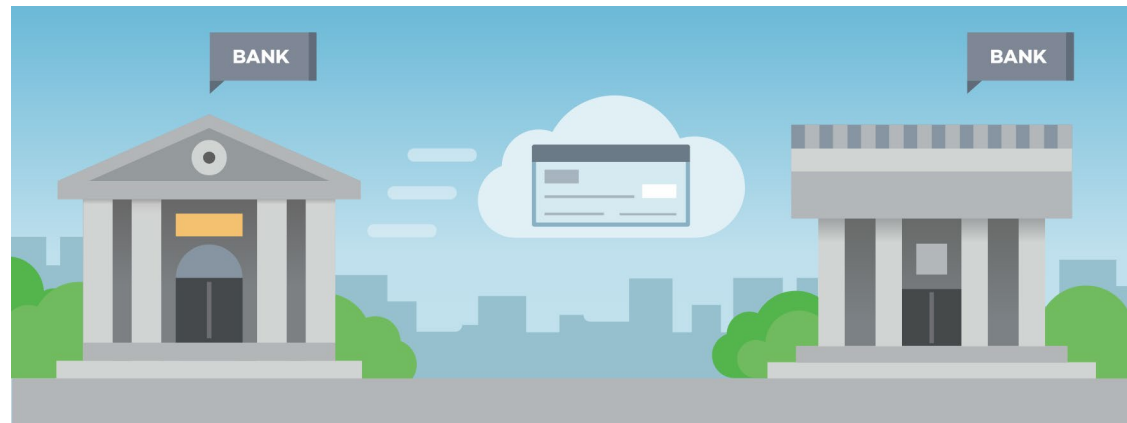
5.25%

APY*



Hospital Payment Strategy – Components

- **ACH (Automated Clearing House)**
 - **Cost savings:** eliminates the need for paper checks
 - **Speed and efficiency:** Faster transaction processing compared with manual checks
 - **Improved accuracy:** Reduces errors associated with manual payment processing



Hospital Payment Strategy – Components

- **Credit Card / Virtual Card**

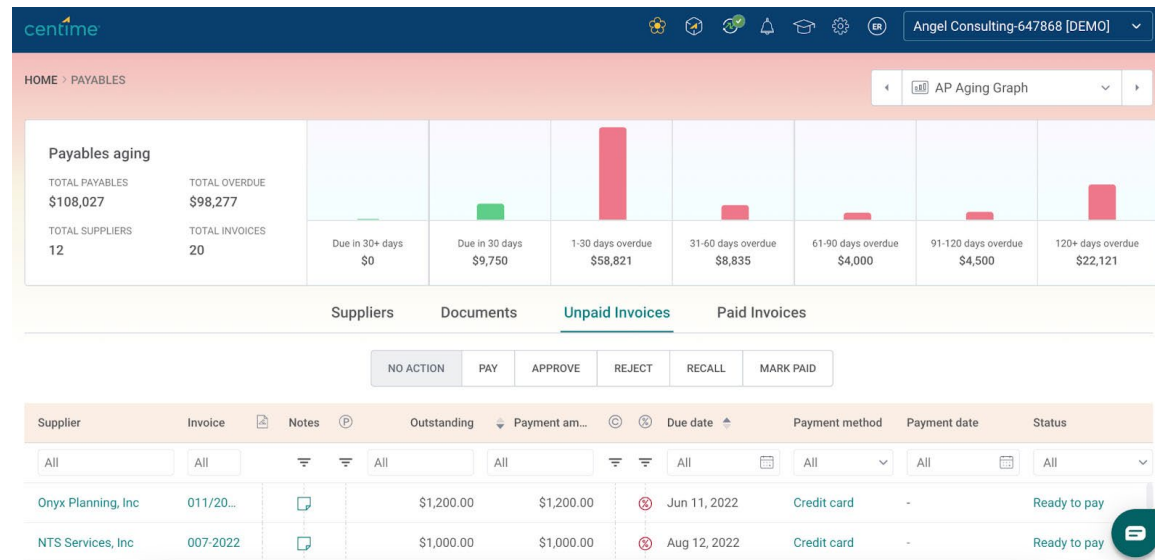
- **Enhanced security:** Reduces risks associated with traditional credit card transactions
- **Streamlined reconciliation:** Simplifies tracking and reporting of payments
- **Rebate:** Opportunities to earn rebates on transactions
 - Tired rebate: the more spend the higher the rebate
- **Float:** take advantage of the timing of payments, maximize your liquidity



Hospital Payment Strategy – Components

- **Integrated Payables Solution**

- **Centralized payment process:** ACH, Card, and Check payments
 - Fees associated for each transaction and card rebate is substantially lower than if the card was a standalone product



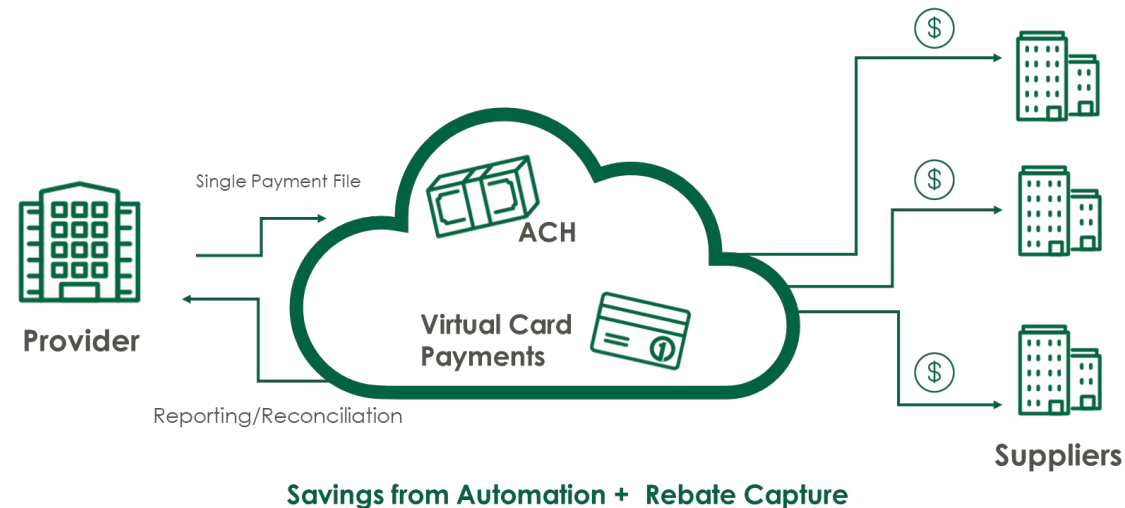
Hospital Payment Strategy – Components

- **Healthcare specific solution**

- **FNBO GHX ePay**

- Rebate generating electronic payments (Virtual Card and ACH) made, with a single payment instruction file, to an existing network of medical supply vendors
 - Rebate generating ACH – vendors (Boston Scientific, Medtronic, GE Healthcare, etc) participate due to expediated payment terms

- Program acts as a compliment to any other payment strategy as it carves our network suppliers



Benefits of creating a resilient payment strategy

- **Increased efficiency:** Processing speed is much faster than paper checks, which can free up AP staff to focus on other tasks.
- **Reduced costs:** Reduced costs associated with printing, mailing, and processing paper checks.
- **Improved accuracy:** Less prone to errors.
- **Enhanced security:** More secure, which can help to reduce the risk of fraud.
- **Increased visibility:** Greater visibility into the AP process, which can help to identify and address potential problems more quickly.
- **Improved vendor relationships:** Improve relationships with vendors by making it easier and faster for them to receive payments.

How others have structured their strategies

Northwestern Medicine

Amy Platis – Director of Finance

Cathy McGarry – Director of Treasury Operations

- Focusing on an electronic automated payment strategy enables the organization to move AP from being a cost center to a profit center.
 - Experienced significant improvements in its supplier relationships because of the payment automation strategy
 - Result was a mutually beneficial relationship built on fast and predictable payments, remittance data for cash posting, comprehensive data reconciliation, quick dispute resolution and security
 - Speaking of the automation of their payment strategy “It not only reduced costs, improved working capital, and enhanced supplier relationships, but also freed up resources to prioritize patient care, which is the health system’s goal. Every dollar saved in any area is another dollar that can go toward patient care.”

Thank You

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