

# B2B PAYMENTS IN HEALTHCARE

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JUNE/JULY 2022



## ■ FEATURE STORY

Huntington Health on the payment challenges of procuring medical supplies

## ■ PYMNTS INTELLIGENCE

How automation can improve healthcare supply procurement and supplier relationships



# B2B PAYMENTS IN HEALTHCARE TRACKER®

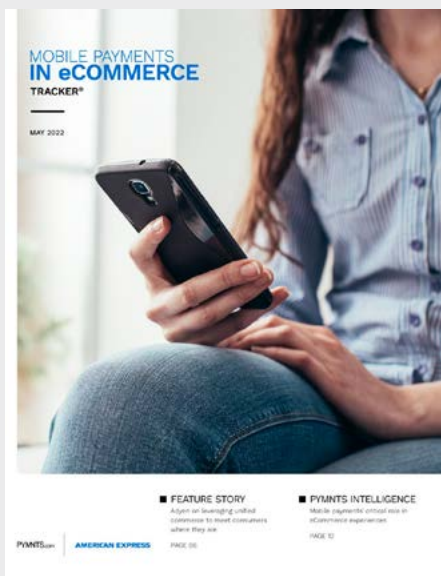
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## ACKNOWLEDGMENT

The B2B Payments In Healthcare Tracker® was produced in collaboration with American Express, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://www.pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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■ MAY 2021  
Mobile Payments In  
eCommerce Tracker®

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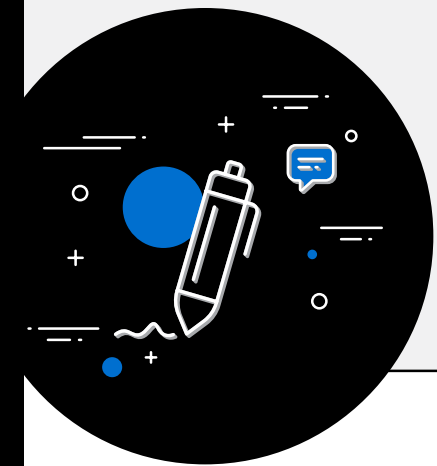
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## EDITOR'S LETTER

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# B2B PAYMENTS IN HEALTHCARE

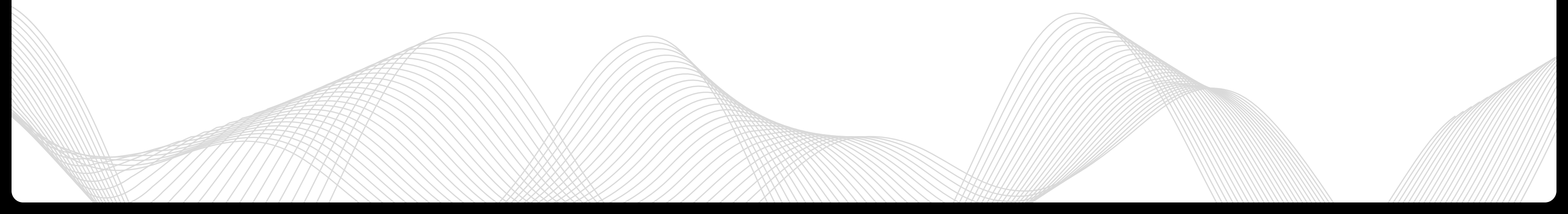
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**W**ith consequent challenges ranging from remote work to supply chain issues, the pandemic is forcing many industries to rethink their business-to-business (B2B) payment processes for smoother and more collaborative relationships with their suppliers. Nothing can impede these partnerships more than late payments, so many businesses have digitized their payments and invoicing systems to make it easier both to pay their bills and to get paid. Recent PYMNTS [research](#) found that 91% of CFOs across a broad swath of industries are digitizing these processes to improve business efficiency.

The healthcare industry lags in payments digitization, however, especially when it comes to medical supply procurement. While suppliers make their preferences for automated clearing house (ACH) and direct deposit payments clear, up to 85% of payments are still [made](#) by check or other paper-based methods. The inevitable errors and late payments that result from using legacy payment methods lead to predictable frictions between business partners. These can be alleviated only through automation platforms that can digitize the entire procurement process straight through to payments.

The B2B Payments In Healthcare Tracker®, a PYMNTS and American Express collaboration, examines the unique challenges of the healthcare supply procurement industry and why hospital systems are falling behind their counterparts in other sectors when it comes to digitizing their invoicing and payments processes. It also offers insights on how automating these systems can improve relationships with suppliers and boost bottom lines on both sides of the procurement equation.

**Thought Leadership Team**  
[PYMNTS.com](#)



■ Feature Story

# Huntington Health On The Payment Challenges Of Procuring Medical Supplies

**BY NATURE OF WHAT THEY DO, AND BECAUSE IT IS A LEGAL REQUIREMENT FOR GOVERNMENT REIMBURSEMENT PROGRAMS SUCH AS MEDICARE, HOSPITALS MUST BE PREPARED FOR ANYTHING — WHETHER IT BE A MASS CASUALTY EVENT, A NATURAL DISASTER OR AN INFECTIOUS DISEASE OUTBREAK.**

The pandemic brought an unprecedented surge of patients into hospitals around the world as well as the supplies needed to treat them, exposing weaknesses in supply chains and the methods by which medical facilities pay for those supplies.

“We buy about \$100 million of supplies and equipment annually, everything down to the Band-Aids,” said Steven Mohr, CFO of [Huntington Health](#) in Pasadena, California. “When the pandemic started, you had this mad rush for types of equipment that you would not have normally seen.”

Hospitals generally rely on one another as well as trusted medical supply vendors and even government stockpiles to stay stocked, but when patient surges led to shortages in N95 masks and ventilators, they had to turn to other sources — in many cases in foreign countries.

Paying for those supplies was a challenge, as many hospitals had to ensure

that cross-border payment mechanisms were in place to pay for supplies that were fetching a premium from the highest bidder. Smaller hospitals such as Huntington, which is affiliated with the Cedars-Sinai health system in California, are generally able to rely on more advanced procurement and payment systems. Even so, some hospital officials found themselves on the docks of Long Beach more than 30 miles away, waiting with cash in hand to buy supplies that were marked up more than eight times the normal price from ships arriving from far away.

“One of the challenges at the state level was [that] a lot of that inventory was actually out-of-date and in some cases unusable,” Mohr told PYMNTS in a recent interview. “It was a unique day-to-day scenario [of] hoping for what comes in on the docks [and] that you’re ready to write a check or to quickly wire the money.”



## SLOW ADOPTION OF TECHNOLOGY

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Healthcare as an industry has been slow to adopt nonmedical technologies that help speed efficiency in payments and procurement, Mohr said, resulting in the need for manual processes for invoicing, shipping and accounts payable. Slowly, that is changing as hospitals begin to see benefits from the use of enterprise resource planning (ERP) solutions and how they can help streamline different processes and lead to overall organizational efficiency. Oracle, he said, is one of the leading platforms that hospitals are employing to connect clinical, operational and financial data systems. Still, it takes time to implement new technologies in large healthcare organizations, he said, and Huntington is about three years away from full adoption.

The healthcare industry is also dealing with staff shortages across many different disciplines, and Mohr said Huntington is working on adopting artificial intelligence and robotics technology that can help reduce the need for human effort. He foresees a time when direct payments to suppliers overseas can be made by machines that can instantly account for supply chain delays — as was the case with Chinese vendors that were affected by recent shutdowns — and search for alternative vendors.

By keeping ahead of delays and using preauthorized payment methods such as virtual cards, machines can ensure a steady stream of supplies and pay for them in the local currency. This can also eliminate a situation in which hospitals are forced to buy from vendors of questionable reputation who take advantage of increased demand to boost prices.





# Q&A

**DANA HOBAN**  
Director, client management  
**AMERICAN EXPRESS**

## What are some of the biggest challenges healthcare organizations face when purchasing medical supplies?

“ Procurement is challenged by a myriad of factors especially when there is poor visibility into hospital inventories. Internally, data management can be hard to manage when working across decentralized, legacy systems. Teams who may still be taking very manual steps to place orders will further prompt delivery delays. This further blurs visibility into inventory levels, ordering and delivery timetables.

Externally, ongoing regulatory requirement changes impact which on-demand medical supplies need to be stocked. Further strain occurs when demand peaks, bidding processes lack transparency and supply chain sourcing logistics become halted.

These factors challenge procurement in managing inventory with supply chain. Within the chain, manufacturing continues to be challenged by raw material shortages and shipping — either by sea, air or land — are taxed by global shipping container imbalances, increased fuel costs and lack of prioritization processes at ports, since shipping is a commodity.”

## What are some of the reasons for the slow adoption of automated payments and invoicing systems in healthcare organizations?

“ Hospitals and healthcare systems are ever focused on the clinical aspects of healthcare, patient care and compliance as key priorities. Organizations strive to balance financial performance, government mandates, technology advancements and patient safety and staffing, among other organization challenges. Automation efforts are often focused first around improving patient outcomes. Remaining information technology resources are then dedicated to hospital back-office functions.

Mergers and acquisitions activity demands enterprise-wide resources to consolidate multiple divisions to a single ERP system. Multiple provider options exist, and organizations work to put their arms around the most viable players to integrate with or uplift their legacy systems. All of these variables take time and, in many cases, long-range planning.

We can see the convergence of buyers and suppliers under the automation umbrella. The right payment partners can give both buyer and supplier the benefits of on-time payments, price for value and efficient reconciliation.”

# Q&A

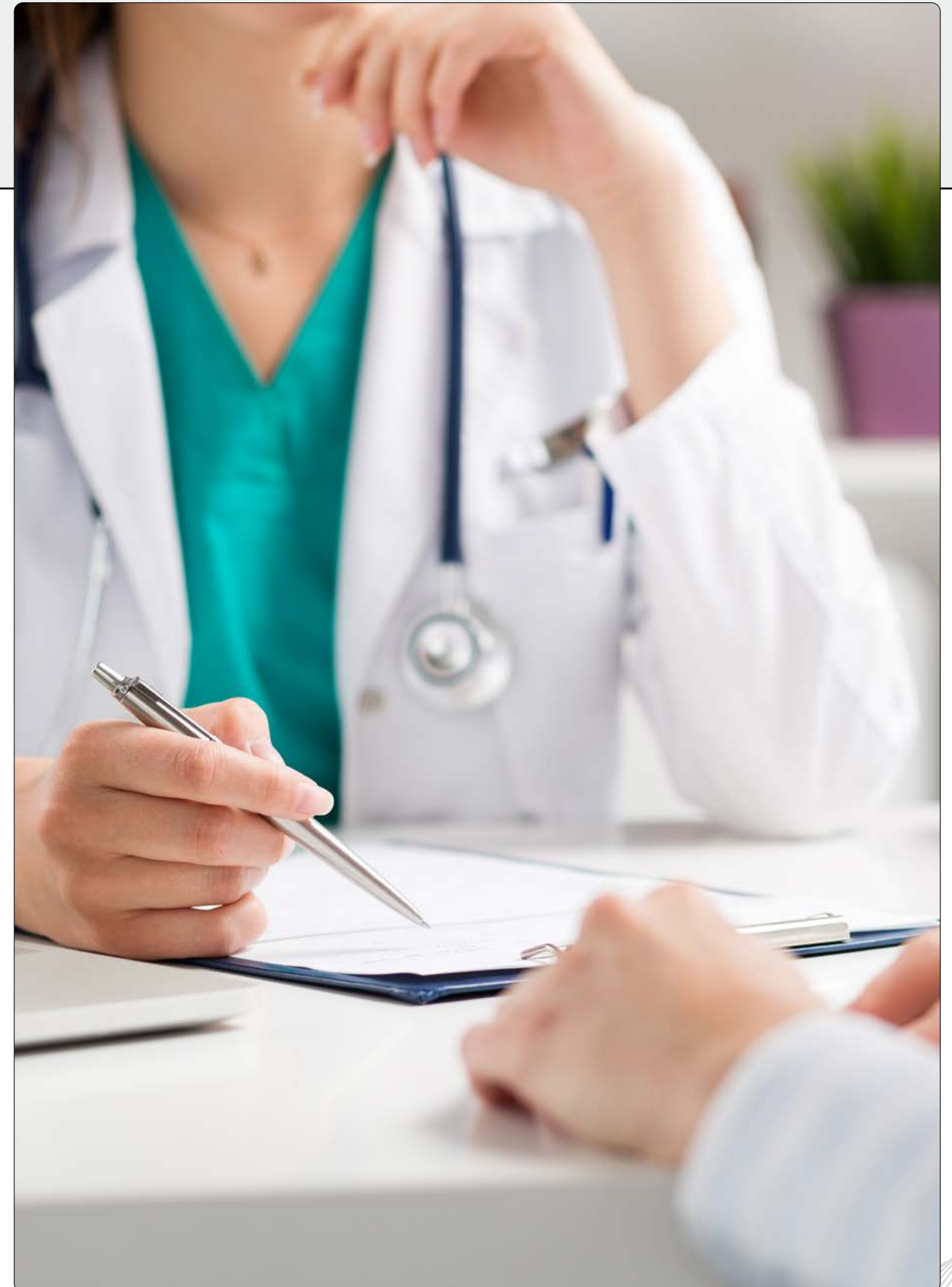
## **In your opinion, what does the future of invoicing and payments automation look like for procurement in the healthcare industry?**

Automation will continue as procurement ensures supply chain effectiveness and hybrid working environments block routine access to physical assets, such as ledgers, invoices and checks. eInvoicing with automation creates a support pillar for procurement to deliver on-time, critical medical supplies. Fully automated accounts payable and accounts receivable processes with eInvoicing can remove friction by troubleshooting discrepancies.

Hospitals adopted accounts payable automation solutions, which conversely have suppliers seeking accounts receivable solutions and payments portals to maximize receivable take rates and cash applications plus utilize supply chain financing solutions.

Healthcare demands a dynamic approach more than ever, with buyers and suppliers seeking value for the role they each play. The most sought-after providers will be those that offer breadth of integrated offerings at clear price points directly commensurate to their products' value — a true understanding of the vertical and a premium customer experience.

Customer choice is paramount. Payments automation is becoming a virtual handshake within the healthcare payments ecosystem.



# How Automation Can Improve Healthcare Supply Procurement And Supplier Relationships

## THE PANDEMIC HIGHLIGHTED THE NEED TO ENSURE THAT MEDICAL SUPPLIES COULD BE EASILY PROCURED.

The global market [value](#) for medical supplies was \$136 billion in 2021 and is expected to grow at a compound annual growth rate of 4.5% to reach a value of just over \$185 billion by 2028. Suppliers of medical goods need to be paid, but the industry has been slow to adopt technologies to send invoices and process payments quickly and seamlessly.

Some 70% of healthcare invoices are still paper-based, according to one [report](#), and almost 85% of purchases are paid for with paper checks. Not surprisingly, these outdated processes lead to errors that cost the industry up to \$6 billion in payment mistakes. Almost \$40 billion is wasted due to invoicing problems, often leading to supplier payments averaging more than two months late. Outdated legacy systems and manual processes result in the [number](#) of days sales outstanding averaging more than 30 days for many hospitals. Suppliers track the average length of time customers take to pay their bills, and the consequences of cash flow problems and credit issues from too

many late supplier payments can damage healthcare organizations' supplier relationships.

The healthcare industry has been slow to adopt automated, cloud-based payment and invoicing solutions that can increase efficiency and eliminate costly errors. This month, PYMNTS takes a close look at the inefficiencies and challenges suppliers and medical service providers face regarding payments for bulk medical supplies and equipment. We also explore how payments automation can eliminate some friction inherent in procurement and payment for medical goods.



## THE CASE FOR PAYMENT AUTOMATION IN HEALTHCARE

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Late payments and invoicing errors are some of the top concerns of healthcare suppliers. Manual invoicing and payments processes cause delays that can be as long as six months, according to one [report](#), and errors can tack on another 64 days. Automation of the procure-to-pay process, which involves digitizing requisition, ordering, receiving and payment on one platform, can help reduce paper and handle electronic payments such as ACH debit and virtual credit cards directly from a hospital's enterprise resource planning solution.

Lack of [visibility](#) in the procure-to-pay pipeline is another pain point solved through automation. Almost one-third of suppliers said the inability to see the status of payments highly impacts their business by making it difficult to finance short-term expenses or delaying production, new product launches or capital investments. Automation can give better visibility, allowing suppliers to better predict when to expect payments and provide on-demand payment details for accounts receivable (AR) reconciliation.

Match exception errors, which [occur](#) when buyer purchase orders and supplier invoices fail to match, are a problem for up to 15% of invoices. Almost one-third of healthcare suppliers indicate that these errors adversely affect their organizations' AR functions, often blaming PDF or paper-based payment methods. By using technologies such as artificial intelligence and electronic data interchange (EDI), automation reduces human error and digitizes the entire procure-to-pay process, enabling invoices with exception errors to get the quick attention needed.

## REMOVING THE FRICTION FROM THE PROCURE-TO-PAY PROCESS

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Healthcare organizations looking for reasons to switch to automated payments operations would do well to have a conversation with CFOs from other industries. PYMNTS' [research](#) found that an impressive 91% of CFOs across many sectors said payment process digitization improved business efficiency, and another 84% said it improved management of working capital. Greater transparency is a key reason for digitization efforts, according to 56% of CFOs surveyed. As the pandemic set in, 71% of CFOs said their organizations stepped up digitization of payment systems.

Healthcare and hospital systems lag behind, as only about 14% of suppliers in a recent [survey](#) indicated they received purchase orders through EDI systems and only 11% use the technology to send invoices,

relying instead on outdated methods such as PDF or email. Suppliers overwhelmingly prefer ACH and direct deposit payments over paper-based methods, according to one [survey](#), yet nearly nine out of 10 payments are still made by check.

Automation of payment and invoicing processes can grant both healthcare organizations and their suppliers many benefits, among them better speed and predictability of payments, increased protection of sensitive patient data and more accurate invoicing and payment status. These improvements can help healthcare organizations focus on patient care and maintain positive supplier relationships by ensuring that the procure-to-pay process is mutually beneficial.



# NEWS & TRENDS

## GLOBAL B2B PAYMENTS TRENDS

### CHINESE COMPANIES POINT TO PAYMENT DELAYS AS REASON BEHIND ECONOMIC SLOWDOWN

Economic growth in China is projected to slow down this year by nearly half compared to 2021, with long payment delays for some businesses being blamed for the economic downturn, according to a recent [report](#). Economic growth is expected to slow to nearly 5% this year, compared to more than 8% last year. Out of 13 different business sectors, nine have reportedly suffered an increase in what is referred to as ultra-long payment delays of more than six months, debts which the report said are not

paid 80% of the time. Agri-food businesses led the list, experiencing a 43-day increase in delays compared to last year.

Prices of commodities have skyrocketed in China, led by a general downturn in the economy and fed by factors such as the pandemic, supply chain disruptions and subsequent restrictions. Companies are expecting the downturn to continue, with 44% anticipating sales to recover this year, a decrease from 65% in 2020.



### MOST SMBs WANT ALL-IN-ONE PLATFORMS FOR B2B PAYMENTS, SURVEY FINDS

Citing speed as one of the advantages they covet, 82% of executives said they would be interested in investing in an all-in-one solution to receive B2B payments, according to a recent [PYMNTS survey](#). The survey of 500 small to mid-sized businesses (SMBs) asked about some of the digital steps the companies were taking to improve back-office processes. Most indicated that getting paid faster was among the top factors that would drive them to invest in a digital platform to enable the automation and acceleration of incoming payments.

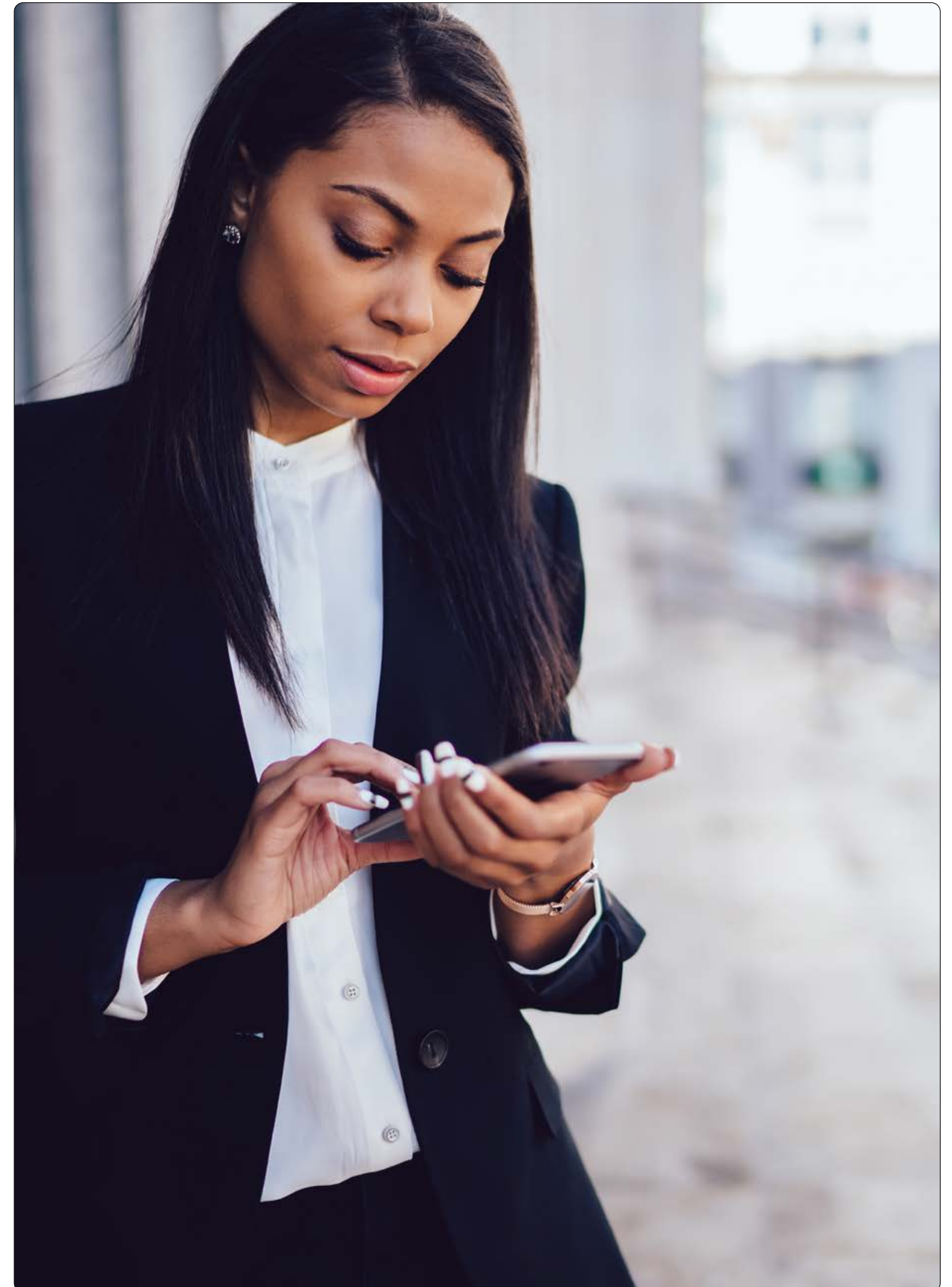
In addition to faster payments, more than half of respondents indicated an all-in-one payment platform would help by saving them time, while another half said easier cash flow management appealed to them. More than 41% said simplified tracking of receivables would be their justification for such a platform, and nearly 37% said they would use it for automatic data reconciliation. Most notably, nearly three-quarters said they would be willing to pay for the use of an all-in-one platform if the rewards, saved time and tax deductions offset the cost.



### **PAYMENT LIMIT INCREASE, B2B PAYMENTS DRIVE SAME-DAY ACH GROWTH**

Increases in both B2B payments and the same-day payment limit are being credited for a sizable growth in payments on the ACH Network, according to a recent [report](#). Most notably, more than 1.4 billion ACH B2B payments were made in Q1 2022, representing a 16% increase from the same time last year and a 36% increase from Q1 2020, during the beginning of the pandemic.

ACH payments are growing in popularity in the B2B space and represent the new normal, according to Jane Larimer, president and CEO of Nacha, which governs the ACH Network. The network raised the same-day per payment limit to \$1 million on March 18. That increase contributed to a 53% increase in those transactions from a year earlier, for a total value of more than \$290 billion. The report also noted that the increases in ACH Network transactions were independent of pandemic-related payments in 2021, when government subsidies such as economic impact stimulus payments and expansions in unemployment funds were distributed.



## AR AUTOMATION TRENDS

### IMPROVEMENTS IN PAYMENTS SYSTEMS COULD BOOST BOTTOM LINES, SURVEY FINDS

Many finance professionals said their organizations' revenues would increase if there were a better system for receiving payments, according to a recent [survey](#) of more than 300 finance professionals. Ninety-two percent said improved AR processes could increase their companies' earnings per share values, for example. An estimated 93% said AR professionals should be more involved in improving systems for processing receivables at their firms and focus on strategy instead of merely processing payments.

The report also showed that most finance professionals are aware of the need for more robust digital AR processes at their organizations, but several factors are to blame for the slow adoption of such processes. Specifically, 88% said complications surrounding the acceptance of cross-border payments were a significant problem hindering international growth, while 95% indicated that exchange rates were a difficulty. Other frictions included compliance, language and culture issues as well as general banking issues.

### AUTOMATED AR INCREASES TEAM PRODUCTIVITY, GETS BILLS PAID QUICKER, SURVEY FINDS

Business leaders almost unanimously agreed that automated AR processes would help their bottom lines by ensuring outstanding invoices get paid on time or early, according a [survey](#) of 200 executives. The survey, which explored the global state of AR automation and its results, found that while 89% of organizations that have mostly automated AR processes get paid faster, approximately half are still mired in outdated legacy systems, and if they update their systems, they automate just one or two steps.

None of the organizations surveyed have completely automated their AR processes: 51% said their processes are mostly automated and 49% stated their processes were mostly manual. Of those that have automated, 78% said they did so to improve the accuracy of invoices, 67% wanted help collecting late payments and 57% said they wanted to provide a way for customers to pay electronically. When asked why they have not automated, nearly three-quarters said they did not understand what technology is available. Fifty-nine percent said they had concerns about the negative impacts on customers and one-quarter said the AR processes in their organizations were simply too complicated to automate.

### AMERICAN EXPRESS, VERSAPAY ENTER AGREEMENT TO HELP CARD USERS AUTOMATE PAYMENTS

American Express has entered an agreement with digital accounts receivable provider Versapay that will allow American Express corporate customers to access an automated network of buyers and suppliers, according to a recent [report](#) from PYMNTS. The partnership will help automate the payment processes of suppliers that use American Express virtual cards by increasing the exposure of vendors that accept the cards.

Colleen Taylor, president of U.S. global merchant services for American Express, told PYMNTS that the partnership will also help make the AR process more efficient by automating the entire transaction, giving both parties more flexibility and improved cash flow management. The deal will also provide access to the Versapay ePayment Delivery Service, also known as ePDS, which will eliminate email payments and automate virtual card reconciliation.



# B2B PAYMENTS IN HEALTHCARE

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PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

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