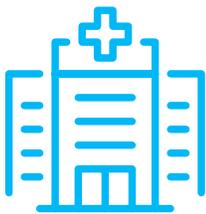


The Importance of Working Capital Management in Healthcare



While US health systems are facing increased costs, their vendor partners are facing the same inflationary pressure, making it more difficult to negotiate improved pricing. Without the ability to secure discounts, hospitals are shifting focus to improving their Accounts Payable (AP) processes to increase working capital. Effective working capital management is essential for health systems to maintain financial stability and pursue potential growth opportunities.

Our Approach and Typical Results

There are four key levers used to improve working capital:

- **Early Payments:** limit payment processing prior to invoice due date
- **Terms Compliance:** help ensure invoice payment terms align with agreed upon contract and vendor master terms
- **Terms Standardization:** standardize payment terms for each vendor across all locations in a system
- **Term Extension:** benchmark payment terms by spend category and extend terms with low-risk vendors

A rapid assessment to identify preliminary opportunity across all levers can typically be completed in under one week. Once opportunity is identified, a full assessment (inclusive of stakeholder validation and vendor risk assessment) can be completed in as little as 8 weeks prior to transitioning to implementation and benefit realization. Implementation activities and duration vary based on scope, but oftentimes include vendor communication/negotiation, ERP configuration updates, and tracking of cash impact. We are in the process of developing AI agents to proactively identify opportunity and track realized cash capture on an ongoing basis.



When these levers are pulled in tandem, KPMG LLP is typically able to help health systems find and realize \$30m - \$80m in cash release per \$1b of addressable spend.

Recent Case Studies



East Coast Health System

Situation: Client was seeking to increase cash flow to fund a large technology implementation

Approach: KPMG identified and validated over \$8m in potential cash impact, primarily across Terms Extension and Early Payments. A part of the assessment, KPMG conducted multiple discovery interviews with Accounts Payable stakeholders and provided a detailed implementation plan to capture opportunity in order to help fund broader transformation program.

Results: Identified \$8m in cash impact, primarily across Terms Extension and Early Payments.



Northeast Academic Health System

Situation: Client collaborated with KPMG to identify Performance Improvement opportunities across multiple functional teams, including Accounts Payable

Approach: In addition to invoice analysis, KPMG conducted extensive stakeholder interviews across Procurement and Accounts Payable to understand current state gaps to leading practice across payment processing and master data management.

Results: \$12m in cash flow opportunity, with the largest lever being Terms Standardization across the system's sites.

Contact

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