Courier Auditing White Paper

Supply Chain Finance is a Business Intelligence company that that takes on difficult projects; the complexity of delivering prescriptions to Long Term Care patients is a difficult challenge that Supply Chain Finance solved. Long Term Care Pharmacies are tasked to dispense scheduled and unscheduled prescriptions in a business operation where small, occasional deviations can impact deliveries, stop counts and cost.

Supply Chain Finance has created Courier Invoice Management applications that provide insight into same-day delivery activity and enable the LTC Pharmacy to better manage courier delivery activity.

Long Term Care Pharmacy Delivery

Long-term care (LTC) pharmacies serve patients that reside in nursing homes, assisted living, extended-care facilities, and retirement homes. Seniors are the typical resident who are heavy users of prescriptions. LTC pharmacies have built a niche by providing value through patient medication consulting, aiding the LTC facility in compliance and conducting health management assessments.

LTC Pharmacies are 'closed-door' pharmacies whose prescription dispensing processes include the following steps:

> Upon receipt of a prescription order, patient information is entered into dispensing and billing systems which checks for potentially adverse drug interactions, duplicative therapy, and insurance coverage. The LTC pharmacist prepares the prescription and chain of custody is transferred to delivery agent.

LTC Pharmacies face competitors such as National Pharmacies (competing via their drug buying power and sharing administrative functions), Local LTC Pharmacies (possessing long-term relationships), retail pharmacies, and other pharmacy vendors. A competitive environment is difficult, but LTC Pharmacies incur dispensing costs that are 25% higher than retail pharmacies.

This competitive market causes LTC Pharmacies to incorporate best practices and reduced operating costs to stay profitable. Some Pharmacies have determined that outsourcing their same-day delivery operations to reduce costs and leverage delivery experts. However, outsourcing to couriers has diminished LTC Pharmacy management visibility to daily delivery activity.

Delivery Problems Facing LTC Pharmacies

Courier capabilities is a variable that impacts LTC Pharmacy prescription delivery performance. Skilled couriers work with their LTC Pharmacy to develop efficient routes and release times. However, unscheduled stops (Stats) cause problems even for the best couriers due their complexity.

Stats delivery activity is impacted by LTC Pharmacy preparation, LTC Facility constraints, Care Giver actions, Insurance Coverage, Outbreak of Communicable Infections (common colds), Doctor Orders, Patient Mishaps, Death, etc. All these deviations cause variations in unscheduled stop and create a complex environment where stops are difficult to predict. An additional layer of difficulty is added to LTC Pharmacy deliveries due to differing business models of LTC Pharmacies and Couriers: Pharmacies create manifests whereas couriers are asked to charge deliveries based upon stops (which can contain multiple manifests).

Predicting stops are complex for LTC Pharmacies but make it difficult to understand and validate deliveries. The typical courier invoices omit critical data points that are needed to validate stop activity and accessorial charges such as Wait Time, Mileage, and Afterhours. Confusing invoices causes LTC Pharmacy managers to distrust courier activity and question their delivery charges; However, LTC Managers are removed from the delivery activity and do not know what questions to ask.

Unscheduled deliveries can account for 100's or 1,000's in delivery stops yet couriers insist that invoices are to be presented in a paper/PDF format. Auditing a paper invoice requires the auditor to retain multiple data points and relate these points to the charge being audited.

Table 1 lists data points that are required to audit a delivery. The best paper invoices have critical data points needed to validate shipments and Table 1 lists the data points of a respected courier.

Table 1: Courier Invoice Data Requirements

Item	Audit Data Points	Courier Paper/PDF Invoice
1.	Invoice Number & Date	Invoice Number & Date
2.	Courier Name & Remittance Address	Courier Name & Remittance Address
3.	Bill to Name & Address	Bill to Name & Address
4.	Sold To (Acct #, Name & Address)	Sold To (Acct #, Name & Address)
5.	Order / Job / Control Number	Order / Job / Control Number
6.	Caller	Caller
7.	Driver Id (Name)	
8.	Delivery Type	Delivery Type
9.	Origin Name & Address	Origin Name
10.	Destin Name & Address	Destination Name and Address
11.	Order Number & Date & Time	Order Number & Date
12.	Ready Date & Time	
13.	Arrival Date & Time	
14.	Depart Date & Time	Depart Date
15.	Delivery Date & Time	Delivery Date & Time
16.	POD Name	POD Name
16.	POD Date & Time	POD Date & Time
17.	Mileage	
18.	Base Amount	
19.	Wait Time Amount	
20.	Fuel Surcharge Amount	
21.	Other Amount	
22.	Total Amount	Total Amount

The missing data elements prevent the auditor from identifying:

- Duplicate Deliveries
- Mileage Errors
- Returns
- Deadhead Mileage
- Faked Deliveries
- Unauthorized Deliveries
- Fuel Surcharge Errors
- Wait Time Charges
- Addon/Multi Stat Deliveries
- Mis-Applied Delivery Types
- Service Level Failures.

Unscheduled deliveries have many moving parts before the delivery is dispatched and the billing errors increase the complexity immensely.

The courier invoice is a document that Finance uses to allocate delivery costs to the correct General Ledger account, but the incomplete information leave LTC Pharmacy managers perplexed and searching for answers. The best that courier invoices provide historic reporting presented in a summary form:

Date	Delivery Type	Stop Count	Charge Amount
May 25, 2015	Route	185	$3885.00
	Stat	15	675.85
	Line Haul	2	$450.00

This summary table provides stop and cost values, but attempts to drill into the detail to better understand this major expense creates more questions than it answers. This limited data has created an environment where LTC Pharmacy executives do not trust their billing.

Courier Invoice Management Solution

Supply Chain Finance advocates that LTC Pharmacies recapture control of their delivery operations and has developed our Courier Invoice Management applications to support this effort. We have developed the tools that enable the LTC Pharmacy to remove complexity and better manage and predict delivery activity.

Delivery activity for LTC Pharmacy is complex where small, occasional deviations can impact facility stops and invoice amount. LTC Pharmacies are typically data rich and leverage their pharmacy management systems to project outcomes, but the best outcome for courier deliveries is to report the activity and expense that is rational.

Supply Chain Finance developed its Courier Invoice Auditing application to be low cost and provide Business Intelligence. We accomplish this by standardizing courier data and link this historic delivery data to other data generated by the LTC Pharmacy's Financial and management systems.

Our Courier Auditing application supports the LTC Pharmacies by requiring couriers to provide invoice data that satisfies the Audit Data Points in Table 1. Couriers may object, however, their delivery systems capture this data and they do have the capabilities to extract data files if the courier exerts the effort to generate the data.

Supply Chain Finance created its Courier Auditing application to support a large LTC Pharmacy and created auditing processes that are replicable and scalable. The application is a Web-Based solution where the LTC Pharmacy outsources the invoice audit, dispute management, and courier A/R communications to Supply Chain Finance and we manage the process.

Auditing courier invoices is more than just an application; it requires processes, document flow, and open communications with both the courier and the LTC Pharmacy. The processes that Supply Chain Finance established revolve around document management and follow process flow:

1. Receive Courier Invoices
2. Transform NonCompliant Courier Invoices and Normalization Data
3. Line-by-Line Charge Audit
   a. Centralized DataBase
      i. i.Contract Management
      ii. ii.Facility (Mileage, Status, and other management)
4. Disputed Charge Management
   a. Courier Level 1 & 2 Interface for Invoicing
5. Invoice Approval Workflow
6. Audited Invoice Payment Files
7. Reporting and Business Intelligence

This documented workflow has enable Supply Chain Finance to identify overbilled deliveries, to manage thousands of invoices per year, and to respond with accurate answers to short-pay inquiries.

Supply Chain Finance began its auditing service by auditing paper invoices which transitioned to our web based application where auditors manage each step of the audit process and reviews each billed transaction.

LTC Pharmacy Benefits

Supply Chain Finance audits courier invoices and identifies overbilled transactions, but more importantly we perform contract management and generate Business Intelligence.

Supply Chain Finance does not remove the complexity of courier delivery, but it does allow the LTC Pharmacy to manage courier activity, to forecast courier expense, to conduct productive courier reviews, to benchmark courier performance, and to re-assign FTE (Full Time Equivalent) to productive activities.

Supply Chain Finance discovered that it's auditing practice facilitated contract management. Our audit process identifies costs that are out of scope and documents the new costs. We require the LTC Pharmacy manager or Finance to approve the new costs before we process the delivery for payment.

LTC Pharmacies have created delivery reports pre-audit, but the effort (I am told) is herculean and subject to incomplete data. Supply Chain Finance has created many delivery reports, to unlock insight, and the following is a basic daily report. The purpose is to monitor daily deliveries and costs. Regional Director then overlaid each pharmacy's script count and devise business rules to ascertain delivery understanding.

Table 2: Daily Delivery Table

8/19/2014					
RSA	So. ########				
Pharmacy	Route stops	Sweep Stop	Stat Stops	Total Stops	**Daily AMT**
Pharmacy ####### 1	271	-	121	**392**	$5,994.99
Pharmacy ####### 2	303	-	141	**444**	$6,822.27
Pharmacy ####### 3	33	-	6	**39**	$547.47
Pharmacy ####### 4	76	38	70	**184**	$2,921.06
Total RSA	**683**	**38**	**338**	**1,059**	**$16,285.79**

Drill-Downs

- Number of Stats over $150
- Stat / Addon Ratio
- Number of Backup Deliveries

LTC Pharmacy prescription is subject to many variables and debate surrounds a measure that is universal. Supply Chain Finance believes that Cost Per Stop is a measure that is meaningful and is a fair measure for Multi-Site LTC Pharmacy comparisons.

Supply Chain Finance has documented each LTC Pharmacy and the average reduction in Cost Per Stop for all pharmacies is -18%. This reduction is consistent for all sizes of LTC Pharmacies.

Tracking courier expenses is volatile due to factors such as increase sales, changes in fuel costs or delivery rate changes. Table 3 tracks courier expense for a three year period and enable the LTC Pharmacy to monitor their success over time.
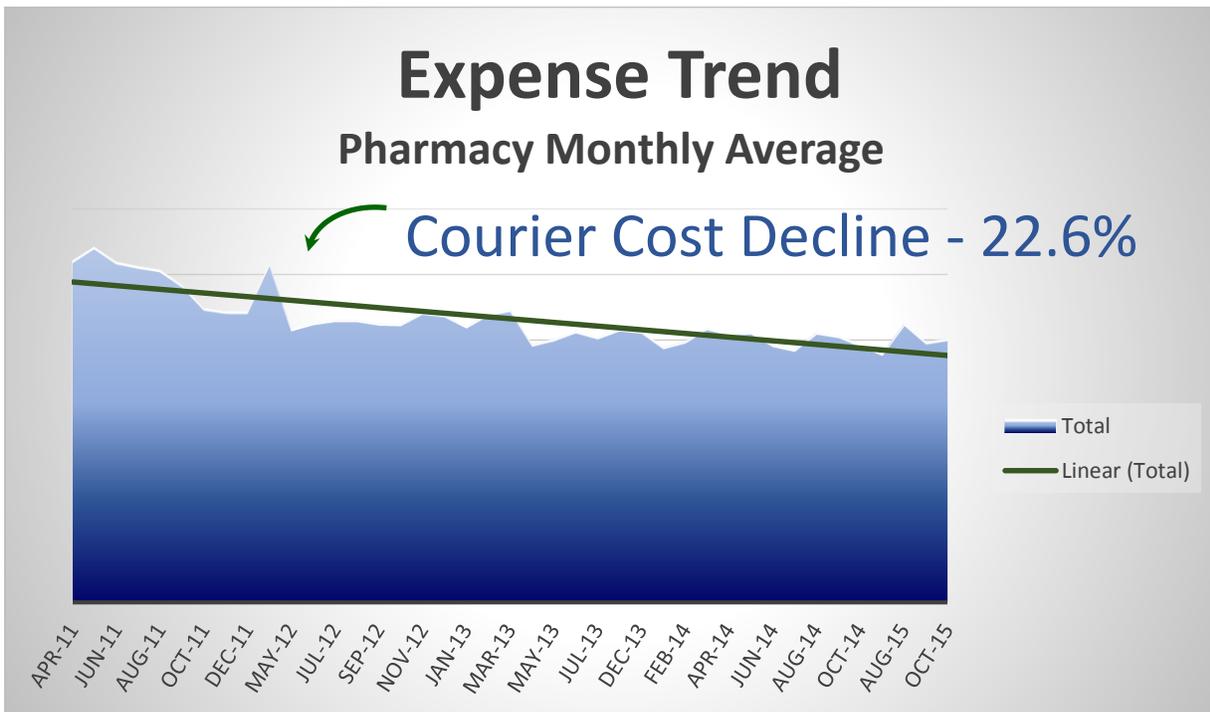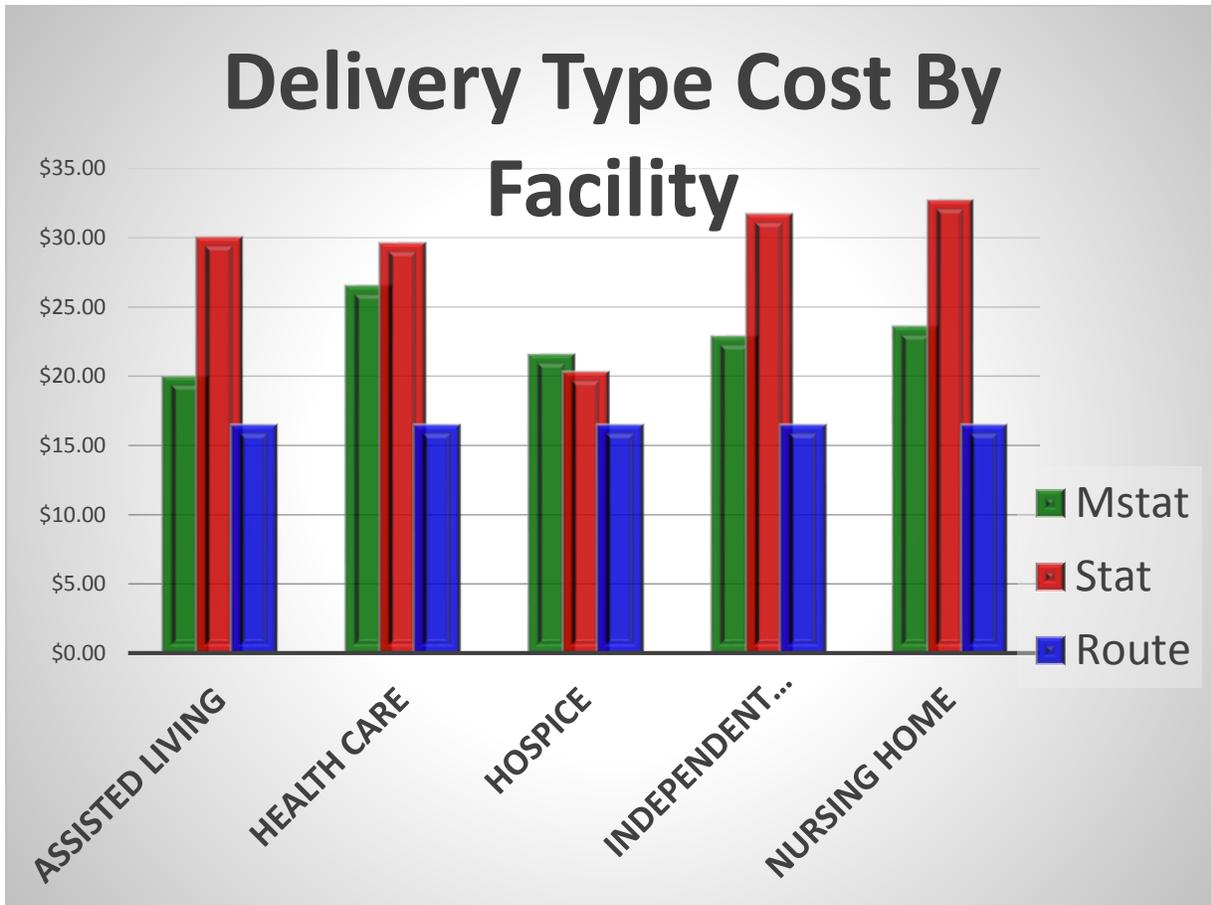
Table 3: Courier Expense Trend

Table 4 is a report example where a LTC Pharmacy was budgeting and requested Cost Per Stop by Facility Type. This report required Facility Type data and 1 hour to integrate with the audited data. The LTC Pharmacy gained insight and was able to complete their model.

Table 4: Cost per Stop by Delivery and Facility Type

About Supply Chain Finance

Supply Chain Finance is a Business Intelligence company that utilizes delivery data to lower supply chain costs. The company audits courier invoices that exceed $182 Million and have reduced cost per stop by over +18%. The company targets Long Term Care (LTC) Pharmacies where it audits courier invoices and transforms courier invoice data into Business Intelligence that enables clients to better manage their same-day delivery activity.