

# Supply Chain Finance, Inc.

## Self-Invoicing

Reduce Courier Spend by 34%



**SUPPLYCHAIN**  
F I N A N C E

### Case Study Examining

Supply Chain Finance Services that bring ROI to LTC Pharmacy programs to avoid Courier Expense.

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## Courier Auditing Overview

Supply Chain Finance was contracted to audit courier expense of \$3 Million which a Long Term Care (LTC) Pharmacy experienced yearly. The Courier Invoice Audit service that was implemented identified 15% of overbilled deliveries and enabled the LTC Pharmacy avoid \$837K in courier expense. Supply Chain Finance added to this savings by implementing and Self-Invoicing application which reduced stop counts and enabled the LTC Pharmacy to avoid an additional \$154K of courier expense.

## Long Term Care Pharmacy Situation

The LTC Pharmacy organization consists of four pharmacy branches that serviced 14,121 patients in 2012. The pharmacy's Facilities covered a 250 mile service radius. The pharmacy dispensed 146,000 prescriptions per month which averages 10 prescriptions per patient.

Table 1: LTC Pharmacy Statistics:

	Branch 1	Branch 2	Branch 3	Branch 4 Corp HDQ	LTC Pharm Total
<b>Patients / Beds</b>	5066	3537	2450	3068	<b>14,121</b>
<b>Prescriptions</b>	39,464	31,425	14,937	60,729	<b>146,555</b>

## Courier Expense

The LTC Pharmacy has outsourced its courier delivery operations for 10 years which enabled the LTC Pharmacy to focus upon patient care and reduce total operating costs. The courier brings a level of professionalism and skills that the LTC Pharmacy did not possess.

The couriers bring value to the LTC Pharmacy and the owners retained their services; however, courier expenses are the 3<sup>rd</sup> largest expense for the LTC Pharmacy which the owners track and initiative courier programs that yield disappointing results. Their CFO contracted Supply Chain Finance to implement a courier auditing service to remove the risk of approving un-audited expenses.

## Delivery Benchmark

Supply Chain Finance benchmarked the courier activity and documented that the split between Schedule (Route) and Unscheduled (Stat) stops was split equally. The cots per stop ranged from \$16.63 to \$39.81 between the LTC Pharmacy branches.

Delivery Types (Scheduled and UnScheduled) are split equally for the LTC Pharmacy, but the ratio differs between each Branch. The corporate headquarters runs daily line hauls to its branches which are sorted and delivered to facilities on their normal scheduled Routes. Branch 1 is open 24x7 and provides after-hour deliveries to its sister branches.



Pharmacy managers actively audited courier invoices and challenged overbilled transactions. However, Courier Invoice Auditing identified \$36k in overbilled deliveries (or 15% of the courier invoice) in the first month. These results are similar and have been replicated for other LTC Pharmacy clients.

Table 2: Monthly - Courier Delivery Activity

	Branch 1	Branch 2	Branch 3	Branch 4 Corp HDQ	LTC Pharm Total
<b>Route Stops</b>	1,220	1,056	684	1,126	<b>4,086</b>
<b>Unscheduled Stops</b>	2,182	318	420	1,006	<b>3,926</b>
<b>Delivery Costs</b>	\$135,431.30	\$33,947.48	\$18,359.30	\$65,530.02	<b>\$253,268.10</b>
<b>Audit Findings</b>	<b>-\$22,536.00</b>	<b>\$14,029.93</b>	<b>-\$30.79</b>	<b>-\$165.24</b>	<b>-\$36,761.96</b>
<b>Cost Per Stop</b>	\$39.81	\$24.71	\$16.63	\$30.73	<b>\$31.61</b>

Supply Chain Finance benchmarks delivery activity, due to LTC Pharmacy delivery activity is complex and the slightest variations in the dispensing process impacts stop counts. We are also able to use project courier delivery costs by utilizing Cost Per Stop measures.



## Courier Invoice Audit Solution

The LTC Pharmacy management contracted Supply Chain Finance to implement an auditing program to audit courier deliveries for each branch. We followed our protocol for Courier Invoice Auditing engagement which is documented in our [Courier Auditing White Paper](#).

Supply Chain Finance audited the first month's invoices and created the courier activity baseline. The audit's identified \$36k in courier over charges (see Table 2); which is typical for a first month audit. As Supply Chain Finance brings the courier billing under control, the identified overcharge amounts decrease and approach zero.

Two years into the auditing program, courier auditing enabled the LTC Pharmacy to reduce cost per stop by 18%. Supply Chain Finance implemented and developed Business Intelligence, Dashboards and Courier Scorecards that enable the pharmacy managers to better manage their delivery activity. We were able to help the LTC Pharmacy to optimize deliveries and reduce courier spend by 27%.

Table 3: Cost Per Stop → Baseline versus Audited

	Branch 1	Branch 2	Branch 3	Branch 4 Corp HDQ	LTC Pharm Total
<b>Baseline</b>	\$39.81	\$24.71	\$16.63	\$30.74	\$31.61
<b>Audited Invoices</b>	\$29.88	\$23.61	\$14.78	\$27.75	\$26.00
<b>Percentage Decline</b>	<b>-25%</b>	<b>-4%</b>	<b>-11%</b>	<b>-10%</b>	<b>-18%</b>

Supply Chain Finance brought the LTC Pharmacy's courier billing under control produced consistent and verifiable results.



## Self-Invoicing

Supply Chain Finance has demonstrated savings from its Courier Invoice Auditing and enable the LTC Pharmacy avoid \$831K in courier delivery charges. However, Supply Chain Finance identified an issue where the courier dispatched deliveries but they did not align with the LTC Pharmacy manifests that Supply Chain Finance analyzed. The company determined that the best solution is for the LTC Pharmacy to define authorized stops and require the courier to tie-out to its delivery manifests.

Supply Chain Finance developed and implemented an application where it creates a listing of approved deliveries and their extended costs to each stop. Our application integrates pharmacy delivery manifests and courier ePODs to accurately calculate courier stops and the corresponding costs.

The Self-Invoicing application generates daily reports that allow couriers and pharmacies to confirm delivery activity. Non-standard courier deliveries and approved miscellaneous charges are uploaded into the Self-Invoice application to create weekly Self-Invoices that are submitted the courier.

The courier is now responsible to tie-out to the LTC Pharmacy Self-Invoice document. This shifts the audit responsibility from the pharmacy to the courier. The courier benefits from Self-Invoicing because A/P begins payment processing and the courier receives payment faster.

Supply Chain Finance analyzed the Self-Invoicing data and discovered discrepancies in the courier deliveries. The analysis uncovered a large number of Route deliveries being delivered as Unscheduled deliveries (which are typically 30% more expensive), Route drivers adding Unscheduled deliveries (which should be billed at Route costs), and uncovered unauthorized deliveries that did have manifests.

Self-Invoicing leverages intelligence derived from LTC Pharmacy manifest and courier ePOD data to establish delivery activity. The data is processed through algorithms that calculate stop counts. Table 4 reports the movement between Delivery Types and the cost impact to the LTC Pharmacy delivery expense.

Table 4: Self-Invoice Delivery Type Comparison

**Courier Data**

	Branch 1	Branch 2	Branch 3	Branch 4 Corp HDQ	LTC Pharm Total
<b>Scheduled Stops</b>	514	318	173	341	1,346
<b>Unscheduled Stops</b>	234	31	62	104	431
<b>Delivery Costs</b>	\$21,516.00	\$8,632.34	\$4,149.62	\$9,828.00	\$44,125.96

**Self-Invoice Data**

	Branch 1	Branch 2	Branch 3	Branch 4 Corp HDQ	LTC Pharm Total
<b>Scheduled Stops</b>	588	325	189	343	1,445
<b>Unscheduled Stops</b>	143	14	42	93	292
<b>Delivery Costs</b>	\$19,671.50	\$7,279.04	\$3,574.37	\$9,439.00	\$39,963.91
<b>Self-Invoicing Savings</b>	<b>-\$1,844.50</b>	<b>-\$1,353.30</b>	<b>-\$575.25</b>	<b>-\$389.00</b>	<b>-\$4,162.05</b>

Self-Invoicing empowers the pharmacy with accurate delivery data and requires the courier to take responsibility for their deliveries by verifying authorized deliveries and obtaining approval for each non-standard delivery.

The Supply Chain Benchmark documented original courier spend of \$3,039K per year and a Cost Per Stop of \$31.61. The Courier Invoice Audit service identified 15% in overbilled transactions. The LTC Pharmacy was able extent this savings by utilizing Delivery Business Intelligence and extended the expense avoidance to \$831K, or 27%.

Courier Invoice Auditing is a process of reviewing historic delivery data and using intelligence gleaned from its analysis to manage future delivery activities. The Self-Invoicing application allows the pharmacy to leverage real-time data to define courier activity. The LTC Pharmacy is now in control of defining the stops which identified an additional 7% in savings for a 34% decrease or a total of \$938.6K in courier expense avoidance.



## 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.