

**/IFP 2019**

**BOSTON | OCTOBER 20-23**

# **Improving the Health of B2C Payments: How Children's Hospital of Alabama Shifted to Prepaid Cards**

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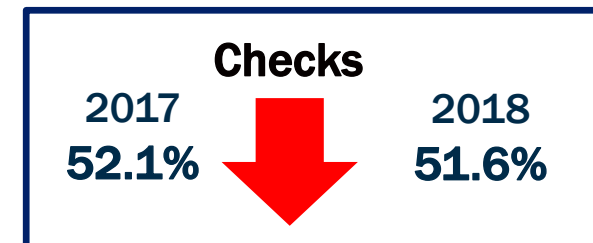
# Is Your AP Department Buried in Paper Processes?



# The Decline of Paper Checks

- Check payments are declining.
- According to a Federal Reserve Payments Study\*, rate of decrease has slowed dramatically.
- Check payments down by 0.8 billion after previous year's decline of 2 billion.

**Non-cash payments are growing while check payments decline<sup>1</sup>**



\*Source: Federal Reserve Payments Study, 2016, Page 4

<sup>1</sup><https://www.pymnts.com/disbursements/2018/disbursement-satisfaction-index-convenience-certainty-choice-payment-methods/>

# Digitization of Payments

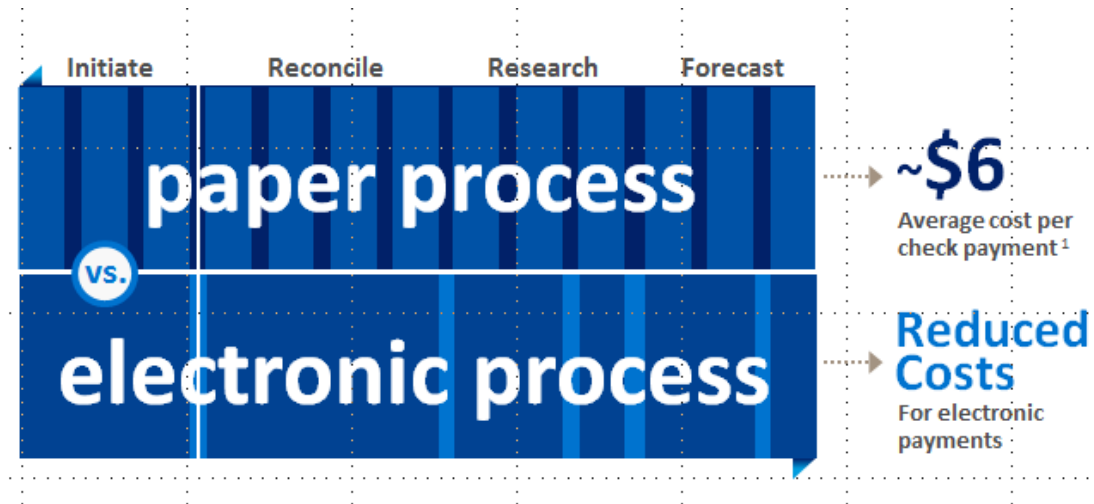
## Top reasons cited for P2E Migration<sup>1</sup>

Increased  
efficiency

**88%**

Reduced  
costs

**82%**



1. 2015 AFP Payments Cost Benchmarking Survey; Best Estimated Cost for issuing a paper check on a per item basis—mean: \$5.91, median: \$3.00

**79%**

Working to achieve P2E  
check conversion<sup>1</sup>

### Check challenges driving decline:

- Increasing cost of paper processes—including postage costs
- Slow to reach customers—perceived as poor customer service
- Losses from fraud and theft—plus the additional costs for stop-payment and reissues

# Children's Hospital of Alabama





# Children's Hospital of Alabama

- Founded in 1911.
- Deliver specialized medical care for ill, injured children, offering inpatient, outpatient services throughout central Alabama.
- Ranked among the best pediatric medical centers in the nation by *U.S. News & World Report*.
- Offered more than 677,000 outpatient visits, 15,000 inpatient admissions in 2018.
- One of the largest pediatric medical facilities in the U.S.



# Paper Checks: The Bane of Accounts Payable

- Paper check processing was plaguing accounts payable department.
- Mounting costs for the hospital:
  - 5,000 refund checks issued per year at a cost of ~\$5 per item
  - Returns
  - Check reissues
  - Fraud
  - Costly escheatment process for unclaimed checks
- All added to drain, strain on resources and increased FTE hours



# Manual AP Processes Were Becoming Too Cumbersome



Hospital's AP team had to:

- Make sure all check information was correct and entered accurately.
- Manually generate file for bank to process refund checks.
- Periodically review for checks that didn't clear.
- Work with State of Alabama to execute escheatment process for unclaimed, undeposited checks.



# The Influence of Demographic Preferences

- Patients are children but parents are financially responsible for delivery of care.
- Majority of patient's parents are millennials (born between 1981 – 1996).
- They prefer payment choices.
- The see checks seen as inconvenient, leading to uncashed or lost payments.



## A Culture of Innovation



- **Children's Hospital of Alabama has rich culture of innovation.**
- **Treasury's mindset focused on modernizing AP processes.**
- **Regularly seeks out new technologies to drive efficiency.**
- **Treasury improvements support hospital's mission of delivering highest quality care.**
- **Improving the patient/consumer experience was a key goal of digitizing payments.**

# Prescription for AP Success



- Treasury wanted flexible solution to meet the needs of a wide demographic – including rural communities.
- Prepaid Card solution for B2C patient refund payments was ideal.
- Card recipients can conveniently make card purchases; obtain cash from an ATM, cash-back POS transaction and/or bank teller; request a check for complete balance and close account if they do not wish to use the card.
- Bank responsible for communication with patients, about how program works, lifting the burden from AP.
- Customer service handled by the bank.

# Choosing the Right Solution

- Banking partners can be the best resource for identifying solutions.
- Keep communication channels open about what is and isn't working in your payments function.
- Communication opens doors that lead to solutions for the problems you're struggling with.





# Card Program Implementation Process



- Dedicated implementation manager oversaw development of project plan and technical follow-through.
- AP team worked closely with Bank of America to determine how data for card payment distributions would be delivered.
- Requirements had to be confirmed for authentication, security (non-standard token of patient Date of Birth).
- Confirmed platform hierarchy with Hospital and Practice locations segregated for ease of reporting and reconciliation.
- Technology considerations reviewed on integrating data within patient accounting system.



# Transition from Paper to Electronic Payments

- Children's of Alabama Hospital Account launched, June 2018.
- 12 Children's of Alabama Pediatric offices launched, January 2019.
- Over 4,000 cards issued since start of program.
- Added valuable benefit for underbanked population.
- Shifted to card payment environment with minimum process changes.



# A Healthy Outcome



- Cost of processing card payments vs. checks payments reduced by 20 – 25%.
- Escheatment liability, responsibility shifted to the bank.
- Reduction in paper checks has lowered risk of fraud.
- Less manual intervention frees up staff to work on mission-critical projects.
- Streamlined efficiency of AP and treasury processes.
- Improved patient/customer experience
  - No cost to recipients.
  - Virtually zero complaints.
- Card program opens door for additional innovative uses.

# Treasury Best Practices

- Maintain a proactive mindset, don't shy away from innovative payment tools.
- Fully understand the payment needs, preferences, and requirements of your customers.
- Don't delay making important changes today while waiting for the “perfect” technology solution coming down the road.



# What's on your mind?



# Feel free to contact us...



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