12 Expense Management Best Practices

FOR HEALTHCARE COMPANIES

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Introduction

Whether you are planning to write your first travel and expense policy or you are a travel veteran who has had one in place for many years, it's always wise to look outside your own bubble and see what other first-rate healthcare companies are doing to manage their employee and project spending effectively. This process enables you to refine and enhance your own expense-management program and incorporate industry best practices.

However, you can't simply hope to copy other businesses' T&E programs—regardless of their success. **To have a successful expense-management process, best practices must be clearly defined, successfully implemented, and customized to your company's unique needs.**

Emburse is trusted by more than 500 healthcare companies around the globe, including the University of Pennsylvania Health System, CoxHealth, the Compass Health Network, and Northeast Treatment Centers. We deeply understand the challenges and issues specific to the healthcare sector and work with our customers to develop and implement expense-management programs tailored to their specific travel needs.

This guide is based on more than a decade of direct experience. Here, we will explore 12 of the most effective expense-management best practices collected first-hand from a wide range of companies around the world—all of which can have meaningful benefits to any business' T&E program.

01.
Implement a per-diem system

Per diems are commonly used by healthcare companies, as they offer a simple way for finance teams to pay and account for employee T&E spend. Rates are set by location based on government-specified calculations for both domestic and international locations. This ensures that employees have a sufficient allowance to cover their costs. They consider various factors, from lodging and meals to transportation costs. This is especially important for global healthcare companies, which may see employees travel to high-cost locations like London, San Francisco, or Tokyo.

Putting per diems to work

Per diems are typically secured through a pre-approval process (see below). They can be offered either as a direct cash advance or by (re-)loading a payment card.

In addition to offering an efficient way for travelers to make purchases, per diems also provide an effective cost-control safeguard for the issuing company. This ensures that employees can't abuse the expense process by making out-of-policy purchases. As an extreme example, should an employee choose to dine at a Michelin-starred restaurant while traveling, they will be responsible for any costs over the per diem allocation, and there is no mechanism for them to reclaim the excess spend.

02. Require pre-approvals

Mandating pre-approvals for travel and other large purchases can greatly reduce the opportunity for over-spend—either inadvertently or through deliberate expense abuse. This is particularly effective when combined with per diems, which provide a full audit and approval trail for travelers' spend.

Pre-approvals often work in conjunction with a firm's purchasing card program or a "ghost" card (a single, centralized card number used across a department or organization) for travel booking. Although employees can browse and select their items/tickets, they can't complete purchases until a supervisor has approved them. These systems work by alerting approvers (who may differ, depending on the size of the purchase, per the company's policies) of pre-approval requests. The approver (or approvers) must then give their approval before the purchase or the travel booked.

Pre-approval improves efficiency

Another example of leveraging pre-approvals to streamline the overall process is using them as the starting point for expense reports. Travelers can submit pre-approval requests through their company's system for specific purchases or an entire trip. Once the trip is complete, the approved pre-approval can be "flipped" to an expense report, and transactions related to the trip are automatically allocated to the report within the expense solution. This eliminates duplicate entries of trip information and further streamlines the accounting and reconciliation/reimbursement process.

03.
Build an accountable plan

According to **the IRS**, every organization's expense reimbursement or allowance arrangement must include all of the following rules to be considered to have an accountable plan:

1. The expense must have a business connection. Deductible expenses must be incurred while performing services as an employee on behalf of the employer.
2. Expenses must be submitted promptly. Expenses must be adequately accounted for within a reasonable period of time.
3. Overpayment of expenses must be returned in a timely manner. Any excess reimbursement or allowance paid to an employee must be repaid to the employer within a reasonable period of time.

Establishing your plan's timeline

The definition of "reasonable period of time" depends on the facts and circumstances of the situation. However, actions that take place within these timeframes will be treated as taking place within a **reasonable period of time**:

- An advance is received within 30 days of the time an expense is incurred.
- Expenses are adequately accounted for within 60 days after they are paid or incurred.
- Excess reimbursements are returned within 120 days after the expense is paid or incurred.
- An employee provides an adequate accounting of outstanding advances within 120 days of receiving a periodic (at least quarterly) statement.

As an additional requirement in developing an accountable plan, **IRS Code Section 274(d)** states that substantiation requires an employee to submit the following items with adequate records (such as receipts):

- Amount of the expense
- Time and place of the expense
- Purpose of the expense
- Professional relationship of the employee to the persons receiving a gift, being entertained, or utilizing a facility or property

Given all these rules and regulations, companies must review their travel policy and guidelines documentation with employees regularly as updates occur (or at least on an annual basis).

04. Initiate a credit card program

Employer-provided "corporate" card (or p-card, travel card, meeting card, and/or virtual card) programs are plentiful and highly competitive—and offer numerous financial and operational benefits.

Here are just a few of the many benefits a good card program can offer:

- **Financial incentives and rebates for all purchases:** Corporate cards offer a cashback rebate for all spend, which can deliver significant benefits—in fact, many companies receive six-figure rebates on their annual card purchases.
- **Corporate cards reduce the cost of expense-report handling:** By integrating card data into T&E systems and automatically reconciling receipts with card data, the need for employees to re-key their expenses is eliminated, and the accuracy of the captured data is improved. This reduces the time employees spend creating expense reports and approvers spend ensuring compliance.
- **Using corporate cards reduces the number of falsified receipts:** Say, for instance, a dinner bill includes a 10 percent tip, but the employee submits a claim for a 20 percent tip. Using an employer-provided card eliminates the incentive and means to do so.
- **Carrying a corporate card eliminates the need for cash advances:** This not only streamlines processes for the company but also eases the process or the travelers themselves.

Addressing common credit card program concerns

Some believe that employees may incur miscellaneous charges for which the company could be liable. This risk can be mitigated by reminding employees, through your expense policy, that only legitimate expenses will be paid, provided they submit timely expense claims for those charges. Reinforcing a policy that denies reimbursement of expenses for late submissions—regardless of whether it's an employee liability card charge or a company liability card charge—is plenty of motivation for most users.

Companies can also eliminate concerns about illegitimate card use by providing pre-loaded physical or virtual cards based on per diems or pre-approvals. This enables them to offer the convenience of an employer-provided card without the liability of excess spending.

05.
Automate policy enforcement

Enforcing policy in a spreadsheet-based environment typically requires expense verification from several employees—all of whom could add more value to the company in other ways. An expense-management system applies expense-policy compliance rules through a **rules engine**. This ensures that all expenses are validated upfront against the company's expense policy.

Say, for instance, an employee traveling internationally had a pre-approved budget for lodging and meal spend. Relying on spreadsheet-based policy enforcement would not only require tedious manual approval for each expense, but would also open the door to potential fraudulent spending (as the result of inevitable human error and oversight).

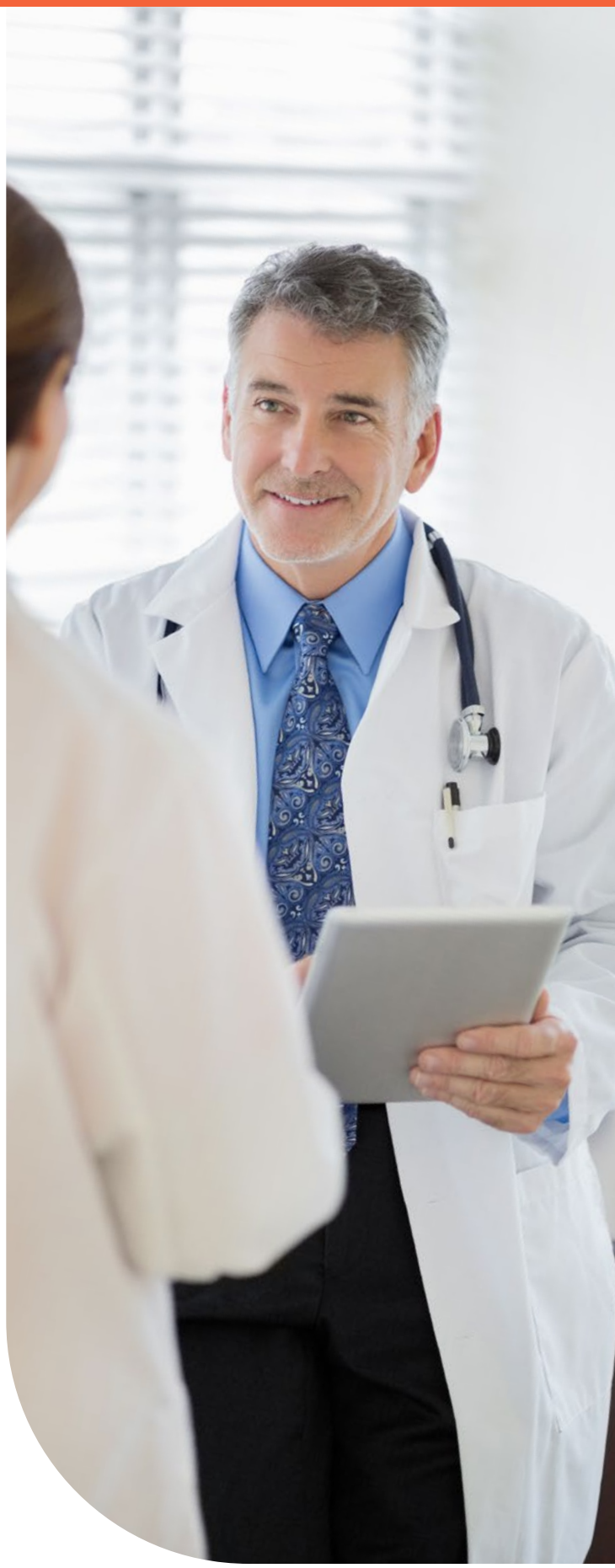
Let the machines do the thinking

With an automated process, the expense item is immediately flagged when a traveler attempts to enter an expense that is not compliant with policy. Depending on the type of infraction, the employee may be asked to explain. Approvers determine the outcome or may remove the item from the expense report altogether. Suppose personal items are charged to an employer-paid corporate card. In that case, expense owners can mark the item as personal, in which case the expense is automatically deducted from their out-of-pocket reimbursement.

06.
Clearly document the approval process

Many healthcare expense approval processes aren't codified or communicated effectively, leading to reimbursement delays and other inefficiencies. Taking a step back and examining roles, responsibilities, and delegation of authority makes it easy to build an approval matrix that can be automated within an expense-management solution. Especially when the solution employs a sophisticated business-rules engine that can handle virtually any combination of criteria.

Approval routes can be built based on hierarchy, transaction-value thresholds, expense allocation coding, attributes of the expense owner, and many additional criteria. Typical approval routing should have two to four levels of approval. Too few approval levels and organizations may lead to inadequate expense review. Too many approval levels, on the other hand, become complex to execute and maintain. Most companies prefer to have accounts-payable staff serve as the final step in the approval process before the approved voucher is exported to the financial system for payment.



07.

End penny-wise-and-pound-foolish audit practices

Auditing 100 percent of expense reports is a poor use of time and resources and gives finance teams a false sense of security. To ensure an effective auditing practice, accounts-payable groups should take a more methodical approach.

Elevate your audit approach

It is critical to decide who performs the audit: accounts payable or audit staff? Companies must determine a statistically valid sample size for auditing, and then have auditors—not accounts-payable staff—meticulously examine expense reports and receipts. This analysis should cover the details of the current report and a three- to six-month range of expenses for a specific expense owner.

Expense owners who fail the audit should be assigned to a risk category—for example, rated from one to five. Those assigned risk category five would have all their reports audited, whereas expense owners assigned risk category one would only have every tenth report sampled for an audit. Each company needs to determine its appropriate statistical sampling.

When an audit is completed, audited expense owners should receive an email informing them of any issues that need to be reviewed or congratulating them complying with the company's policies and guidelines. Conducting independent audits and discussing the results with employees has the power to change behavior across the entire company.

08.

Help employees make good decisions

Why do people cheat on their travel expense reports? While some admit to inflating or falsifying expenses intentionally few people who submit illegitimate expenses do so because they have an agenda of defrauding their employer. Instead, they may be opportunistic and do so because their expense processes make it easy.

Getting your healthcare company ahead of fraudulent submissions

There are several straightforward fixes that your organization can implement to help reduce the reimbursement of fraudulent expenses:

- **Require one expense report per trip,** so expenses are easier to track.
- **Issue corporate cards to frequent travelers:** This reduces the risk of companies never receiving credit for canceled flights, as well as other types of potentially fraudulent transactions.
- **Implement an expense-management solution** that automatically identifies many attempted expense fraud types.
- **Do not allow future-dated travel that is not charged to a corporate charge card.**
- **Establish an anti-collusion policy.** For example, require that the most senior employee always pay for a meal.

09.

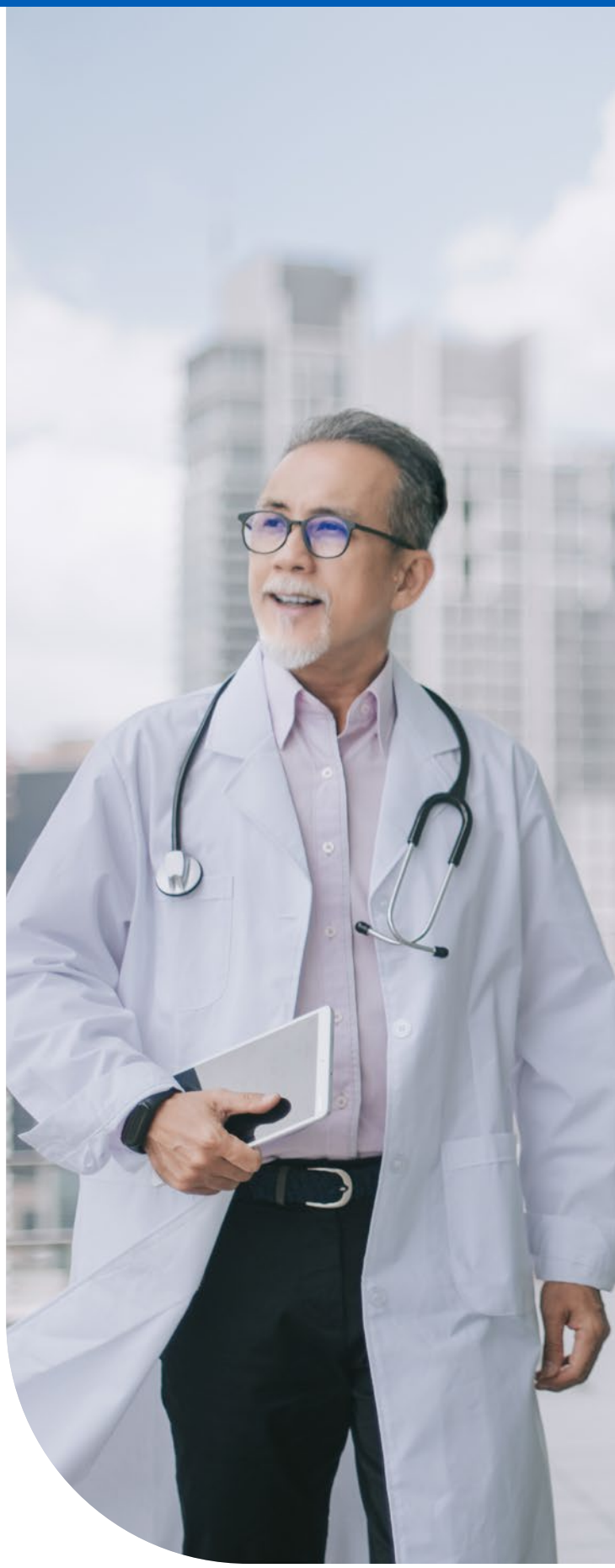
Take care of your travelers

Global healthcare companies require a slew of employees—from researchers and case managers to CXOs and executive assistants—to travel to countries worldwide. Ensuring the physical safety of these travelers is of paramount importance. Furthermore, travel risk management and duty of care are becoming more important than ever in a world that is becoming increasingly volatile due to geopolitical tensions and an ever-changing climate.

Duty of care

An effective duty of care plan requires both pre-travel planning and on-trip monitoring. A number of solutions collect crime/public safety, health, terror, and other weather/climate-related risk data for locations worldwide and provide this to companies on a subscription basis. This information can then be integrated with a travel-booking tool or an expense system's pre-approval module, helping to alert approvers of potential risks and providing an overall risk score. Approvers can then weigh the benefit/need for travel versus the risks that it may present when making their decisions.

Once a traveler is on their trip, the travel risk-management solution, combined with flight and hotel data from the travel-booking solution, can forewarn and quickly alert travelers of potential issues that could impact their travel.



10. Centralize the travel-expense process

Many of the processes described in this guide can only be put into place with the implementation of a robust expense-management solution. Without automated expense-management solutions, companies must rely on significant manual intervention to properly validate expenses against their T&E policy and ensure these expenses are routed to the appropriate approvers prior to payment. For large, multinational healthcare companies, this can add up to considerable numbers of people spread across departments and locations.

Centralizing saves time and effort

By implementing an automated expense-management platform, a consistent, programmatic approach replaces a substantial amount of human intervention:

- **Expenses are validated against the company's policy at the time of expense entry:** Employees can either be prevented from submitting non-compliant expenses ('hard stop') or be required to provide an explanation that will allow the approver to decide if full, partial, or zero reimbursement should be provided ('soft stop').
- **Approval-routing rules are applied based on attributes of the expense items or the entire report itself** (e.g., allocation department, cost center, project, funding). By employing a rules engine, the combinations of standard routing and exception routes are almost unlimited, yet easy to create and maintain.
- **Possible duplicate expenses can be flagged at the time of expense entry** or audited as part of analytics reporting.
- **Approvers can now focus on ensuring that proper allocations were provided for the expense and that spend is appropriate,** rather than being forced to worry about compliance with the company's policy.
- **Accounting and/or AP can be inserted as the last approver and have complete visibility** into any policy violations, explanations, management approvals, notes, and threaded dialogue included, along with copies of all receipts.
- **Approved expenses are automatically transferred to the company's financial system** and no longer have to be re-keyed into the financial system for payment.

11.
Stop cutting checks

In addition to requiring an unnecessary use of natural resources, creating and mailing hard-copy checks also has the potential to undo some of the benefits derived from automating everything up to that point. Companies engaged in best-practice expense-management behaviors are moving toward an automated ACH or EFT payment of all expenses. Here's why:

- **Reduced duplicate payments and fraud:** Paying expenses by check increases the potential for duplicate payments and fraud.
- **Reduced processing time:** The processing time for purchase, payment, and reconciliation is reduced significantly as the overall AP process becomes more efficient.
- **More timely payments**: An important benefit of reduced processing time is more timely payments, resulting in more satisfied employees.
- **Streamlined reporting:** Electronic payment data reporting improves information flow by reducing the need for manual inputs, increasing reporting accuracy, and improving process efficiency.
- **Improved spend analysis:** More comprehensive electronic data reporting on the company's payables improves spend analysis and fosters better expense management.
- **Enhanced compliance:** The automation generated by electronic payments increases the transparency of the AP process and fosters greater compliance with the company's policies, procedures, and IRS regulations.

12. Leverage your leverage

After implementing an automated expense-management solution that includes some (or all) of the above best practices, it is time to 'leverage your leverage' through analytics and business intelligence reporting.

The fact that thousands or millions of spend dollars flow through this highly visible environment provides an outstanding opportunity for financial and operational improvements, including:

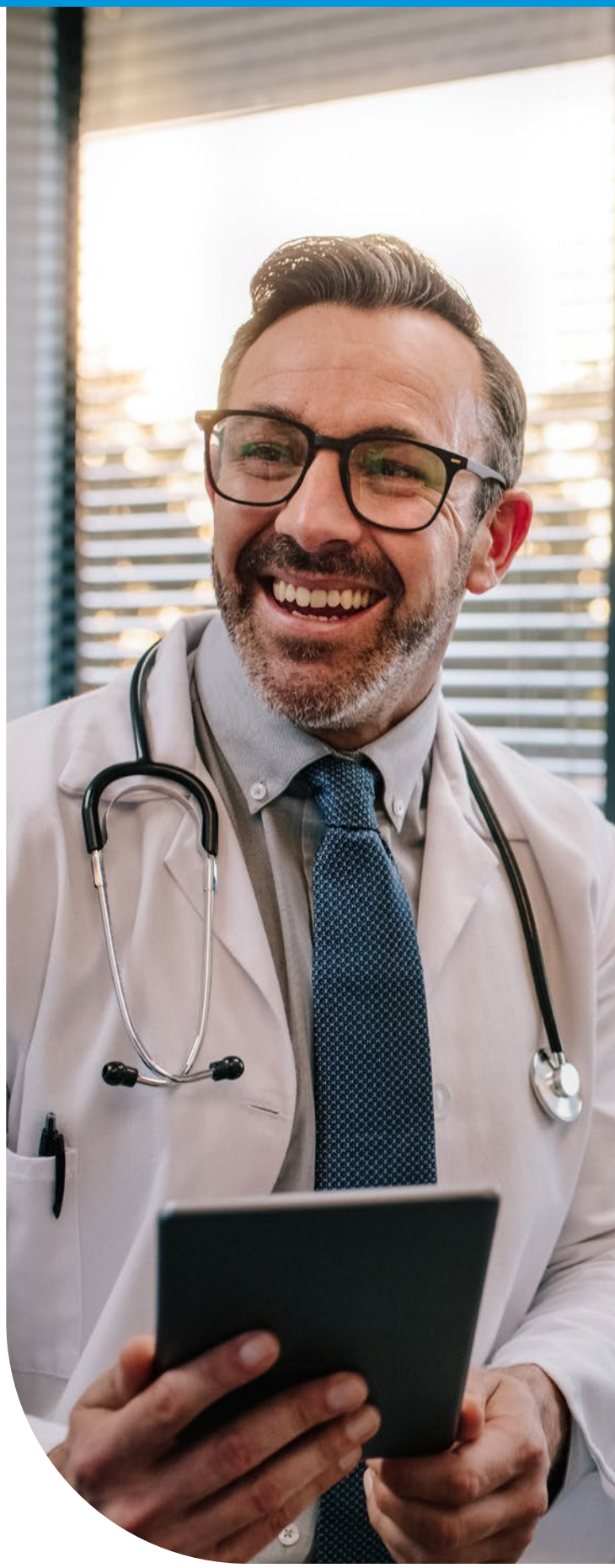
- **Analyzing spend by expense category to uncover opportunities for 'strategic sourcing.'** Evaluating total spending on certain types of expenses (e.g., flights, hotels, car rentals) may benefit a company to develop a preferred relationship with one or more key suppliers.
- **Analyzing and visualizing spend patterns through a straightforward, consistent platform.** Spot trends easily without having to pore through countless rows on spreadsheets. These insights can include hotspots in areas such as out-of-policy or inefficient spend, which can then be used to eliminate pockets of non-compliance, address policy gaps, or be fed back into future expense policies.
- **Providing tremendous insight into accruals and assisting with period-end close** by utilizing reports that pull together in-process card and out-of-pocket spend.
- **Using key performance indicators, such as open approvals aging, to help spot and remedy bottlenecks** in processes that are causing delays in reimbursement cycle times. Compliance reporting can help spot individuals and groups at higher risk for policy violations and provide meaningful insights into which of the company's policies may require further education and training.

The bottom line

Many healthcare companies are still dealing with manual expense-management processes. These outdated processes make it time-consuming and challenging to handle employee (and non-employee) reimbursements, cash advances, card-program reconciliation, and traveler safety. Increasingly, however, healthcare companies are prioritizing expense-management automation projects. This allows their employees to get back to their main mission: taking care of their accounts, projects, and patients. **The benefits of understanding best practices for expense management allow healthcare companies to focus on the more important tasks at hand—all while increasing employee satisfaction.**

It is important to choose an expense-management automation platform that allows your company to continue to evolve and grow into new ways of handling travel and expense management. A flexible, modern platform built on current technology standards is the best way to ensure that.

Emburse provides expense and invoice automation solutions that let business flow for more than 1,000 organizations worldwide. Our easy-to-use, enterprise-scale solutions enable future-readiness for all our customers. Maybe that's why Emburse is rated an expense-management leader by analyst firm IDC. Emburse's commitment to delivering a superior customer journey by creating long-term value for its customers, makes it a preferred choice of CFOs, CIOs, AP teams, travel managers, and business travelers.



Emburse can help

As finance departments transition to a modern finance department with more hands-off processes, Emburse offers a suite of award-winning expense and AP automation solutions. Emburse humanizes work by empowering business travelers, finance professionals, and CFOs to eliminate manual, time-consuming tasks so they can focus on what matters most.

For more information on Emburse, visit emburse.com, call **877-EMBURSE**, or follow the organization's social channels at **@emburse**.

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