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A healthier way to manage expenses

Using Scotiabank's Commercial Card program has enabled British Columbia's Interior Health to streamline expense management and put more money into patient care.

David Loukras,
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Services, Interior
Health

The ever-increasing challenge of delivering health care services has led provinces across Canada to look for new ways to improve efficiency.

As part of restructuring the delivery of British Columbia's health services, Interior Health was created in December 2001, amalgamating three health regions as well as several local area health councils. Interior Health serves the second largest geographical area in British Columbia covering 200,000 square kilometers with a client population of more than 700,000. With 16,000 full time staff, Interior Health provides a range of services from Acute Care and Mental Health to Laboratory & Diagnostic Services.

While the restructuring that created Interior Health was logical from a financial perspective, David Loukras, Director of Material Services for Interior Health, reflects that the ensuing centralization of the organization's purchasing function initially resulted in a net loss of efficiency and service levels.

"We had created a situation where we had a large volume of purchases to administer and the processing time was unacceptably long," says Loukras. "The process of authorizing, reviewing and accounting for each transaction was impacting our ability to process requisitions in a timely fashion. For example, bio-med engineers had to wait too long to acquire a new part. We knew we had to find a way to improve our system, so we asked Scotiabank for help."

A one-card solution for managing business expenses

In response, the Scotiabank team presented its Commercial Card solution highlighting its benefits as a complete expense management system. David Loukras immediately recognized it made sense for Interior Health.

"We have two main rationales for using cards for corporate expenses. First, we serve a very large geographical area that requires employees to travel frequently, and secondly, we have a large volume of purchases under \$500 each month," Loukras explains. "Before we implemented Scotiabank's Commercial Card program, we had a purchase order and reimbursement system. Our employees were using a variety of credit cards as payment — everything from Diners' Club to Canadian Tire cards. All the tracking and allocating of expenses was processed manually. Switching to the Commercial Card program meant we could consolidate all those cards and largely automate the accounting process for all transactions — producing the operational efficiencies we needed."



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A healthier way to manage expenses

Empowering employees is key to success

According to Loukras, the implementation of the Commercial Card at Interior Health required some adjustment on behalf of employees.

“By empowering our employees to make purchases in a way that makes sense for their individual needs, we are also asking them to be more responsible in an administrative sense,” Loukras explains. “With the Commercial Card system in place, we require each cardholder to monitor their account status online and edit the information, such as assigning the correct expense code or reallocating the cost to another department, before submitting their expenses. This was a function our accounting staff used to perform, and the initial response from employees was “Why am I doing this?”

Continues Loukras, “Changing the mindset of our employees was the biggest issue we had to face in the implementation. The initial perception that we were adding to their workload by implementing the Commercial Card shifted 180 degrees to a positive reaction, once employees recognized that by re-engineering the administrative processes we were actually making it easier for them to do their jobs.”

“Training employees to feel comfortable using the system was essential, but logistically, it wasn’t possible to get people together in a hands-on classroom environment. Instead, we spent two months developing an extensive how-to guide and set up a help desk to provide additional support.”

Deriving the maximum benefit from every implementation

Shaun East, Senior Manager of Commercial Card at Scotiabank, comments that one clear advantage of the Scotiabank Commercial Card is its adaptability to existing, and future business processes. “The client is always in control of establishing spending limits and purchasing restrictions on an individual card basis. The card program can be tailored to suit the needs of the organization, so you don’t have the security concerns that typically come when regular credit cards are issued en masse to employees.”

Sometimes a small adjustment can have a significant impact. “As an example, we added a line to the expense statements that Interior Health’s employees receive, to make it easier to verify the approved expenses at a glance. It’s a straight-forward request for us to execute, but it’s indicative of our desire to ensure each client derives the maximum process benefit through their Commercial Card program,” explains East.

Implementation benefits the organization, and the community

Since Interior Health began its implementation in March 2003, 860 employees have been issued Commercial Cards and the benefits are beginning to add up.

“Approximately 5,000 transactions per month that used to require manual processing are now being put on the card,” Loukras comments. “We use it for all travel and business expenses totaling approximately \$500,000 per month. Managing these expenses would have taken the equivalent of two full-time employees in Accounts Payable, and we were able to improve service in the Purchasing Department without additional staff. The system has made us sustainable where previously we were not.”

Loukras says using the Commercial Card has given employees more control over purchasing choices, which has had positive benefits in the communities served by Interior Health. “The Commercial Card has enabled our end users to buy locally, as opposed to having a supplier foisted upon them by a Head Office decision. That’s been very positive in terms of improving the perception of our organization at the grass roots level.”

As for purchasing restrictions, Interior Health established clear policies at the outset for card usage. “For example, our cards cannot be used to purchase capital equipment. The way the system presents the data makes it easy to monitor compliance with this policy. I can simply request a report of all transactions over \$500 to ensure the card isn’t being misused,” Loukras adds.

Best of all, concludes Loukras, “The money we’ve saved has gone directly back into patient care.”



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