

## Siemens Healthcare Sector

### Supplier Cuts Costs, Gains Visibility into Distributor Rebate and Chargeback Process

#### Opportunity

In 2007, Siemens acquired Bayer Healthcare's diagnostics division, which sold its products through an extensive distribution network. With this acquisition, Siemens inherited a distributor rebate and chargeback process. The company recognized that there was an opportunity for improving the process of consolidating data from multiple distributors, validating chargebacks and processing rebates. According to Joan Logan, distributor contract specialist (who had worked for Bayer and now Siemens), "the sheer volume of data submitted by the 80 plus distributor partners was tremendous and it took us a long time and a lot of people to validate every claim," said Logan. "Maintaining consistency in this process was a true challenge and required a solid error checking procedure." Siemens saw an opportunity to look for an effective solution.

#### Solution

As an equity owner of GHX, Siemens had been leveraging GHX's supplier exchange services to facilitate e-commerce with its provider customers. GHX had already been managing a small portion of the former Bayer's rebates and chargebacks prior to the acquisition, while Bayer managed the remainder internally. Siemens approached GHX to see what possibilities there were for partnering in the development of an effective and efficient solution.

GHX Channel Intelligence is a software and service solution that brings all aspects of the distributor rebate and chargeback process into a consolidated program and process. GHX was the likely choice to manage this process, not only because GHX had the experience of handling this in the past, but also because it offered more effective intelligence solutions than other options Siemens had investigated.

Using this Channel Intelligence solution, GHX now acquires distributed sales data from Siemens in a variety of formats, including EDI, Excel spreadsheets and paper, and standardizes it into a single consolidated report of Siemens' total sales and chargeback dollars from all of its distributor channels. GHX then cleanses this merged data using Siemens' predefined business rules. This involves cross-referencing the data with the customers in Siemens' customer master to assign each claim a customer ID, as well as cleansing product IDs, units of measure, GPO membership, quantities and dollar values.

### Overview

The Siemens Healthcare Sector is one of the world's largest suppliers to the healthcare industry and a trendsetter in medical imaging, laboratory diagnostics, medical information technology and hearing aids. Siemens offers its customers products and solutions for the entire range of patient care from a single source – from prevention and early detection to diagnosis, and on to treatment and aftercare. By optimizing clinical workflows for the most common diseases, Siemens also makes healthcare faster, better and more cost-effective. Siemens Healthcare employs some 48,000 employees worldwide and operates around the world. In fiscal year 2010 (to September 30), the Sector posted revenue of 12.4 billion € and profit of around 750 million €. For further information please visit: [www.siemens.com/healthcare](http://www.siemens.com/healthcare).

During the validation step, GHX verifies Siemens' distributor contract pricing, units of measure and all claims data. GHX then delivers an exception report listing data determined to be invalid to Siemens. Siemens analyzes these exceptions to uncover the issues, such as if a distributor claimed an item on the wrong contract number or if a contract had expired. Siemens corrects the report and delivers it back to GHX so that GHX can make the corrections within its system. GHX then revalidates the data and sends Siemens an updated report noting any remaining exceptions. Siemens uses the final report to approve its distributors' claims.

Siemens also leverages the GHX sales tracing solution to gain greater visibility into its sales through distribution. Through this solution, Siemens can access product sales performance by nation, region, individual territory, facility and distributor via a Web-based sales reporting application. This enables Siemens to obtain a clearer picture of which customers are purchasing its products through distribution.

## Results

Partnering with GHX, Siemens has better understanding and control of all details with less effort. The reduction in time and labor required to manage the process is saving Siemens hundreds of thousands of dollars per year in labor costs.

With greater visibility into distributor data, Siemens has improved the rebate and chargeback error rate by 10 percent, saving the company more than a million dollars over the course of two years. Today, Siemens can quickly validate claims and pay credits sooner. The company now pays its distributor rebates within 30 days, which benefits all parties involved.

"With this new validation process in place, our distributors know that we have accurate data on which to base our decisions," said Logan.

Additionally, with GHX, Siemens is improving the management of its distributor sales process, including customer contract compliance. The company has contracts in place under which providers must purchase a certain volume of products in order to obtain pricing discounts. The relationship with GHX has helped improve the visibility into these sales through distribution.

GHX provides Siemens with monthly reports detailing which customers are compliant with their purchasing agreements, enabling Siemens to validate its sales and ensure that products sold through distribution are purchased at the correct prices.

Siemens and GHX have established an effective, collaborative partnership which is continuing to evolve.

"I can call my contacts at GHX at any time and they are always available to help," said Logan. "We continually work together to review our needs and find ways to improve our existing processes. GHX has provided significant value to Siemens e-commerce solutions."

## Benefits

Siemens partnership with GHX has helped the company achieve:

- \$150,000 savings per year in labor costs, for a total savings of \$300,000 (2008-2009)
- Reduction of distributor overpayments by \$320,000 in 2008 and \$850,000 in 2009 for a total savings of \$1,170,000
- Improvement in the chargeback error rate
- Improvement in rebate turnaround times from between 60 to 90 days, down to approximately 30 days