

## SAP Customer Success Story Insurance



For **AOK**, Germany's leading health insurer, providing members with items such as walking aids was a time-consuming, error-prone, and expensive task. But, the **AOK** medical-aids portal – based on mySAP™ Supplier Relationship Management (mySAP SRM) – changed all that. Suppliers can now submit quotes online, while **AOK** has a transparent view of current market prices. With streamlined processes, the company managed to reduce procurement costs by more than 10% in some instances.



### **AOK**

#### **STREAMLINED PROCUREMENT WITH ONLINE QUOTE SUBMISSION – THANKS TO mySAP™ SUPPLIER RELATIONSHIP MANAGEMENT**

As market leader in the German health-insurance sector, AOK is responsible for the healthcare needs of 27 million people. With a network of 1,200 branches covering 17 different regions, the insurer employs some 65,000 people. In 2002, AOK spent €2.5 billion on medical aids such as incontinence pads and walkers. Faced with mounting healthcare costs and encumbered by a restricted view of current market conditions and prices for medical aids, AOK knew it had to optimize supplier-related purchasing – in order to meet these challenges head-on. Today, mySAP™ Supplier Relationship Management (mySAP SRM) not only helps the company reduce expenditures, it also helps accelerate delivery of essential medical items.

#### **KEEPING COSTS UNDER CONTROL**

Based on the SAP® solution, the company's new medical-aids portal enables streamlined e-procurement processes throughout the supply chain – a complete departure from the old manual-based methods. For example, when AOK needs products, the system automatically alerts suppliers via e-mail. Using secure passwords, approved AOK suppliers can then access the system from any Internet-enabled system and submit quotes. So far, feedback on mySAP SRM's user-friendly bidding function has been overwhelmingly positive – from AOK employees and suppliers. And with faster service, patients have been equally as pleased.

According to Lars Jacobsen, project leader at implementation partner IMG, “The new portal enabled AOK to integrate its purchasing professionals with its suppliers, accelerating business processes and cutting costs.”

AOK first rolled out mySAP SRM at two sites, focusing on products that required little or no contact between suppliers and patients – such as incontinence pads, aids for walking and for the visually impaired, motorized mobility products, and exercise

**“mySAP SRM allows AOK to optimize procurement of medical aids to the benefit of its members. The electronic quoting process enables AOK to lower prices, improve conditions, and streamline processes.”**

Hans Nass, Benefits Product Manager at AOK Systems

machines. As expenditures are likely to continue rising in this expanding market, AOK wanted to streamline processes and encourage competition among suppliers in an effort to keep premiums under control.

### **SIMPLIFIED QUOTING AND PROCUREMENT**

Hans Nass, benefits product manager at AOK Systems, says, “We aim to boost member satisfaction by maintaining rapid, high-quality service and by providing medical products at lower cost.” With mySAP SRM, everyone benefits. Members can now obtain medical aids much more easily, while AOK has a transparent view of current market prices. The portal also generates more business opportunities for suppliers and enables faster, more effective communications with AOK.

The health insurer chose mySAP SRM in part because it already had SAP software deployed throughout its enterprise, which meant the new solution would integrate easily into the existing IT infrastructure. Moreover, the solution’s procurement functionality met all key goals. “First, we wanted to enable authorized suppliers to submit quotes electronically,” says Nass. “Second, the solution had to ensure compliance with legal requirements and display key product parameters. It also had to allow us to reduce costs and comply with data-protection regulations.”

### **FOUR MONTHS FROM START TO STATE-OF-THE-ART**

In June 2002, AOK began testing the new portal in Westphalia-Lippe for procurement of reading devices for the visually impaired and incontinence products. AOK purchasing professionals were able to easily request and collect quotes from participating suppliers and get approvals – all online.

The pilot project proved highly successful: After only two months, 50% of the 140 locally based suppliers for products covered by the trial project had registered. For each of the 600 requests posted so far, an average of five or six quotes were submitted, in some instances at prices well below negotiated contract prices. The average savings: more than 10%.

Spurred on by the success of the initial project, two other AOK regional organizations went live with the mySAP SRM solution in late 2002. Similarly positive results led to the decision to roll out the solution across Germany.

## POSITIVE FEEDBACK FROM SUPPLIERS AND MEMBERS

AOK asked suppliers and members for feedback on the pilot project: Of the 53 suppliers and 122 members to respond, 60% experienced no problems with the new system and were impressed with its intuitive look and feel. And, most suppliers

**“Thanks to mySAP SRM, AOK has more direct contact with suppliers. It can provide a better service to its members, boosting customer satisfaction. Further, mySAP SRM requires impressively short implementation times.”**

Steffen Schubert, Project Manager at SAP Consulting

needed no training for the new software. Some 70% of the members described the new process as “innovative, advanced, and helpful” – put simply, “a great new service from AOK.” More than 90% also expressed either part or full satisfaction with the service provided by the suppliers.

## AT A GLANCE

<b>Company</b>	AOK, Germany's leading health insurer
<b>Project</b>	Implementation by AOK Systems of a Web-based procurement solution for medical aids, with online quote submission
<b>Software</b>	mySAP™ SRM
<b>Suppliers</b>	Approximately 150
<b>End users</b>	Currently 20 (will grow to several hundred)
<b>Products</b>	Approximately 14 medical-aid categories, comprising a wide variety of individual products

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