SAP Payback and Chargeback Solution at BDI Pharmaceuticals

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Learning Points

- Learn how to easily reconcile and resolve disputes.
- Hear how to establish a full-audit trail for the entire chargeback lifecycle.
- Find out how to reduce the man hours needed to process chargebacks.
Return on Investment

- The paybacks and chargebacks process at BDI Pharma wasn‘t streamlined. An effective chargeback process was needed to recover the difference between acquisition cost and customer sales price. There was a need to reduce errors, validate claims, reduce disputes, prevent overpayments, and achieve extensive savings in labor costs.

- Using SAP paybacks and chargebacks, BDI Pharma is able to manage the entire chargeback process lifecycle - from claim initiation and receipt through adjudication, accrual, settlement, and post-settlement adjustment.

- The solution enables BDI to realize savings through improved process efficiency, accuracy, and visibility
Best Practices

- List 1 or more practices that can be obtained specific to your topic area.

- We need to add content here
Key Learnings

- Highlight/summarize 3-5 key learning points from presentation

We need to add content here
Chargebacks

Compensation Management

Can we improve this slide with an outline of upcoming content?
Process Flow

Manufacturer
- Contract Negotiation with GPO or End Customer
  - Send Bid Award to Wholesaler

Wholesaler
- Receive Contact Award Notification (EDI 845)
  - Receive Order
    - Ship Product and Invoice End Customer
  - Chargeback Request (EDI 844)
    - Record Response & Release Chargeback to Accounting

End Customer
- Place Order with Wholesaler
  - Receive Product and Invoice

Real Experience. Real Advantage.
Business Flow in SAP - BDI

1. Condition Contract
2. Sales Order
3. Delivery
4. Billing
5. Chargeback
6. Collective Chargeback
7. Chargeback Reconciliation
8. Chargeback Settlement

Manual Contract Creation
Accrue chargeback in FI
Send EDI 844 chargeback to vendor
Manual Reconciliation
Reverse accrual and post chargeback to FI
Condition Contract

- Condition Contracts need to be created in SAP to represent the Chargeback Contract with the Vendor.
- The Prime Elements within the condition contract are Vendor Number, Customer Number for whom the contract is pertinent, Material Number and the Contract Price for each material as part of the Contract.
- The Customer number specified here is the Sold to Party.
- The Validity of the Contract, Customers and Material can be maintained individually.
- Provision available to maintain the external contract number, which would be the number that is currently maintained and used for communication with the vendor.
Sales Order – Price Determination

Create Sales Order

Determines Condition Contracts and Enhances Access Sequence

Sales Order
Calculation schema contains condition type to read special price or discount. Chargeback is calculated as difference between standard price and special price.

Special price, Special discount

Document Flow

Condition Contract
Special Price
Special Discount

Condition Tables
Sales Order – Price Determination

- Create Sales Order
  - Determines Condition Contracts and Enhances Access Sequence
  - Condition Contract:
    - Special Price
    - Special Discount

- Sales Order
  - Calculation schema contains condition type to read special price or discount. Chargeback is calculated as difference between standard price and special price.

- Special price, Special discount

- Condition Tables

Document Flow
Once a valid contract is found, a new Tab is populated in the sales order along with the details of the contract details that were applied to that line item in the Order. This happens automatically and no user intervention is required.
In the pricing, the system applies the contract price from the contract and also the difference between the WAC and contract is calculated.
When the Invoice is created against the customer, a Chargeback Document is automatically created with all the details needed for sending the chargeback to the Vendor. Again no User Intervention is required and this document is automatically triggered.
The accounting document that is generated at the time of customer invoicing, creates a liability against the customer based on the Contract price and the value of difference between the WAC and Contract is posted to a provision account.
The Chargeback Document that is created automatically when the customer Invoice was created can be reviewed for accuracy.
The Chargeback document is created with reference to the Customer Invoice and the Invoicing Party is the Vendor as maintained in the contract.
The Chargeback Document is created for the Difference of the WAC and Contract price. In this example, it was $ 20 /-
The Chargeback Document that is created automatically when the customer Invoice was created is blocked by default from Posting to accounting with the thought process that the document would be released to accounting once the vendor confirms the acceptance of the chargeback. Once the document is released to accounting see the accounting entry below.

![Display Document: Data Entry View](image)

<table>
<thead>
<tr>
<th>Document Number</th>
<th>Company Code</th>
<th>Fiscal Year</th>
<th>Document Date</th>
<th>Posting Date</th>
<th>Reference</th>
<th>Cross-CC no.</th>
<th>Currency</th>
<th>Texts exist</th>
<th>Ledger Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000000189</td>
<td>1000</td>
<td>2011</td>
<td>10/13/2011</td>
<td>10/13/2011</td>
<td>0090000326</td>
<td></td>
<td>USD</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Account</th>
<th>Description</th>
<th>Assignment</th>
<th>Material</th>
<th>Amount</th>
<th>Curr.</th>
<th>Quantity</th>
<th>Purch.Doc.</th>
<th>Unit</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>301060</td>
<td>Baxter Healthcare Corp.</td>
<td>0090000326</td>
<td>USD</td>
<td>20.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>122010</td>
<td>GPO CB Receive-Sales</td>
<td></td>
<td>USD</td>
<td>20.00</td>
<td></td>
<td>1</td>
<td>10P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>122010</td>
<td>GPO CB Receive-Sales</td>
<td></td>
<td>USD</td>
<td>20.00</td>
<td></td>
<td>1</td>
<td>10P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>217600</td>
<td>Prov Gain Chargeback</td>
<td>20110100000189</td>
<td>USD</td>
<td>20.00</td>
<td></td>
<td>1</td>
<td>10P</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Collective Chargeback

Individual Chargeback documents can be combined into a consolidated chargeback document and sent to the Vendor as an EDI 844. This consolidation can be setup based on different criteria like Vendor Number, Billing Type etc.
Collective Chargeback

Upon running the collective Chargeback functionality, the system generates the log. In the example above, Chargeback Documents 58 and 59 have been combined into document 60 and the status of the 58 and 59 documents is set to “Complete”, which implies that no more processing can be performed on those documents.
Collective Chargeback

In the Collective Chargeback document, no reference is given at the header as this document has been created against multiple customer billing documents and all the line items from all the referenced billing documents shows up in this collective document.
Collective Chargeback

The Reference to the Original Billing document is held at the individual line item.

![Image of Chargeback interface with highlighted Reference Document]
Collective Chargeback

The Reference to the Original Billing document is held at the individual line item.

Change Chargeback (CHBK) 60: Item Details

Billing Data
- Billed qty: 1
- Qty Conversion: 1
- Site: BDI Pharma, Inc
- Activity Reason:

Volume/Weight/Points per Billing Document Unit
- Volume: 0.020
- Net Weight: 0.050
- Gross Weight: 0.050
- Points: 0.000

Reference Document
- 14 Billing Document: 0099000328

Source Document
- 03 Credit Memo: 0099000058

Referencing Contract
- 1 Condition Contract: 0099000002
Collective Chargeback

Because of the reference to the billing documents is at the Line item level of the chargeback document, the IDOC is structured to have the Ship to Partner at the Line Item, as the different customer invoices could theoretically be for different ship to parties.
Collective Chargeback

Once the Acknowledgment for the chargeback (Manual or EDI 849) is received, the document can be reviewed and the Collective Chargeback document released to accounting.

Should there be a screen shot here?
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