



## Improving Cash Flow Through Chargebacks Reconciliation at a Pharmaceutical Wholesaler and Distributor in the US



### Background:

A pharmaceutical wholesaler distributor in the U.S., handling a diverse portfolio of pharmaceuticals, including brand-name and generic drugs. This wholesaler serves pharmacies, hospitals, and other healthcare providers nationwide, operating on thin margins and facing significant working capital requirements due to extensive inventories and complex pricing agreements.

**Challenge:** The wholesaler was experiencing cash flow issues due to delays in collecting chargeback reimbursements from pharmaceutical manufacturers. The delays were primarily caused by a lack of efficient reconciliation processes, errors in chargeback claims, and disputes over contract terms. These issues resulted in:

- An increasing backlog of chargebacks receivables.
- Disputes with manufacturers leading to further delays in reimbursements.
- Cash flow constraints that affected the company's ability to pay suppliers and manage inventory effectively.

**Objective:** To improve cash flow by streamlining and enhancing the chargebacks reconciliation process, reducing the time it takes to collect reimbursements from pharmaceutical manufacturers.

### Solution:

One of our team members, who previously served as the Controller at the pharmaceutical wholesaler and distributor, led this initiative. With their extensive experience in the industry and deep understanding of chargeback processes, they implemented a comprehensive chargebacks reconciliation strategy that included the following steps:

1. **Automation of Chargeback Claims:**
  - Leveraging their knowledge of internal processes, they implemented an automated chargeback management system that integrated with the wholesaler's existing ERP system. This automation allowed for accurate and timely creation of chargeback claims, significantly reducing errors from manual data entry.
2. **Data Validation and Cleansing:**
  - The team member introduced data validation protocols to ensure that all sales transactions matched contract terms, prices, and eligibility criteria before submitting chargeback claims. This

proactive step greatly minimized discrepancies and reduced the number of disputes with manufacturers.

3. **Real-Time Reconciliation:**

- Under their guidance, the chargebacks reconciliation system was enhanced to provide real-time matching of receivables with payments from manufacturers. This upgrade enabled the finance team to promptly address discrepancies, resulting in more accurate and timely receivables tracking.

4. **Centralized Contract Management:**

- A centralized contract management system was established to maintain up-to-date contract terms, pricing, and eligibility information. This system ensured that chargeback claims were submitted according to the latest contract details, significantly reducing submission errors.

5. **Dedicated Chargeback Team:**

- They formed a dedicated team focusing exclusively on managing chargeback claims, tracking receivables, and resolving disputes with manufacturers. This team also followed up on outstanding claims proactively, expediting the collection process.

**Outcome:** The expertise and leadership provided by the team member led to significant improvements in cash flow and operational efficiency:

1. **Reduced Collection Time:**

- By automating the chargeback claims process and quickly resolving discrepancies, the time to collect reimbursements from pharmaceutical manufacturers decreased by 30%. This improvement resulted in faster cash inflows, helping the wholesaler better meet its working capital needs.

2. **Minimized Disputes:**

- The integration of data validation protocols and centralized contract management reduced errors in chargeback submissions. Consequently, the number of disputed claims dropped by 25%, further accelerating the collection process.

3. **Improved Cash Flow:**

- With a streamlined chargeback reconciliation process, the wholesaler's cash conversion cycle improved, leading to enhanced liquidity. This enabled the company to pay suppliers on time, negotiate better purchasing terms, and optimize inventory management.

4. **Decreased Backlog of Receivables:**

- The finance team, under the direction of our team member, successfully cleared a significant portion of the chargebacks receivables backlog. This reconciliation resulted in an immediate cash infusion, positively impacting the company's financial health.

5. **Increased Operational Efficiency:**

- The automation and centralization of chargeback management freed up the finance team to focus on strategic initiatives, including optimizing contract terms and improving supplier relationships.

## **The Finstru Rx Finance Advantage**

This success story showcases how **Finstru Rx Finance** can add value to pharmaceutical wholesalers by bringing specialized financial expertise tailored to the industry's unique challenges. Our team members, who have firsthand experience managing chargebacks, contract pricing, regulatory compliance, and cash flow optimization, are well-equipped to transform financial operations.

Whether you're a large pharmaceutical wholesaler or a niche healthcare provider, Finstru Rx Finance offers tailored Fractional CFO services designed to streamline processes, enhance cash flow, and improve overall financial health. Reach out to us today to see how we can help your business thrive in a complex, dynamic market.