

National Century Financial Enterprises (NCFE)

Builds portals to sustain rapid growth while lowering costs

Industry: Financial Services

Products: BEA WebLogic® Enterprise Platform (BEA WebLogic Server™, BEA WebLogic Portal™)

Partner: Sun Microsystems

Summary

NCFE is the largest source of healthcare receivables financing in the USA. The company built a portal utilizing BEA's Java 2 Enterprise Edition (J2EE) framework in order to bring on clients faster, lower the cost per transaction, enable rapid application development, and increase business agility.

Problem: Increase market leadership

The company required greater and more streamlined transaction processing and interaction with clients in order to improve customer satisfaction and increase customer lifetime value, and accelerate the client closing process to increase cash flow and open new markets.

Solution: Enterprise portals and applications

NCFE built portals that are focal points of daily interaction with clients, investors, and employees. NCFE created a single J2EE-based architecture that will support the company through the next 10 years.

Results

- Dramatic improvements in efficiency, saving NCFE and its clients more than \$100,000/year with report creation, delivery, and archival alone
- Helps NCFE accelerate its business and enables the company to be more knowledgeable on an enterprise level
- Enables NCFE to broaden its markets
- "We now have an infrastructure that enables the business to quickly adapt and grow."

Benefits

- "Scalability, reliability, and manageability were of paramount importance."
- "BEA is very good about supporting current and emerging standards."
- "The combination of BEA and Sun gives us a lower total cost of ownership by providing solid technology, service, and support."



THE BUSINESS CHALLENGE

The lifeblood of a hospital is its cash flow. Hospitals and health care facilities must operate with efficiency regardless of their sources of funding, and cash flow financing is extremely important. National Century Financial Enterprises, Inc. (NCFE) is the market leader in healthcare finance focused on providing medical accounts receivable financing to middle market healthcare providers.

Since its inception in 1991, NCFE has serviced and purchased more than \$15 billion in healthcare receivables and raised over \$4.8 billion through securitized healthcare receivables financing. NCFE is the largest source of healthcare receivables financing in the USA. NCFE serves more than 2100 medical providers including hospitals, nursing homes, home healthcare agencies, specialty clinic physician groups, durable medical equipment providers, laboratories and other disciplines within the healthcare industry. NCFE's 2,100 clients represent about 50,000 doctors and other health care providers.

NCFE has a demonstrated track record of generating substantial growth in revenues and profitability. Total revenues have increased at a compound annual growth rate of 40 percent. NCFE's success is based upon its core ability to predict and monitor the collection of receivables. Unlike other methods of financing, NCFE's purchase of healthcare receivables helps under-funded hospitals and health care providers unlock an important asset. Essentially providers can use this financing as a rolling line of credit; selling new receivables and paying down the debt with receivables collected. The more this process can be automated, the more efficient it can be for both NCFE and its clients.

The competitive advantage of providing access to cost-efficient capital not only benefits healthcare providers, but also presents a unique opportunity for investors. NCFE's asset-backed securities provide a consistent rate of return for investors. NCFE has created a superior proprietary system that benefits both sellers and investors.

"NCFE has spent years putting in place state-of-the-art receivable purchasing and tracking systems by continuously adding and improving on their core platform. These systems have been key to keeping NCFE ahead of the competition," said Kevin Armstrong, associate vice president of the Technology Group at NCFE. The company relies heavily on its proprietary systems to run every aspect of the business. NCFE's existing environment uses IBM AS/400, but developing on, maintaining, and scaling the IBM platform proved to be extremely expensive. There are also many Microsoft-based servers running variety of systems, including EDI, augmenting the AS/400 platform.

NCFE felt that a program to replace and consolidate the entire platform would further increase its market leadership. The company wanted greater and more streamlined interaction with clients in order to improve customer satisfaction and increase customer lifetime value.

In addition, NCFE wanted a way to accelerate the client closing process to increase cash flow. NCFE also wanted to expand its available market segments by enabling online loan processing and lowering the total cost per transaction.

In an industry where business needs change constantly, agility and flexibility are critical. Frequent changes in reimbursement, for example, present a challenge to NCFE's clients as well as to NCFE. These changes affect the entire healthcare environment from financing to providers and payers. All parties have to keep up on these different changes. NCFE's ability to quickly adapt to these changes has always been key to the company's success. NCFE demands a tremendous amount of flexibility out of its business systems.

Traditionally, NCFE had developed its core applications on a departmental basis. The segregation of data, processes, and systems produced redundancies and limited the sharing of information. To address these challenges, NCFE decided to create a single enterprise-wide architecture that would support them through the next ten years. In addition, changes in their organization enabled them to make sweeping process changes across multiple departments. This enabled them to create new standards based applications with shared and reusable components and business logic based on re-engineered process flows.

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To accommodate the growing needs of all of its users, NCFE decided that an architecture based on the Java 2 Enterprise Edition (J2EE) standard and the UNIX operating system would be the best environment for its portals. NCFE did not want to create simply a Web front end to its legacy applications. “Eventually that would have been a bad investment in terms of still maintaining the legacy applications and then modifying the Web applications,” said Armstrong. “With that in mind, we decided on a J2EE architecture with the portals as a gateway to provide information, not only to our extranet users including the healthcare providers and investors, but to our employees as well.”

“NCFE needed an architecture that is flexible, a good environment to develop on, a quick environment to develop on, a good and easy environment to deploy on, and a stable environment to run in production,” said Armstrong. “We were looking for a scalable platform that would give the outside world a feeling of confidence.”

THE BUILT ON BEA™ SOLUTION

BEA WebLogic Server and WebLogic Portal serve as the foundation for NCFE's software architecture. “We are rewriting all of our core legacy applications on BEA's software stack,” said Armstrong. “BEA is a trusted foundation, and this infrastructure offers extremely high strategic value to our business. It is strategic for us to put in an architecture that allows us to continue to grow the business on a 40 percent or higher

rate per year without adding the equivalent headcount. This is extremely important to National Century, and we have been extremely successful at doing it. We have the least amount of people for the amount of portfolio or outstanding financing — not even close to any of our competitors.”

“Open standards are also extremely important,” continued Armstrong. “BEA is very good about supporting current and emerging standards. Also, the clustering capability BEA provides was a big factor for us, given our need to scale horizontally as opposed to vertically,” said Armstrong. “This, combined with a complete solution for delivering a self-service portal application to our customers, made BEA the right choice for NCFE. BEA’s support has been exceptional and phenomenal.”

The total cost of ownership of the company’s previous solution, based on iPlanet, was very high. “We had one to three people in our development group every day working on production issues, just keeping the production environment running,” said Armstrong. “We configured the BEA software, which took us only a couple of days, whereas the previous environment took us a couple of weeks. Our deployment is now down to a couple of hours, as compared to the few days it took in the previous environment. So, from a development-deployment side, we’ve seen a drastic change in the cost of ownership thanks to BEA.”

NCFE is building a customer information service that includes the workflow and all information related to each customer. It shares the architecture and data with the online transaction system, enabling NCFE to bring on clients faster, lower costs per transaction drastically, and enable future developments to be much faster.

Sun’s hardware solution provided a strong foundation for NCFE’s solution. “Scalability, reliability, and manageability were of paramount importance in choosing the platform for our new J2EE architecture,” said Armstrong. “Sun’s ability to scale horizontally allowed us to scale our systems in exactly the way our business grows. We chose Sun hardware and the Solaris operating environment because we needed a system that could be 100 percent reliable, 100 percent of the time. Sun offered us the scalability and performance we required to reach that goal.”

“We chose Sun and BEA because they are true technology partners, not just vendors,” said Armstrong. “They are the basis for the scalable, reliable J2EE enterprise infrastructure we are basing our business on for the next ten years. This infrastructure has enabled us to deploy applications and portals to serve our customers, investors, employees, and partners better. Sun and BEA are a winning combination for us by giving us a lower total cost of ownership by providing superior technology, service, and support.”

THE RESULT

The customer portal enables health care providers to fill out their applications online. NCFE processes about 500-700 of these applications annually. The portal helps accelerate the deal process by populating the customer database with information, which was traditionally filled out in hard copy and then hand-keyed into the database.

The portal is dramatically improving the efficiency of the process. “We went from sending boxes of reports by FedEx to our clients every week to providing electronic documents. That alone is saving our large clients, who had to reimburse the cost, \$100,000 or more a year. And it’s saving us internally as well because the only part we were getting reimbursed was the actual mailing cost. The staffing cost and the preparation cost, as well as the archival cost, were not being reimbursed,” said Armstrong.

“What the portal allows us to do is better manage those reports,” continued Armstrong, “and better present those reports and enable a uniform view into all of the reports that we create.” Large hospitals and health care providers receive 5,000 to 10,000 or more pieces of paper a week, and a lot of that paper would pile up. “Now they can utilize our reporting infrastructure to actually *use* the data locked up in the paperwork,” said Armstrong.

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The new architecture with its lower cost per transaction enables NCFE to broaden its markets. “These new developments along with process re-engineering will enable us to go after business that was too costly for us to do before,” stated Randolph Speer, executive vice president and CFO of NCFE. “We believe we now have an infrastructure that is more in line with the business’s current needs, and that infrastructure is enabling us to adapt to the future needs of the organization and its partners.”

The customer portal is just the beginning. An extranet portal serving investors, banks, and rating agencies will provide self-service interaction for investment information and electronic reporting. An employee portal for internal users and management will provide access to enterprise and departmental applications, email, calendars, company, and market information, and will be personalized to meet the needs of different users and departments.

The new hardware and software architecture creates a secure environment to allow NCFE to comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA). HIPAA is an evolving set of regulations mandated by the US Department of Health and Human Services. HIPAA provides the U.S.’s first-ever standards for protecting the privacy of Americans’ personal health records. It is also intended to reduce the costs and administrative burdens of health care by making possible the standardized, electronic transmission of certain administrative and financial transactions, which are currently carried out manually on paper. The architecture will ensure that EDI transactions between NCFE and its clients, as well as NCFE and the payers (i.e. health insurance companies), are in compliance with HIPAA regulations.

Currently, NCFE is migrating all proprietary mission-critical applications to the new J2EE platform based on BEA and Sun servers. All the systems will be accessible via the portals. The portal will also centralize corporate knowledge via an extensive content management system that will store make accessible all company documents and files.

Armstrong explained: “We want to empower our customers, investors, partners, and employees. This new J2EE enterprise architecture is a major shift from the existing legacy applications that were task and department focused. When we have the majority of systems running on this single, enterprise-wide architecture, our ability to change to meet the needs of the business will be tenfold faster than what it is currently.”

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