



**National Committee on Vital and Health Statistics (NCVHS)**

**Subcommittee on Standards**

**Review Committee**

**Hearing on Adopted Transaction Standards, Operating Rules Code Sets & Identifiers**

**June 17, 2015**

**Panel 7 – Health Care Payment, Remittance Advice and Electronic Funds Transfer**

NACHA – The Electronic Payments Association is pleased to submit this testimony to the National Committee on Vital and Health Statistics (NCVHS) Subcommittee on Standards Review Committee.

NACHA is the not-for-profit association responsible for the administration and enforcement of the *NACHA Operating Rules* for the ACH Network. These *Rules* support electronic payment services and standards in the areas of payroll, bill payment, business-to-business payments, and international payments. We bring together over 12,000 financial institutions<sup>1</sup> of all sizes and types throughout the United States, so they can consistently, efficiently, and safely initiate and receive ACH payments into millions of bank accounts. NACHA was identified as the standards body for the Healthcare EFT Standard transaction and the NACHA CCD+Addenda was identified as the format for the Healthcare EFT Standard.

The focus of NACHA’s testimony is on Healthcare EFT Standard transaction designated by the Department of Health and Human Services (HHS), not the CAQH CORE Operating Rules. While we will not be responding to most questions put forward for Panel 7 participants NACHA fully supports the CAQH CORE Operating Rules for EFT and ERA and agree with CAQH CORE that the current CAQH CORE Operating Rules should not be changed in the next two years to allow remaining health plans to complete their implementation of the existing rules.

**Response to general questions –**

**VALUE – Does the Healthcare EFT Standard adopted meet the current (and near-term) business needs of the industry? Is the industry achieving the intended benefits from the transactions and their corresponding standard?**

Yes, the Healthcare EFT Standard is meeting the current and near-term business needs of the industry, allowing health plans to utilize a safe, secure, ubiquitous, and efficient electronic payments process to automated their payables process and reduce their costs. Providers accepting the Healthcare EFT

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<sup>1</sup> The term “financial institution” is used herein to refer to the federally insured and regulated depository institutions (banks, savings associations and credit unions) that are eligible to participate in the ACH Network.

Standard and Electronic Remittance Advice (ERA) for claim payments reduce their receivables costs by \$7.21 per payment according to the *2014 CAQH Index*. The benefits of the healthcare EFT standard that are reported by providers have been:

1. Improved cash flow – EFT via ACH payments are received faster from health plans than checks and allow providers to bill and collect remaining patient payment responsibility sooner and to speed up secondary billing
2. Improved automated claim payment reassociation between EFT via ACH payments and ERA using the TRN Reassociation Trace Number
3. Reduced manual posting errors with automated reassociation and posting of transactions
4. Reduced administrative work and claims days in accounts receivable
5. Improved efficiency of existing staff, allows staff to process more claims with fewer errors

While the industry is achieving some of the benefits anticipated with the move to electronic payments, the *2014 CAQH Index* reports only about 58% of all claims payments are currently made using the Healthcare EFT Standard. Most large hospitals and physicians groups are automating their claims process; the challenge is how to reach and incent organizations below the top tier to move to receive electronic payments given competing priorities in today's healthcare industry.

**VALUE – Have there been any studies, measurement or analysis done that document the extent to which the Electronic Remittance Advice and Healthcare EFT Standard as adopted and in use, have improved the efficiency and effectiveness of the business process:**

NACHA has documented case studies representing three different provider segments on the benefits received using EFT and ERA; a micro practice with Performance Pediatrics, a mid-size physician's group with Midwest Center for Women's HealthCare, and a large hospital group with the Hospital Corporation of America (HCA). Copies of the case studies are included as attachments.

Performance Pediatrics has achieved a ninety-five percent adoption of EFT and ERA and has found the following benefits:

- improved posting accuracy with automated EFT and ERA reassociation
- faster processing and receipt of claim payments which has improved the patient and secondary billing timeframes, thereby also improving patient collections
- the Administrative Director is able to limit billing to twenty-five percent of her time which allows her to focus more time with patients

Midwest Center for Women's HealthCare has achieved a ninety percent adoption of EFT and ERA and has received the following benefits:

- reduced the days of claims in accounts receivable from 25 days to 13 days
- increased number of claims processed per employee. While the size of the practice and number of claims billed has increased significantly over 7 years, with automation of EFT and ERA no additional accounting staff were needed.

- improved posting accuracy - fewer posting errors and less verification needed
- EFT payments are received and processed more quickly allowing faster billing of patient's responsibility and secondary billing

HCA has been steadily converting from receiving checks to EFT for more than 20 years. With the adoption of the healthcare EFT standard in place HCA expects to accelerate their conversion of checks to EFT payments. In 2014 HCA received almost 89,000 EFT payments worth \$3.8 billion and reassociated the EFT and ERA for "perfect" payment posting. With EFT and ERA, HCA has seen the following benefits:

- reduced their processing costs by seventy percent
- eliminated manual posting errors
- with automated payment posting and reconciliation, achieved an 83% match on day 0, a 97% match by day one, and a 98% match by day two

**VOLUME – What is the current volume/percentage/proportion of business transactions being conducted electronically using the Healthcare EFT standard?**

With the changes implemented in October 2013 to the *NACHA Operating Rules* adding a standard identifier to the Healthcare EFT transaction, NACHA is able to quantify the number of Healthcare EFT transactions processed through the ACH Network. This is not the number of individual claims paid as multiple claims can be paid in a Healthcare EFT transaction.

In 2014, there were a total of 149,300,770 healthcare EFT transactions processed through the ACH Network with a total value of \$876 billion. The monthly healthcare EFT volumes increased 104% from 8.1 million entries in January 2014 to 16.7 million entries in December 2014. From January through May 2015 there have been 79,594,870 healthcare EFT payments processed reflecting a 76.4% increase over the first five months of 2014.

**BARRIERS – Are there any know barriers to using the Healthcare EFT Standard?**

There are three barriers generally identified by providers when considering adopting the Healthcare EFT Standard via ACH; 1) enrollment for EFT and/or ERA with individual health plans; 2) mandatory acceptance of virtual card payments; and 3) additional percentage of transaction fees being charged by some health plans or vendors to deliver the Healthcare EFT Standard.

**Enrollment** – for EFT is the barrier discussed most by providers. While the enrollment form and information has been standardized by the CAQH CORE EFT Enrollment Data Rule 380, a provider must still enroll with most health plans individually. Enrollment takes time and resources when providers must enroll with 50, 150 or more individual health plans. Healthcare clearinghouses and the CAQH Enrollhub offer providers assistance with some health plan enrollment allowing the providers to give information once and select the health plans they wish to enroll. Unfortunately there is not wide use of Enrollhub by all health plans at this time.

**Mandatory acceptances of virtual card payments** – Some health plans are requiring providers to accept claim reimbursement payments by virtual credit cards with no prior notification or approval by the provider. With these opt-out programs, providers receive little or no information on how to “opt-out” and in some cases spend hours on the phone with numerous health plans trying to change their payment options back to check or the Healthcare EFT Standard. In other cases, health plans are including virtual card acceptance as the only payment option as part of a provider’s contract renewal, effectively eliminating the provider’s right to the Healthcare EFT Standard under HIPAA.

**Percentage Fees** - some health plans or their vendors are charging additional fees to providers that want to receive Healthcare EFT Standard for claim payments. Providers can receive a check for claims reimbursement at no fee and are reluctant to move to an electronic payment for which they have to pay the health plan or vendor a percentage of the transaction value to receive the payment.

**ALTERNATIVES – Are there any known perceived or qualified available**

There are no alternatives that can electronically deliver funds and the Reassociation Trace Number to any provider that has a bank account. HHS should fully treat the HIPAA standard transaction for EFT as it does all other HIPAA standard transactions – as an actual required standard – thereby eliminating ambiguity and the costs that are being imposed on providers. Should, HHS continue to treat the Healthcare EFT Standard as one option among many, it should give clear effect to provider’s right to choose to use the Healthcare EFT Standard. When a provider chooses to use an alternative to the standard transaction, it should be only with the provider’s explicit and informed authorization.

**OPPORTUNITIES – What alternatives exist to achieve similar or greater efficiency and effectiveness between trading partners at lower administrative costs?**

There are no alternatives to the current Healthcare EFT Standard that provide greater efficiency and effectiveness at a lower administrative cost. The use of virtual credit cards for claims reimbursement payments adds significantly to providers’ overall costs to provide healthcare services.

If alternatives to an existing HIPAA standard transactions are considered by the Review Committee a value proposition for *all* parties to the transaction should be reviewed. Alternatives that do not add value to all parties should not be considered.

**CHANGES – Are there any changes that should be made to the current transaction standards, or the mandate to use them?**

Yes, the following changes should be made to the current transaction and the mandate to use them:

- Health plans should be required to offer the Healthcare EFT Standard to providers for the same cost the provider pays to the health plan today to receive their claim payment via check.
- The ACA requires the use of the Healthcare EFT Standard transaction for all Medicare claims payments to providers. The Committee should consider recommending the adoption of this same requirement for all HIPAA-covered payers. This would achieve substantially greater administrative simplification and efficiencies across the healthcare industry.

# CASE STUDY

SMALL PROVIDER PRACTICE

## PERFORMANCE PEDIATRICS REAPS SAVINGS, EFFICIENCIES FROM NEW HEALTHCARE EFT STANDARD

On Jan. 1, 2014, the new Healthcare Electronic Funds Transfer (EFT) Standard went into effect as part of the Patient Protection and Affordable Care Act. The new standard and operating rules help provide for the efficient and standardized use of electronic payments for healthcare claims reimbursements.

All health plans are now required to be in compliance with the new standard, meaning they must be able to deliver claims reimbursement payments via the ACH CCD+ Addenda. For providers of healthcare services, the new rule means that they may request delivery of claims payments via ACH and health plans will be required to promptly comply.

The new standard offers healthcare providers the opportunity to reduce costs, streamline accounting and administrative processes, and improve operating efficiencies. In the first four months after the standard went into effect—January 2014—more than 35.3 million healthcare EFTs using the new standard took place. The ACH Network is on pace to move at least 100 million EFTs in 2014 alone, transferring about \$500 billion from health plans to providers.

One provider taking advantage of the new standard—and seeing cost savings and efficiency benefits as a result—is Performance Pediatrics in Plymouth, Mass.

**At Performance Pediatrics, more than 1,300 of the 1,500 deposits it received last year were made via EFT.**

### PERFORMANCE PEDIATRICS—EFTs SAVE TIME, MONEY

Started in 2006, Performance Pediatrics is a micropractice. In a micropractice, just one or two medical providers work with little to no support staff. Providers in a micropractice see fewer patients in a day than most doctors and spend more time with each patient.

Performance Pediatrics' primary doctor, Dr. Terence R. McAllister, began his career in the Air Force, where he was sometimes responsible for more than 5,000 patients at a time and had to see them in five-minute appointments. "It was definitely not why he wanted to go into primary pediatric care," said Leann DiDomenico, McAllister's wife and Performance Pediatrics' administrative director. "When he finished, he looked at me and said, 'Can we find a way to do this differently?'"

Today, Performance Pediatrics serves just over 700 patients in its four-person office. The small practice is profitable as long as it maintains low overhead, which DiDomenico works to ensure by leveraging new technologies that boost efficiencies and increase savings.

One way DiDomenico has done that is by switching to electronic payments. At Performance Pediatrics, more than 1,300 of the 1,500 deposits it received last year were made via EFT. Just 9 percent of the practice's payments came in the form of paper checks, and 1 percent came through virtual cards.

Electronic payments not only ensure that Performance Pediatrics receives payments more quickly, but they also cut down on the amount of time spent reconciling accounts, DiDomenico said.



## “EVENTUALLY, WE’LL BE ALL EFT.”

The EFT Standard has helped Performance Pediatrics grow its number of EFT payments substantially over the past few months. As insurance companies prepared for the new standard to go into effect at the beginning of 2014, Performance Pediatrics was able to increase its EFTs from 65 percent of its payments just a year and a half ago to 90 percent today.

The practice is aiming to transition almost entirely to EFTs in the near future. “I can see the light at the end of the tunnel,” DiDomenico said. “Eventually, we’ll be all EFT. It’s just a matter of time.”

DiDomenico’s requests for EFTs have yet to be refused by any insurers, though some were not entirely ready for the January 1 deadline, which has caused delays. Performance Pediatrics has also run into some hurdles with insurers who process things differently than other insurers, which can cause paperwork challenges and automation hiccups with electronic remittance advice, or ERAs.

Additionally, Performance Pediatrics works with a payments clearinghouse to streamline its deposits. When insurers use a clearinghouse as well, waiting for the two different clearinghouses to figure out how to work together can sometimes prove a challenge.

Some providers have expressed concern over virtual card payments, which charge providers an interchange fee of up to 5 percent, plus a transaction charge, for payments processed over the card network. While Performance Pediatrics doesn’t like the fee, the practice currently receives few payments via virtual cards and all of them are for small amounts, so it hasn’t been a major concern to date. “We don’t get enough of those to really push those companies to go to EFT,” DiDomenico said.

Finding the information to make that request is also a challenge. “When I get that virtual card payment in the mail, there’s definitely no number to call,” DiDomenico said. “If anything, there’s a PO Box listed somewhere far from me. So even if I were to write a letter and send it, I would just assume that this company is going to ignore me, this small provider in Massachusetts.”

## LESSONS FOR EFT SUCCESS

For other practices looking to transition to EFT payments, DiDomenico has the following tips:

- Identify where most of your payment volume is coming from and start there. If a practice receives most of its deposits from one insurer—Blue Cross, for example—it makes sense to ask that insurer to switch to EFTs first.
- Partner with expert vendors. Third-party providers can help practices figure out how to transition efficiently and put processes in place that ensure uniform record keeping.
- Document everything. DiDomenico says good records, including detailed contact information for insurance company representatives, are key. “Just because it’s working today doesn’t mean it’s going to be working six months from now.”

## TERMS TO KNOW

**EFT:** Electronic funds transfer. The electronic transfer of money from one account to another.

**ERA:** An electronic remittance advice is sent to a healthcare provider by a patient’s health plan and contains claims reimbursement information for the services the healthcare provider has rendered. ERAs also contain the reassociation trace numbers that make it easy for providers to match the remittance advice with its corresponding payment information.

**ACH CCD+:** The new Healthcare EFT Standard. Under the Affordable Care Act, the ACH CCD+—a corporate payment format—was established as the standard format for healthcare-related electronic funds transfers.

**Virtual card:** A method of payment used by some health plans or their vendors to reimburse providers. The provider is sent a card number in the mail (but not an actual card) to manually enter into its point-of-sale processing system. Typically, providers are charged an interchange fee, plus a transaction fee, with these types of payments.

FOR MORE INFORMATION:  
[HEALTHCARE.NACHA.ORG](http://HEALTHCARE.NACHA.ORG)



# CASE STUDY

## HOSPITAL GROUP

# HOW HCA IS BENEFITING FROM THE NEW HEALTHCARE EFT STANDARD

On Jan. 1, 2014, the new Healthcare Electronic Funds Transfer (EFT) Standard went into effect as part of the Patient Protection and Affordable Care Act. The new standard and operating rules help provide for the efficient and standardized use of electronic payments for healthcare claims reimbursements.

All health plans are now required to be in compliance with the new standard, meaning they must be able to deliver claims reimbursement payments via the ACH CCD+ Addenda. For providers of healthcare services, the new rule means that they may request delivery of claims payments via ACH and health plans will be required to promptly comply.

The new standard offers healthcare providers the opportunity to reduce costs, streamline accounting and administrative processes, and improve operating efficiencies. In the first month that the standard went into effect—January 2014—more than 8.1 million healthcare EFTs using the new standard took place. The ACH Network is on pace to move at least 100 million EFTs in 2014 alone, transferring about \$500 billion from health plans to providers.

One of the providers taking advantage of the new Healthcare EFT Standard is Nashville-based HCA—Hospital Corporation of America.

### HCA—COMMITTED TO INCREASING ADOPTION OF EFTs

Founded in 1968, HCA is the nation's leading provider of healthcare services. The company is comprised of 165 locally managed hospitals and 115 freestanding surgery centers in 20 states and England, and it employs more than 200,000 people. Roughly 4 to 5 percent of all inpatient care delivered in the United States is provided by HCA facilities.

To help manage that care more efficiently, HCA has been steadily adopting electronic payment methods for more than 20 years. EFTs eliminate the need to manually post and apply payments to the cash receivable system. EFTs are also less expensive to process than paper checks.

In 2005, HCA processed more than 3.5 million check payments from health plans. By 2013, thanks to its efforts to move to EFTs, HCA processed fewer than 2.5 million check payments, a 30 percent reduction.

In the past, we'd have the EFT discussion with health plans and they could say, 'Thanks for the discussion' and change nothing. Now, with the Healthcare EFT Standard in effect, they must comply.

Doug Downey,  
HCA's assistant vice president, Treasury

### EFTs—REDUCING COSTS AND MANUAL PROCESSING

With the new EFT standard in place, HCA expects its EFT conversions to accelerate now that health plans are required to provide the option. "In the past, we'd have the EFT discussion with health plans and they could say, 'Thanks for the discussion' and change nothing," said Doug Downey, HCA's assistant vice president, Treasury. "Now, with the Healthcare EFT Standard in effect, they must comply."

Thanks to the new standard, HCA is experiencing a 70 percent reduction in processing costs with EFTs when compared to paper checks. HCA is also seeing a vast reduction in the number of manual reconciliation items its hospitals must deal with. Previously, EFTs and their accompanying electronic remittance advices (ERAs) would process to different systems before meeting on a common ledger, which often resulted in multiple items that needed to be reconciled by staff members. Under the new standard, EFTs and ERAs are processed together, so the information passed back to hospitals is less error prone. "I believe we've nearly eliminated manual reconciliation items," Downey said.



## IDENTIFYING AND MANAGING IMPLEMENTATION HURDLES

Implementing the new standard, however, has not been without its challenges for HCA. The HCA project plan for implementing the Healthcare EFT Standard includes establishing a new HIPAA-compliant receivables system with a new bank account. Once received from health plans, files are tested to make sure they are HIPAA compliant, and, if the test is successfully completed, the receipt of the Healthcare EFT Standard payment is moved to the new bank account.

**With each EFT payment costing 70 percent less to process than an equivalent paper check payment, the transition will result in substantial cost savings for HCA.**

The transition is not without a few complications as HCA switches its legacy processing system over to this system. Because the change moves the transactions to a new bank account, many health plans are requiring re-enrollment for every hospital and temporarily switching back to paper payments during the process.

There also can be issues with virtual cards which handle some EFT/ERA transactions for health plan clients. Many health plans are adopting an “opt out” program, automatically replacing check payments with virtual card transactions. This makes it extremely difficult for providers to receive payments via the CCD+ Addenda and can sometimes be more costly than the old paper process.

## RAMPING UP EFT VIA ACH PAYMENTS

Despite the challenges, HCA expects to slowly and methodically ramp up its use of EFT via ACH payments under the new standard. The company is following a three-year plan to achieve full material consolidation of the new process and plans to work on increasing EFT conversions, particularly among aggregators serving mid- to small-size health plans. By the end of the three-year plan, HCA anticipates that EFT transactions will have reduced the number of checks the company processes by another 1 million.

With each EFT payment costing 70 percent less to process than an equivalent paper check payment, the transition will result in substantial cost savings for HCA. “Needless to say, the cost reduction is significant, and HCA has been reaping the benefits of EFT/ERA for years,” Downey said. “The new Healthcare EFT Standard just simplifies our effort when we approach a new health plan and request EFT/ERA.”

## WHAT IS AN EFT?

An EFT is the electronic exchange or transfer of funds from one account to another. EFTs serve as an efficient means of payment for providers and their practices. The healthcare EFT standard is the ACH CCD+.

## WHAT IS AN ERA?

An electronic remittance advice is sent to a healthcare provider by a patient’s health plan and contains claims reimbursement information for the services the healthcare provider has rendered. ERAs also contain the reassociation trace numbers that make it easy for providers to match the remittance advice with its corresponding payment information.

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