

**Hearing on HIPAA and ACA Administrative Simplification**  
**--Operating Rules, ICD-10, Health Plan ID, Attachments--**  
**Written Testimony to the**  
**National Committee on Vital and Health Statistics Subcommittee on Standards**  
**June 10, 2014**

MasterCard welcomes the opportunity to offer written testimony regarding our continued support for the use of payment cards, including in particular virtual prepaid cards, as a method of electronic payment for health care claims. As you know, payment by virtual prepaid card is a permissible form of electronic funds transfer (“EFT”) under the Health Insurance Portability and Accountability Act (“HIPAA”). We encourage the NCVHS to take no action that could jeopardize the viability of this important form of EFT.

**Background on MasterCard**

MasterCard is a technology company in the global payments industry. We operate the world’s fastest payments processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. MasterCard’s products and solutions make everyday commerce activities—such as shopping, traveling, running a business and managing finances—easier, more secure and more efficient for everyone.

MasterCard does not issue payment cards of any type, nor does it contract with merchants to accept those cards. MasterCard owns the MasterCard family of brands and licenses financial service providers to use those brands in conducting payment transactions. MasterCard also provides the networks through which its customer financial service providers can interact to complete payment transactions, and sets certain rules regarding those interactions. MasterCard refers to the financial service providers that issue payment cards bearing the MasterCard brands as “issuers.” MasterCard refers to the financial service providers that enter into contracts with merchants to accept MasterCard-branded payment cards as “acquirers.”

**Benefits of Using Payment Cards**

Payment cards are an important and valuable part of the health insurance claim payment framework. To begin, acceptance of claim payment from insurers by payment card is completely

voluntary for health care providers and is independent of the decision of a health care provider to accept payment cards from patients. This latter point is crucial because it means that a provider is not pressured to accept payment cards from health care payers because of a desire to accept payment cards from patients. Also, many health care providers find payment card acceptance to be a practical alternative to the acceptance of payments from insurers through the Automated Clearing House (“ACH”) system. In this regard, we understand that small practice providers (those providers with fewer than five doctors in the practice and who make up the majority of the health care provider community) are hesitant to provide their banking information to Payers, especially those with whom they have limited claims volume, in order to establish ACH.

Payment cards offer several additional benefits to health care providers who accept them and to payers. First, payment cards are a familiar method of payment, with proven value, convenience and ease of use for all parties involved. Payment cards are ubiquitous as a form of payment and most providers already accept payment cards as a means of payment from patients. As a result, if providers choose to accept payments from payers via cards, these payments work through the same processes and technology that providers already have in place to receive payments from patients.

Second, payment cards offer numerous safety benefits and reduce the risk of fraud associated with payments. In contrast to ACH payments, card payments do not require health care providers to provide to the payer their bank routing number, account number or other important information that could be compromised. An additional protection against theft is that payment card numbers are restricted to specific merchant category codes, which means that payment cards can only be used by a designated type of merchant, for example, doctors or hospitals. Also, in most cases, the information necessary to negotiate the payment card and the card number itself are sent in separate communications and the payment card can only be negotiated for the exact payment amount of the service provided. Furthermore, it is worth noting that in the event of fraud, the guaranteed payment promise from the card issuer ensures that both the payer and the provider are made whole and are protected from liability.

Finally, payment by card is highly efficient. Payment cards provide guaranteed funds to providers upon authorization of the card and settlement on the next day, so that money is

available promptly in the provider's account. Moreover, even without an EFT standard in place to require delivery of electronic remittance advice, card payments typically are sent with the associated claim data so that the association between payment and the claim is complete, thereby reducing the need for manual association.

### **Standards for Payment Cards**

We understand that concerns have been raised by some because standards have been made applicable to ACH transactions but have not been imposed on card payments or other means of EFT. We support efforts for inclusion of virtual card as a payment method in the HIPAA-compliant re-association remittance standards for healthcare. We also would like to highlight a couple of the recent efforts in the payment card industry that will make card acceptance by health care providers easier and increase the efficiency of re-association of payments with remittance advices. One solution we are working on would send the claim trace number to a health care provider's bank account with the payment for ease of re-association. Another innovation that is underway will support direct payment from a payer's bank account directly to the health care provider's bank account through the card network in a manner similar to an ACH transaction. This type of payment would eliminate the need for manual entry of the card number and the potential for keying errors.

We believe that the health care provider and payer communities are well served by the current HIPAA EFT framework that permits card payments because it recognizes that there are multiple payment options that exist today and that may come into existence in the future that can achieve the goal of administrative simplification in the health care payments arena. This framework gives health care providers the freedom to choose the type of EFT that best suits their practice.

We appreciate the opportunity to provide our written testimony. Please feel free to contact Beth Griffin, Global Business Leader, Healthcare and Insurance, MasterCard Worldwide, at 914.249.1315 if we can answer any questions that you may have.