Keys to Driving Adoption of Electronic Payments with Provider Networks
By Russell Jackson, editor of Predictive Modeling News

Payers have moved aggressively to embrace the future, relying on electronic payments more and more to achieve reduced operating costs, efficient processing, enhanced reliability and strengthened security. Health plans and third-party administrators are waking up the fact that they can also compress administrative costs arising from medical loss ratio restrictions – and make money through VCC charges. Electronic payments are here, and payers are enjoying the benefits.

But providers – especially smaller practices – have been slow to adopt electronic payments. To many of those small practices, electronic payments represent one more thing that has to change – and they are already managing a lot of change with limited resources. But for payers to maximize their payment procedures, they need more providers to get on board. But how? Use a targeted communications program to show medical practices how much more profitable and productive electronic payments can help them be, and then move them to an automated clearinghouse (ACH) or “virtual” credit card (VCC) payment method for their healthcare claims.

ACH payments are electronic transactions made through the automated clearinghouse network via participating depository institutions. They’re governed by rules established by NACHA – The Electronic Payments Association® (formerly the National Automated Clearinghouse Association) and by the Federal Reserve. The ACH network processed 25.6 billion transactions in 2016, totaling almost $44 trillion. A VCC is just that: an account number that facilitates electronic payments, but no physical card for a practice to swipe or show – meaning no physical card to clone, steal or accidentally destroy. Using the help of an intermediary that understands the processes and technology is key.

The Benefits of EFT are Impossible to Ignore

Electronic funds transfer (EFT) technically refers to any electronic transfer of money from one bank account to another without direct human intervention; it encompasses direct deposit payments by consumers, online banking and wire transfers. But in the healthcare claim payments space, it generally means ACH and VCC payments. There’s no question that EFT transactions benefit provider practices, no matter how large or small, as well as the health plans and TPAs that make the payments. Reluctant practices need to know – and payers need to emphasize – the care for going electronic. Consider these direct provider benefits:

- Manual claim payment eats up an average of 7 minutes – and up to 17 – per transaction, compared to electronic claim payment, which averages 2 minutes, and rarely takes longer than 4.4
Manual claim remittance advice takes an average of 15 minutes per transaction – and up to 31 – compared to electronic claim remittance advice transactions, which average just 3 minutes, and rarely require longer than 7. The potential savings from a move to electronic payments are $1.48 per transaction. EFT also allows for more efficient identification and resolution of anomalies and issues requiring staff follow-up, and reassociation of the payment and remittance is significantly improved.

A manual claim remittance advice costs the provider $5.69 to process and the plan 50 cents, while the electronic version costs just 95 cents and 5 cents, respectively. Claim payment done manually costs the provider $2.89 per transaction and the plan 57 cents; done the electronic way, each costs the provider just 69 cents and 9 cents, respectively.

Many Payers Have Made the Transition

Payers are starting to recognize the benefits of electronic payments, and some of them have moved aggressively to sign up more providers.

Aetna, for example, started working in 2014 toward making 100% of payments electronically, and to sending electronic remittance advices (ERAs), too; ERAs are like a digital version of a payer’s Explanation of Payment (EOPs) and often accompany provider reimbursement. To help it get to its goal of every provider using EFT, Aetna’s website details the benefits of electronic transactions, and emphasizes that electronic funds transfer “puts payment right into your account,” that it can save practices time and that it costs less than manual transactions.
In addition, the insurer contacted physician practices\(^1\) to let them know that all providers would soon be required to enroll in EFT; it’s now Aetna’s standard method for reimbursing providers.

- United Healthcare started moving contracted providers from paper checks and remittances to EFTs and ERAs in 2015,\(^{12}\) noting that it would lower administrative costs. Physicians choose to receive payments by ACH direct deposit or through VCC payment; those that don’t opt for one or the other are automatically signed up for VCC payments.

- Some Blues plans are on board as well, including, since early 2016, Blue Cross and Blue Shield of North Carolina’s commercial product networks;\(^{6}\) they’re now required to accept EFT transactions and ERA reports. BCBSNC told providers at the time that it issues 3 million provider payments a year, and 2.3 million of them are sent via EFT. Each paper check, BCBSNC pointed out, can cost 64 times more than EFT payment – and EFT both eliminates the time waiting for payments to arrive and reduces opportunities for error and theft.

- Group Management Services is an Ohio-based professional employer organization and TPA that boasts 1,100 clients. Like many TPAs, a key problem with paper payments for GMS was lag time: A lot of members ended up being balanced billed, because when providers don’t receive payer reimbursement in time, members may become responsible. Indeed, GMS executives report that switching to EFT positively impacted its relationships with local providers. Now that its network providers are getting paid in seven to 10 days, GMS reports, providers and GMS members are much happier.

Industrywide, progress is slower. By volume, EFT use for claims payment edged up a percentage point, to 62%, from 2014 to 2015;\(^4\) that’s up from 50% in 2012. The plans with the best EFT adoption rates by providers noted “deliberate organizational efforts to drive adoption, including financial incentives for targeted high-volume providers and requirements for electronic submission.” At the same time, the Council for Affordable Quality Healthcare (CAQH) reports that adoption of ERAs is increasing steadily, and stands at about 55%,\(^4\) by volume, which was up four percentage points in 2015. Both of those figures represent a significant opportunity for health plans to streamline their financial transactions. ACH payments are increasing pretty rapidly, too, according to NACHA –

The Electronic Payments Association®,\(^4\) and transaction volume rose as much as 20% from 2012 to 2015. Since fewer than 1% of payments are made by VCCs,\(^4\) it’s the opportunity that is most meaningful to smaller payers.

**There’s Plenty of Room for Improvement**

Universal EFT payment adoption and the benefits that would bring will not happen until provider networks commit more fully to doing business electronically and until the hold-out health plans join them – and there’s definitely room for improvement. In fact, the level of commercial remittance payments remained essentially flat from 2012 to 2016.\(^5\) Other reports indicate that as few as 15% of commercial insurers pay providers electronically.\(^8\)
While health plans that have made a major push to go electronic – including Aetna and UnitedHealth Group – boast EFT payments, in some cases, at 80%, a CIGNA rep recently told the press that his company’s 39% rate of electronic provider payments is the result of doctors refusing to sign up.

Small providers are especially slow to adopt EFT, and most still rely on paper check payments. And when they do adopt electronic payments, they often do it incorrectly. America’s Health Insurance Plans (AHIP) recently reported that the percentage of automatically adjudicated claims rose to 79% in 2011 from 37% in 2002, and claims submitted on paper declined from 56% in 2002 to 25% in 2006. But 54% of paper claims come in more than 30 days after the billed care was rendered – and so do a full 16% of electronic claims. Those small providers – and their combined estimated $143 billion in claims, only $88 billion of which are submitted in EFT form and far less of which are handled on virtual credit cards – represent an especially strong opportunity for health plans to increase EFT adoption.

Specifically, smaller Blues and non-Blues regional plans, as well as TPAs and dental plans, may have many providers who still receive paper checks. Those payers need a process and a partner to enroll providers in EFT, offering a choice between ACH payments and VCC payments to lower costs, make healthcare more efficient and build positive relationships with providers. ACH payments involve the lowest transaction costs and exhibit steady growth, and while VCC payments can carry higher transaction prices, they’re emerging as a viable substitute for paper checks. The key to moving providers to one or the other, especially smaller ones, is working with a payment intermediary that provides an end-to-end solution.

**Payers’ Plan of Action Should Include Education, Encouragement to Choose**

Here’s what to do.

1. Make sure providers understand the benefits of EFT, including the cold hard financial facts. The potential annual savings from a move to electronic remittance advices can be as high as $10,000 for a doctor submitting 6,200 claims, and the potential annual savings from a switch to EFT may be $2,500.

2. Develop a custom communication programs to encourage providers to use ACH or VCC payments. Physicians are often slow to see the benefits of EFT because information technology investments are seen as a “costly diversion,” so health plans have to take the lead – pointing out, for example, that an office that receives card transactions can receive VCC transactions, too. Implement a strategy aggressively to “transform the administrative relationship [with] physicians and hospitals from costly voice-and-paper procedures to much-less-expensive electronic communications and transactions,” and work especially closely with individual and small group practices because they can account for so much of a health plan’s administrative costs.
3. Push providers toward the ACH or VCC option. Remind them that ACH payments are faster than paper checks and more secure, and all transactions are compliant with HIPAA privacy standards. Let them know, in addition, that the cost of an ACH payment is about 34 cents, while payment by wire transfer, for example, can run as high as $10. Each ACH payment costs about $1.50 less than a paper check, too. Also remember that using VCC payments means that most of the time the distribution is handled by fax, so there’s no cost to the payer, and no additional effort is needed by the provider. Indeed, the biggest difference for providers between a paper check and VCC payment is “time to cash.”

4. Work with an intermediary that knows how to maximize EFT payments to providers.

That’s Where Expertise, Understanding and an Effective Solution Come Into Play

Change Healthcare can help. As one of the largest independent healthcare technology companies in the US, Change Healthcare experts understand payer and provider needs and workflows. Because it is connected to most payers and providers in the nation, the company can design solutions that meet the needs of both parties. Change Healthcare simplifies reimbursement, helping plans and payers improve the transparency of their processes, which can increase engagement with providers, ensure payment accuracy and drive down administrative costs. The company accomplishes that through software and analytics, network solutions and technology-enabled services that help customers optimize revenue opportunities, increase cash flow and effectively navigate the shift to value-based healthcare.

Health plans and payers have no choice in today’s healthcare environment but to maximize electronic billing and payment. They must automate, execute and scale complex mixes of value-based and fee-for-service reimbursement models, and they must track utilization and payment incentives for increasingly narrow networks. They can do that much more efficiently if provider networks are on board with ACH and VCC payments – and plans and payers can do a lot to move them in that direction. A skilled partner – a partner like Change Healthcare – can make the transition a smooth one.

To learn more information about electronic provider payment solutions, visit discover.changehealthcare.com
Sources:

2. https://insurancenewsnet.com/article/Aetna-Pursues-Electronic-Payments-For-All-Providers-a-504861