

Healthcare EFT Standard: *A Quick Reference Guide*

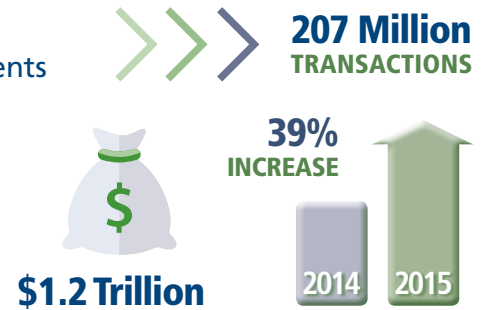


The Patient Protection and Affordable Care Act (ACA) mandated the identification of a HIPAA standard for claims payments between the health plans and providers, and the development of rules to support the standard and Electronic Remittance Advice (ERA) – or claims payments explanations. In 2013, the healthcare electronic funds transfer (EFT) standard was identified as the CCD+ Addenda, an ACH transaction.

The Healthcare EFT Standard and ERA used together provide significant savings to providers:

- Providers can save an average of \$7.21 per transaction using EFT & ERA instead of paper, according to the 2015 CAQH Index Report*
- EFTs & ERAs are received faster than paper check, which allows providers to automatically post payments and to speed delivery of accurate bills to patients
- An ACH transaction costs a healthcare provider 25 percent less than receiving a check payment and paper remittance. Much of this savings comes in the form of efficiencies in the back office reimbursement and remittance process

Healthcare EFT Volume & Value



Organizations using EFT and ERA reap huge benefits – one large hospital group reduced the cost of receiving and posting claims payments by 70 percent. One mid-sized provider practice that received 95 percent of their receivables by EFT & ERA improved the average number of days to receive and process payments from 25 days to 13 – greatly improving the cash flow of the practice.

Example of costs to providers of receiving a \$2,500 claim payment via ACH or virtual card:

- ACH credit payment: Banks charge an average of \$.34 to the provider to receive an any value ACH credit payment
- Merchant processors charge an average of 3% percent
- Health plan potentially receives a rebate of up to \$37.50 for issuing the virtual card payment

MGMA/ADA/AMA Virtual Credit Card Survey – May/June 2015:

- 87 percent of the 1,151 respondents indicated that they received virtual credit card payments instead of checks without prior consent or notification
- 70 percent reported payers provided no instruction on how to Opt-Out and switch back to checks

The Healthcare EFT Standard also allows for other types of electronic payments in addition to ACH. These can include credit cards, virtual cards or wire transfers. These alternative payments add costs to the delivery of healthcare and do not support automatic reconciliation and posting of payment and billing information but are not prohibited by regulation.

- Government estimates anticipate a savings of \$3-\$4.5 billion for government agencies, commercial health plans and hospitals that use ACH EFT and ERA operating rules over 10 years
- Allowing credit card, virtual card transactions, wire transfers, or checks for claim payments adds significantly to the providers' costs. Providers pay an average of 3 percent of the total value of the credit or virtual card payment as a merchant card processing fee.

*CAQH – Council for Affordable Quality Healthcare

Healthcare EFT Standard vs. Other Payment Types

	Healthcare EFT Standard	Virtual Credit Cards	Wire Transfer	Check
Funds Availability to Provider	Effective Date on payment, deposited directly to Provider's account	Dependent on the Provider's agreement with merchant processor, average is 2-3 days following processing	Day received by Provider's financial institution	Generally day manually deposited by Provider, possibly next day
Average cost of acceptance by Provider	\$0.34 per ACH payment received*	Dependent on the Provider's agreement with merchant processor, but average charge is 3 percent of total transaction plus a per transaction fee of \$0.10**	\$10.73 per wire transfer	\$1.35 per deposit plus \$0.14 per check
Enrollment/acceptance	One time with each health plan	Must have agreement with merchant card processing provider and credit card terminal	One time with each health plan	None
Manual processing for acceptance of each payment	None, funds deposited directly to Provider's bank account	Each payment must be manually processed through Provider's credit card terminal	None, funds deposited directly to Provider's bank account	Manual process – create deposit slip and take checks to the bank branch
HIPAA-Compliant Electronic Remittance Advice (ERA)	Yes, a HIPAA compliant 835 version 5010 ERA can be issued for a healthcare EFT standard transaction	No, a HIPAA compliant ERA cannot be issued with a virtual card transaction. There is no code indicator within the current HIPAA standard 835 version 5010 transaction set to identify credit card payments	Yes, a HIPAA compliant 835 version 5010 ERA can be issued for wire transfer payments	A paper Explanation of Benefits (EOB) is usually issued with paper checks rather than an ERA
Risk to Healthcare Provider	Low risk as funds are deposited directly into the Provider's bank account	Higher risk, as transactions require manual processing which could result in input errors resulting in card cancellation or stolen card	Low risk as funds are deposited directly into the Provider's bank account	High risk due to manual processing and checks could be lost or stolen

* Phoenix-Hecht Blue Book of Bank Pricing

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About NACHA - The Electronic Payments Association®

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