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Healthcare Payments – Issues and Impacts on Treasury, A/P and A/R

Irfan Ahmad

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Welcome

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2 Payer considerations

3 Barriers to electronic adoption

4 Bank account holdings

5 Industry solutions

6 United Health Group Solution

1 Operating rules

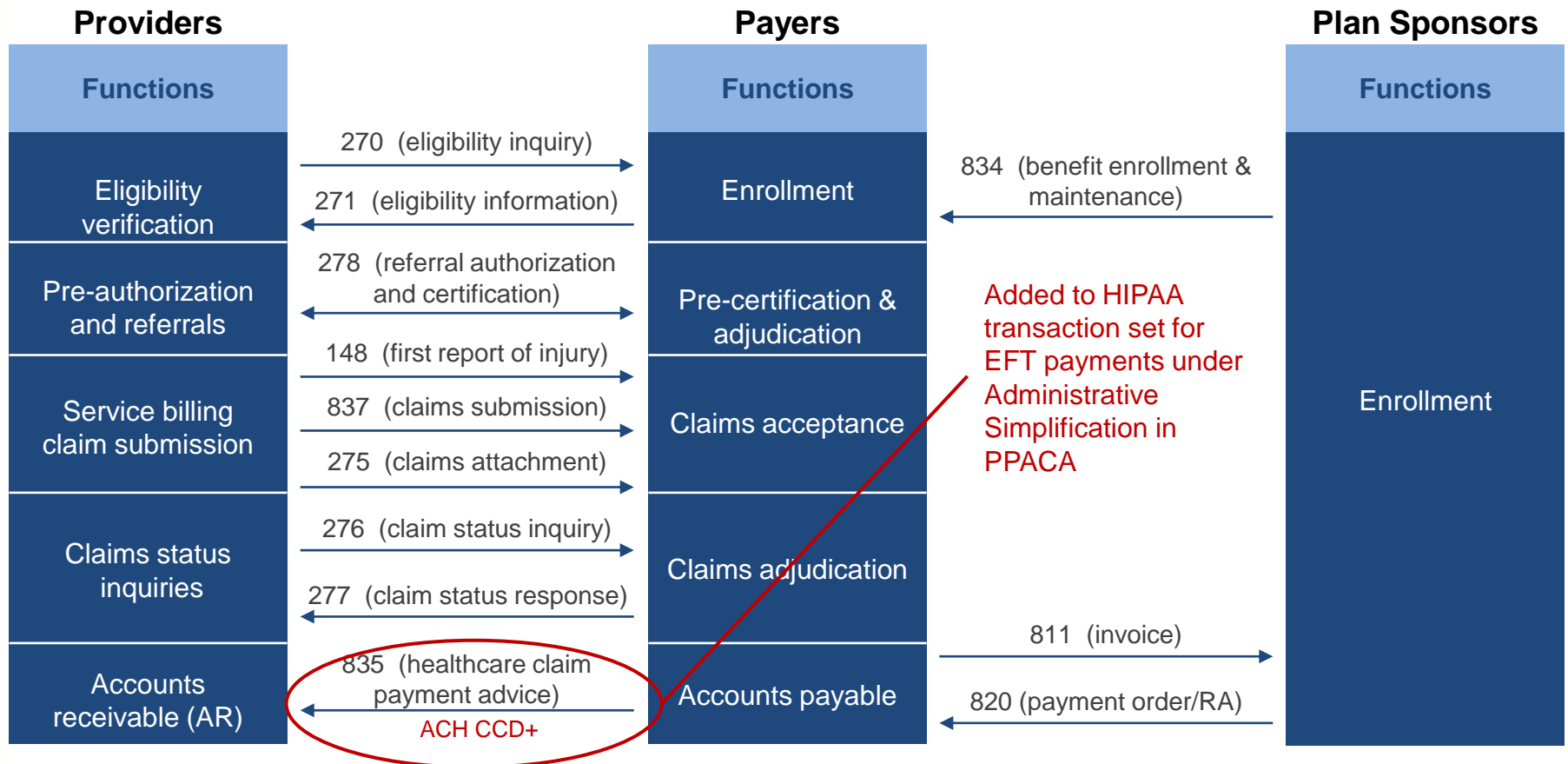
Irfan Ahmad

Mandate for electronic payments

- **Patient Protection and Affordable Care Act (PPACA)**
 - Legislation calls for both standards and operating rules as key drivers in reducing administrative cost
 - Medicare payments to EFT by January 1, 2014
 - Established Standards and Operating Rules for Healthcare EFT Payments
 - CAQH CORE responsible for drafting operating rules
 - NACHA selected as standards development organization for maintenance of the healthcare EFT standard
- **Health and Human Services (HHS) issued Healthcare EFT Standard Final Rule on January 10, 2012**
 - Became final rule on July 10, 2012
 - Defined Health Care EFT as a transaction under HIPAA
 - Identified NACHA CCD+ as the HIPAA EFT standard format and content required for health plans to perform EFT transactions

ACH CCD+

Becomes HIPAA standards for EFT



Implications

Medicare & Commercial Insurers

- **All Medicare claims reimbursement payments must be made using the Healthcare EFT transaction by January 1, 2014 (CCD+addenda)**
- **For commercial insurance:**
 - If a healthcare provider requests payment using the Healthcare EFT Standard from their health plan, effective January 1, 2014, the health plan must be able to send the CCD+ addenda to the provider
 - There is no mandate included in the ACA requiring the healthcare provider to accept the Healthcare EFT Standard from commercial health plans
 - However, industry is starting to see many health plans require providers accept electronic claims payments (ACH) to participate in their network

Potential impacts

EFT and ERA rules on key stakeholders

PAYER/ HEALTH PLAN

- **Must be able to provide healthcare EFT transaction if requested by provider**
 - Requires health plans to transmit EFT within three days of transmission of ERA
 - Must provide Reassociation Trace Number (TRN segment) for inclusion with payment
- **Must educate providers to talk to their financial institutions to ask for Minimum CCD+ Data Elements to reassociate payments with ERA when received**

ODFI

- **Must comply with EFT and ERA standard and operating rule if making a healthcare payment that meets EFT and ERA standards and operating rules:**
 - Must provide Reassociation Trace Number (TRN segment) for inclusion with payment
 - Must assure healthcare payments are identified by 'HCCLAIMPMT' in Entry Description Field of batch header

Potential impacts

EFT and ERA rules on key stakeholders

PROVIDER

- **Must proactively contact financial institutions to arrange delivery of CORE-required Minimum CCD+ Data Elements**
 - What should you ask your financial institution to provide? Who should you ask?
 - What requirements will systems and operations staff have for receiving CORE required minimum CCD+ Data Elements? Can they be received electronically?

RDFI

- **Must arrange to deliver required Minimum CCD+ Data Elements upon request from provider within two business days from settlement:**
 - Effective Entry Date
 - Amount of Payment
 - TRN Data Elements
- **Financial institution employees that deal with customer/providers must be educated to answer questions and help**
 - How do I enroll for EFT payments?
 - How do I reconcile payments to the remittance advice?
 - Can I receive the full addenda record from my financial institution?

ACH

Not the only form of health claim payment

Allows for EFTs conducted outside the ACH network

- The healthcare EFT standard does not apply to EFTs conducted outside the ACH network
- Final rule “neither prohibits nor adopts any standards for health care EFT transmitted outside the ACH network”
- References use of both wire transfer and card payments
- *BUT if a provider requests use of the healthcare EFT standard the health plan or third party provider must use the CCD+ Addenda to deliver the claims reimbursement*

2 Payer considerations

Rebecca Reed Farha

Payer Considerations for Healthcare Reform

- Multiple claim platforms and payment engines with varying functionality due to rapid industry consolidation – how to ensure compliance of each system:
 - CCD+ requirement for EFT payments
 - Inclusion of TRN segment within payment
 - Coordination of timing (within three days) of payment and ERA
- Provider relations and coordination
 - EFT Enrollment
 - Tools to maximize enrollment
 - Overcoming Provider resistance
 - Method for providing EFT and ERA details to Providers
 - Payer portal
 - Provider bank reporting
 - Vendor options

3 Barriers to electronic adoption

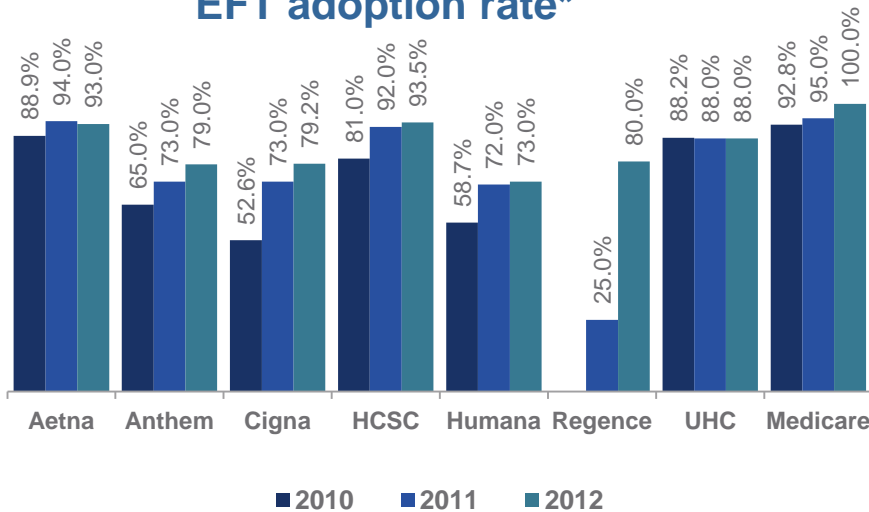
Ken Merrill

Today's environment

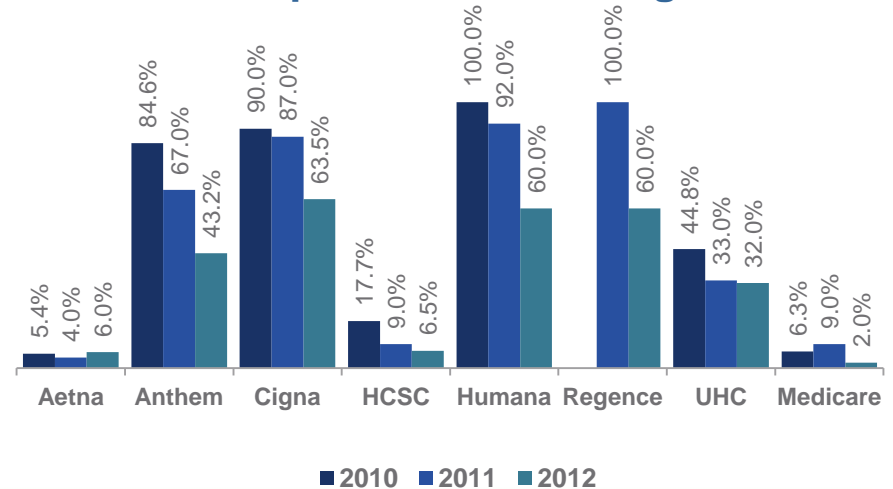
Electronic payments

- 5 billion medical claims / year
- 1 billion payment transactions; 34% from commercial payers
- CMS expects commercial electronic rate to rise from 15% today to 79% by 2023
- Only 10-20% of commercial payer claim payments are electronic as small providers slow to adopt electronic payment and reconciliation processes

EFT adoption rate*



EFT adopters still receiving checks*

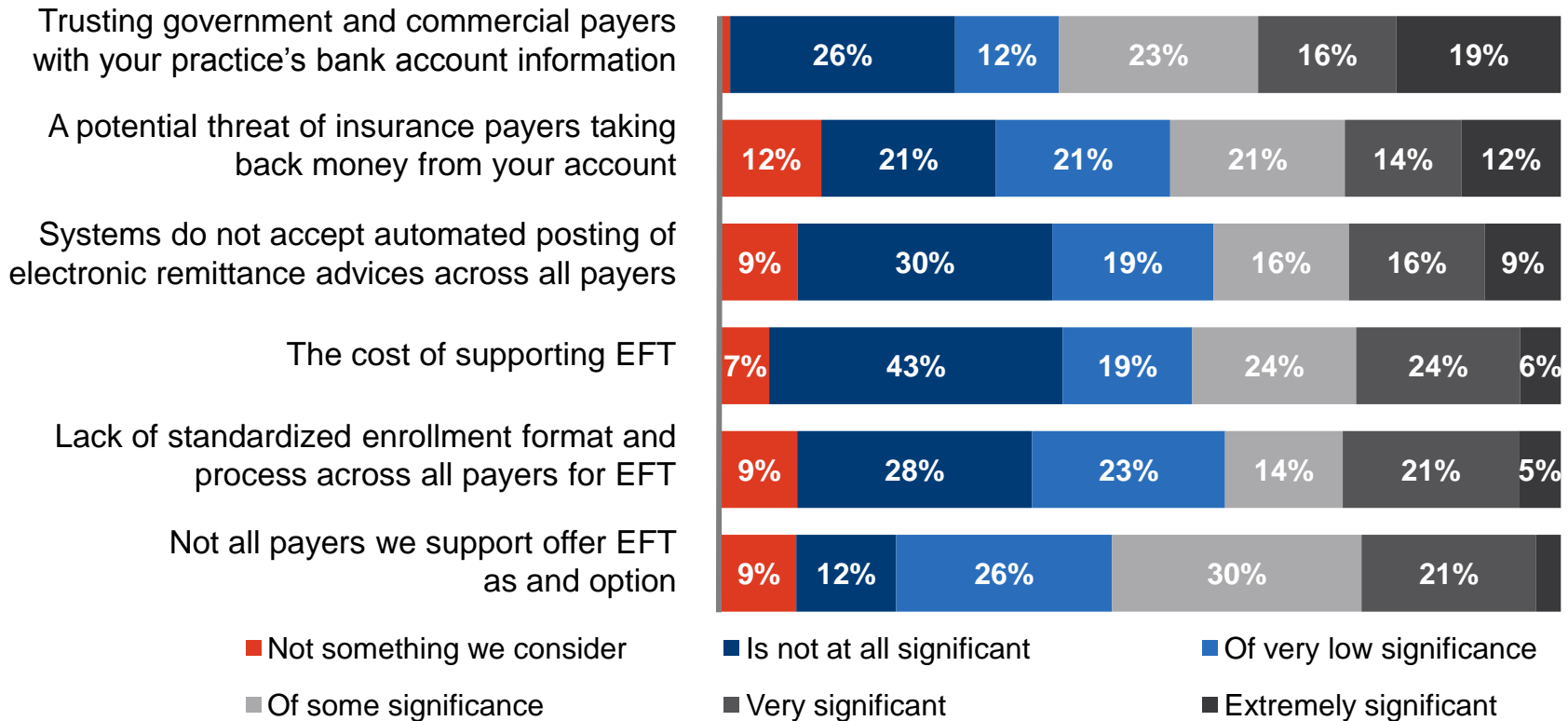


Source: *AMA 2012 National Health Insurer Report Card., Metrics 3 & 3A

EFT

Provider's barriers to electronic processes

Medium to small-sized providers cite EFT obstacles as:



Source: Aite Group survey of 225 small U.S. healthcare providers, November to December 2012

ERA

Provider's barriers to electronic processes

The electronic remittance information challenges for medium to small-sized providers are:

Understanding difference in information received on electronic remittances versus paper remittances



Lack a standardized enrollment process across all payers for ERA



Cost of supporting ERA



Not all payers support electronic remittances



■ Not something we consider

■ Not at all significant

■ Of very low significance

■ Of some significance

■ Very significant

■ Extremely significant

Source: Aite Group survey of 225 small U.S. healthcare providers, November to December 2012

4 Bank account holdings

Irfan Ahmad

Proliferation of bank account information

- **Across all industries, payment related data is being shared with increasing number of non-bank service providers**
 - On-line merchants
 - Digital wallets
 - Third party processors
- **Healthcare is no different than other industries. The healthcare payment ecosystem has many players and multiple solutions – a formula for fragmentation**
- **Healthcare EFT mandate will accelerate proliferation of data across 1,200+ payers and their service providers**
 - Where will this data be stored?
 - Who will have access to provider bank account data?
 - Are parties prepared to take on incremental risk?

Non-bank payment services

Safety and soundness concerns

- A plethora of new participants with innovative payment solutions, many of which fall outside of formal prudential and consumer regulation
- Many of the protections in place for traditional 'bank-grade' payments, are at best optional in the new models, and rarely auditable and enforceable
 - Know Your Customer (KYC)
 - Data security

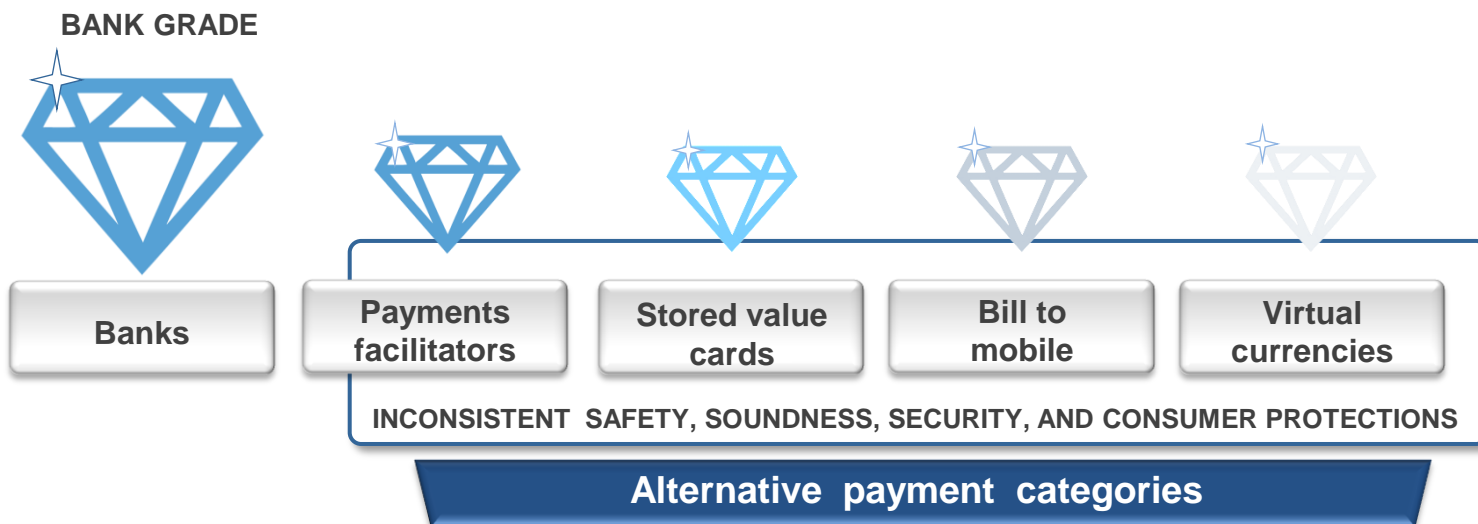
Onboarding

Acct. mgmt.

Transaction
service & support

Compliance &
fraud services

Disclosures



Examples

Key safety and security questions must be addressed



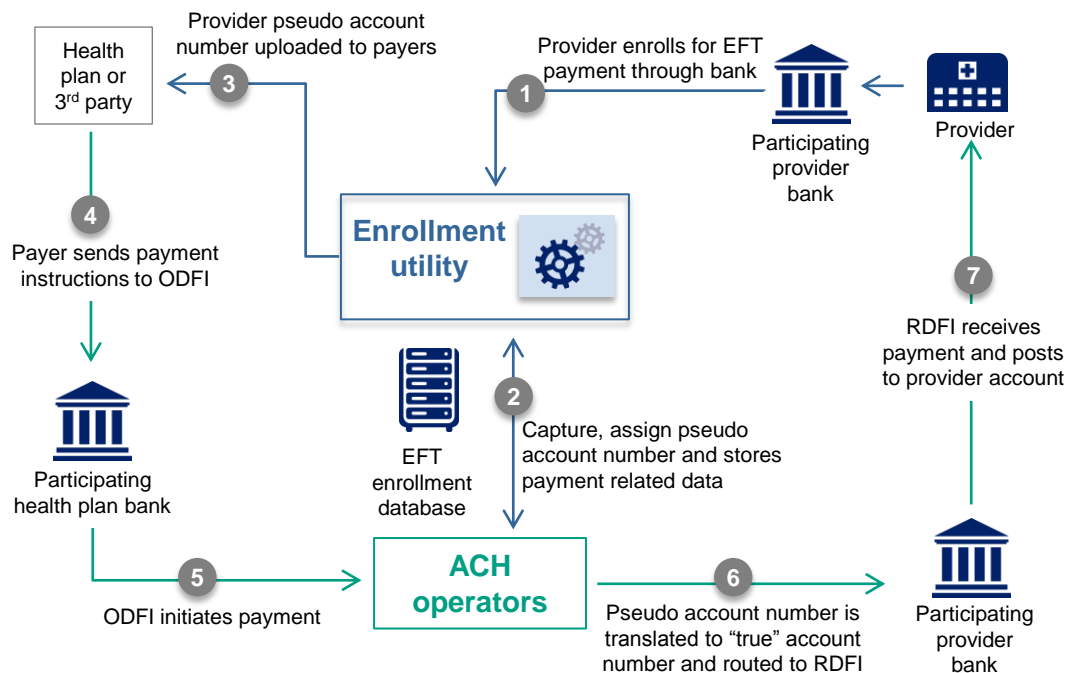
- **What security protocols should be in place?**
- **Who bears the loss from theft or fraud? Can it be shared?**
- **How can issuers protect customers and themselves from a 3rd party's vulnerabilities?**
- **How can consumers maintain control of their data?**
- **What standards are needed to ensure that consumers and bank fraud detection, AML/OFAC, and other systems have a clear view into critical transaction details?**

5 Industry solutions

Ken Merrill

Enrollment utility

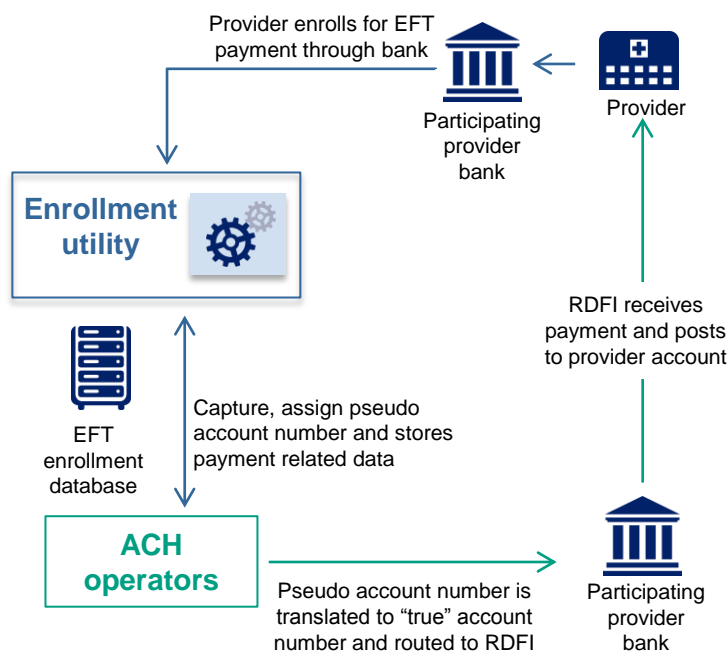
Key attributes



- Single nationwide database of providers enrolled for healthcare EFT payments
- Housed by trusted third party, shared by all payers and banks
- Providers enroll once, enter bank account information
- Payers use a masked DDA rather than real account number

Provider view

Value to providers



Strategic opportunity

- Control payment preferences & distribution of data
- Account info security via pseudo account number

Operational efficiencies

- Update bank data once in centralized location for all payers
 - No need to provide banking info repeatedly
 - One location to maintain payment preferences
- Cost savings associated with staff time used for EFT enrollment & maintenance
- Improve cash flow by receiving funds faster

Fraud prevention

- Improve security of confidential information through limited distribution of true bank account data
- Decrease vulnerability to data breach/compromise through use of pseudo bank account information
- Additional security of debit block feature with use of pseudo account number

Changing payment landscape

New payment mechanisms

- **Payers investigating electronic alternatives to ACH because of provider reluctance to enroll**
- **Virtual card payments**
 - Allows payers to easily move away from paper check, but...
 - Current implementations create problems for providers (lack of standardization, paper remittance)
 - With improvements could provide value to both payers and providers
- **Digital disbursements/alias payments**
 - Primarily in consumer space, but opportunity for payers to reach small and out-of-network providers

Evolving reimbursement methodologies

- **How will payment flows be impacted by the move away from fee-for-service?**
 - Many structures being explored – Accountable Care Organizations, bundled payments, quality incentives, will effect reimbursement but impact on payment flows and transaction volumes minor
 - Structures like capitation agreements and provider-plan integration could have significant impact
 - Plans will still need claim data from providers
- **Bundled payments and ACOs expand providers' need to pay other providers**
 - Will providers take advantage of new tools to distribute payments electronically, or will they perpetuate the use of paper checks?

6 UnitedHealth Group solution

Healthcare reform solutions and challenges

Rebecca Reed Farha

Progress to date

UnitedHealth Group

Key objective: Ensure compliance with new regulations while simplifying internal workflow and the provider experience in order to maximize electronic adoption

- **UnitedHealth Group is the most diversified health care company in the United States having grown organically and through acquisition**
- **New acquisitions are integrated quickly in order to leverage the best technology**
- **UHG has a compliant solution for all PPACA and NACHA EFT requirements which we use internally and provide to other payers:**
 - CCD+ ACH format
 - Inclusion of TRN to associate claim payment with remittance details
 - Payment timing and ERA delivery synchronized
- **UHG paid over \$65B in claims electronically to providers in 2012; estimate over \$75B in 2013**

Remaining challenges/strategy

UnitedHealth Group

- **UHG's diverse product offering (individual, commercial non-risk, commercial risk, Medicaid, Medicare, etc.) creates a complex technology infrastructure with multiple claim adjudication platforms and payment applications**
- **Providers are looking to simplify their processes with UHG – want consolidated payments and uniform presentation of claim detail and EFT enrollment**
- **Shift to “Payment Highway” to connect all UHG platforms to Electronic Payments and Statements (EPS):**
 - Provides fully compliant EFT solution
 - Provides single provider touch point for EFT enrollment
 - Provides single portal for remittance presentment to providers
 - Eliminates need for redundant upgrades by payment platform
 - Provides opportunity for more comprehensive provider relationship management
- **60% of total claim volume and 75% of claim dollars now processed through this EPS and Payment Highway solution**
- **Working on additional options such as virtual cards to increase Provider enrollment**

Q&A



Irfan Ahmad

The Clearing House
Healthcare Product
Development and Strategy

Irfan Ahmad is Vice President, Healthcare Payments for The Clearing House. Irfan is responsible for strategy, implementation, and management of The Clearing House's healthcare products. With over 15 years of experience in the healthcare sector, Irfan is experienced with the entire healthcare eco system from a payer, provider, and pharmacy perspective.

Prior to joining The Clearing House, Irfan has worked for PriceWaterhouseCoopers Healthcare consulting practice, Medco Health Solutions, and for the Southern Maryland Public Health Department.



Ken Merrill

Bank of America Merrill Lynch
Product Management Executive Healthcare
Product Solutions

Ken Merrill is a director president in the Global Transaction Services group and leads the Healthcare Product Solutions team. He is the business owner of HealthLogic Systems Corporation, a wholly owned subsidiary of Bank of America.

Ken is an active member of the NACHA Healthcare Task Force and The Clearinghouse Healthcare Steering Committee.

Ken's past experience includes product management, business strategy, product development and initiative management across various treasury management divisions.



Rebecca C. Reed Farha

UnitedHealth Group
Senior Director, Treasury Solutions
and Bank Relations

Becky is responsible for providing innovative treasury and banking solutions to internal business partners for process improvement, product development, acquisition integration and organizational alignment. The team is responsible for bank relations strategy, fee negotiation and analysis and coordinating with UnitedHealth Group sales teams to help expand the company's benefit and service offerings to its financial institutions partners.

Prior to joining UnitedHealth Group, Becky served as a treasury management sales officer for several banks, most recently U.S. Bank. Becky graduated from the University of North Carolina at Chapel Hill with a Bachelor's degree in Economics. She is a Certified Treasury Professional.