Make Electronic Funds Transfer Work for You

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Session Topics

- Introduction
- What are EFT payments?
- EFT benefits to physician practices
- How EFT are payments processed
- ACH legal framework: rights and protections
- Re-associating EFT payments with ERA
- Improving your payment processing: treasury management services
- Resources
$30 billion annually is wasted on paper in American health care. Two-thirds of this is bound up in paper-based health claims, billing, and payments by check to doctors and hospitals.

Introduction: It’s about Improving Efficiency

- Currently, approximately 10 percent of payments to health providers in the U.S. are made electronically. Medical payment transactions alone could create $11 billion in annual savings through electronic funds transfer (EFT).

What is Electronic Funds Transfer (EFT)?

Electronics Funds Transfer (EFT): Any transfer of funds initiated through a terminal, telephone, computer or magnetic tape and made through the Automated Clearing House (ACH) Network for the purpose of instructing or authorizing a financial institution to debit or credit an account.
EFT: The Standard for Payments to Healthcare Providers

• The National Committee on Vital and Health Statistics (NCVHS) has formally:
  • Recommended that the ACH CCD+ transaction be used by health plans as the HIPAA standard for payments to healthcare providers*
  • Advocated all claim payments be processed through the ACH Network
  • Identified NACHA as the standards development organization for maintenance of the healthcare EFT standard

*Recommendation letter from NCVHS to Secretary of HHS dated February 17, 2011
Direct electronic movement of money and related information

For consumers, businesses, and government
EFT Benefits to Physician Practices

• Faster payments
  • Payments are prompt (many prompt-payment laws governing electronic claims require payment in 15 or fewer days)
  • Department of Veterans Affairs documents a 71% improvement & time and expenses savings of 64% of accounts receivables tasks*

• Decreased processing costs
  • Companies report savings of more than $0.40 in processing costs for each paper check that is converted to an EFT

*Department of Veterans Affairs, April 2006 presentation at NACHA PAYMENTS Conference
EFT Benefits to Physician Practices

• No risk of paper checks being lost or stolen
  • Funds automatically deposited to checking or savings accounts
  • Improved access to funds
• Automated data entry and reporting—improved accuracy
• Better management of claims denials
NACHA Operating Rules Establish a Legal Framework for the ACH Network

Third party processor

The Clearing House

ACH Operators

Financial Institutions (ODFIs & RDFIs)

Federal Reserve

Healthcare Clearinghouse

Originators

Third party Billing Companies

Providers

Providers

Originator (Consumer or Business)
ACH Participant Responsibilities

**Originator (Health Insurers)**
- Maintains relationship with the receiver
- Maintains record of authorization for entry
- Assigns entry type to each entry (debit or credit and SEC code)
- Transmits entry information to the ODFI

**Originating Depository Financial Institution (ODFI)**
- Initiates all payments into the network
- Secures contractual relationship with originator and ACH operator
- Maintains responsibility for all entries
- Warrants entry is authorized and contains correct data
ACH Participants

**ACH Operator**
- Maintains contractual relationship with ODFI and RDFI
- Receives entries from ODFI and transmits entries to RDFI

**Currently Two ACH Operators**
- Federal Reserve
- Private sector operator Electronic Payments Network (EPN)

**Receiving Depository Financial Institution (RDFI)**
- Maintains contractual relationship with receiver
- Credits or debits receiver’s account according to entry
- Provides re-association TRN segment to physician practice

**Receiver (Physician Practices)**
- Maintains relationship with originator
- Maintains a checking/savings account at the RDFI
Receiving EFT/ACH Payments

• Enrollment with the health insurers
  • Authorization agreements (All ACH credits and debits must be authorized by receiver)
    • Provide bank routing number and account number
    • Authorize ability to reverse duplicate or erroneous credits (Reversals are processing errors—not accounting errors)
  • Include how to terminate EFT payment process
Receiving EFT/ACH Payments

- Unauthorized debit transactions
- Fraudulent/unauthorized debits — may be returned to originator **IF** you notify your bank within the specified timeframes identified within the *NACHA Operating Rules* and your bank specific processing requirements (generally 2 days)
- Review your account activity on a regular basis
- Leverage your bank’s cash/treasury management services
Receiving EFT/ACH Payments

• Re-association of EFT payment with electronic remittance advice (ERA)
  • Originator creates a re-association number that is carried in the ERA and the EFT to tie the payment and remittance advice
  • EFT re-association number is carried in the Payment Related Information field of the Addenda Record
    • *NACHA Operating Rules* require the bank to provide the remittance information to the receiver upon request
    • You must notify your bank that you wish to receive the remittance information and discuss delivery options with them
Partnership with your Bank

- Treasury/Cash Management Services*
  - Online banking - Review account activity
    - Limit access by user and account
    - Secure, password and token protections
  - Debit blocks: automatically returns all ACH debits (does not prevent reversals)

*Treasury/Cash Management Services features and availability vary by bank
Partnership with your Bank

• More Treasury/Cash Management Services*
  • Debit filters: automatically returns all ACH debit items except those that are pre-authorized
  • ACH positive pay: allows review of ACH debits before they are posted; customer makes the decision to accept or return each debit individually

*Treasury/Cash Management Services features and availability vary by bank
NACHA Resources

• ACH Primer for Healthcare
• Healthcare Payments Resource Page:
  http://healthcare.nacha.org/
• NACHA Operating Rules:
  www.achrulesonline.org
AMA Resources

• AMA EFT Toolkit:
  • Getting started step-by-step overview
  • Considerations for physician practice scenarios
  • Questions to ask:
    • The health insurer
    • Your bank
    • Your billing service
    • Your clearinghouse
  • Glossary of terms

www.ama-assn.org/go/eft