

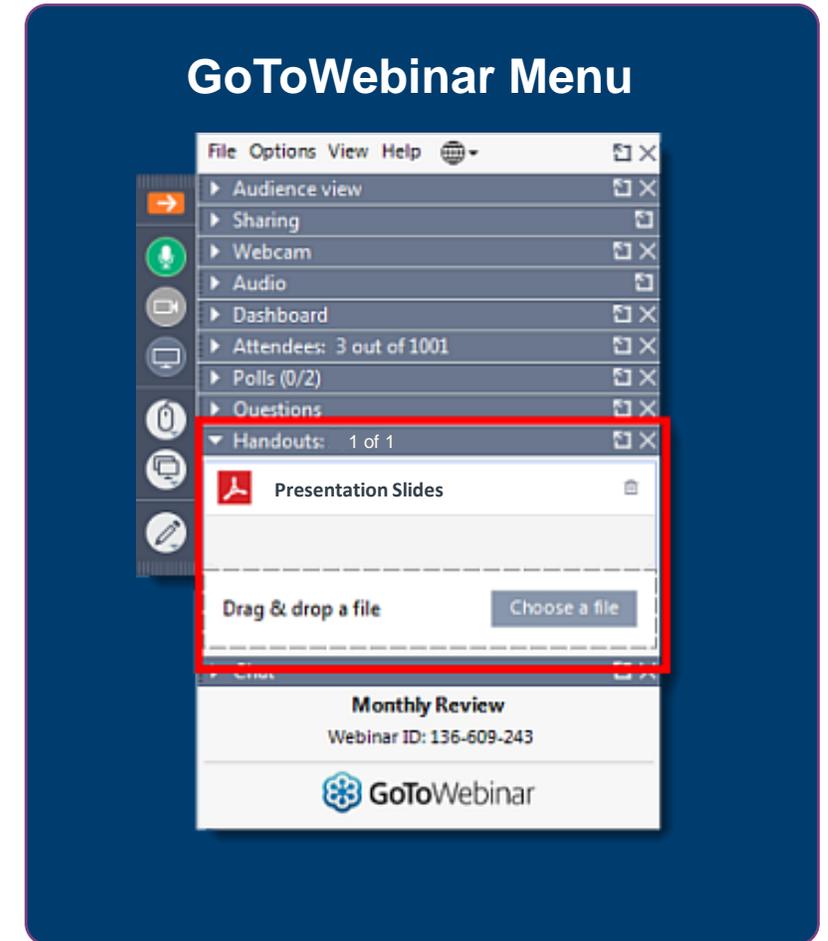
State of the Industry: Trends in Healthcare Payments

Deirdre Ruttle, InstaMed, a J.P. Morgan company
Brad Smith, Nacha
Erin Weber, CAQH CORE

June 15, 2023

Webinar Logistics

- Accessing webinar materials:
 - Download the presentation slides from the “Handouts” section of the GoToWebinar menu.
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Agenda

- Introduction
- NACHA: Driving Healthcare EFT Payments via ACH
- CAQH CORE: Automation of Payment and Remittance Transactions
- J.P. Morgan Healthcare Payments: The Costs of Being a Consumer of Healthcare
- Call to Action
- Questions

Today's Speakers



Deirdre Ruttle
Chief Growth Officer
J.P. Morgan
Healthcare Payments



Brad Smith
Senior Director, Industry
Engagement and Advocacy
Nacha



Erin Weber
Vice President
CAQH CORE

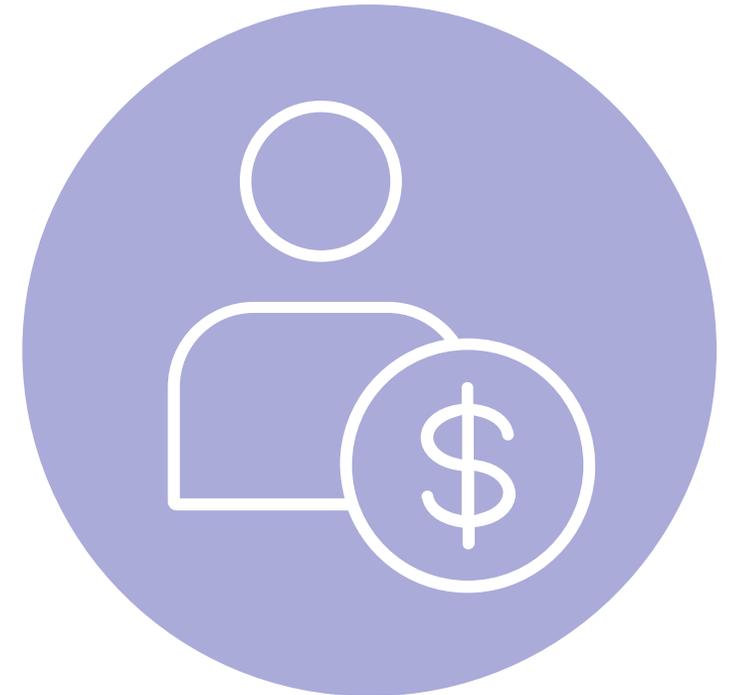
Introduction

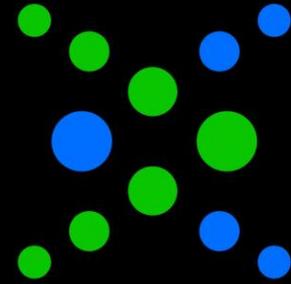
Erin Weber
Vice President, CAQH CORE

Definitions

- **Electronic funds transfer (EFT):** an electronic payment from a health plan to a provider.
- **Electronic remittance advice (ERA):** an electronic version of a payment explanation submitted by a health plan to a provider that explains the payment a provider receives for a service claim.
- **Automated Clearing House (ACH) Network:** the payment system that drives Direct Deposits and Direct Payments with the capability to reach all U.S. bank and credit union accounts.

www.nacha.org





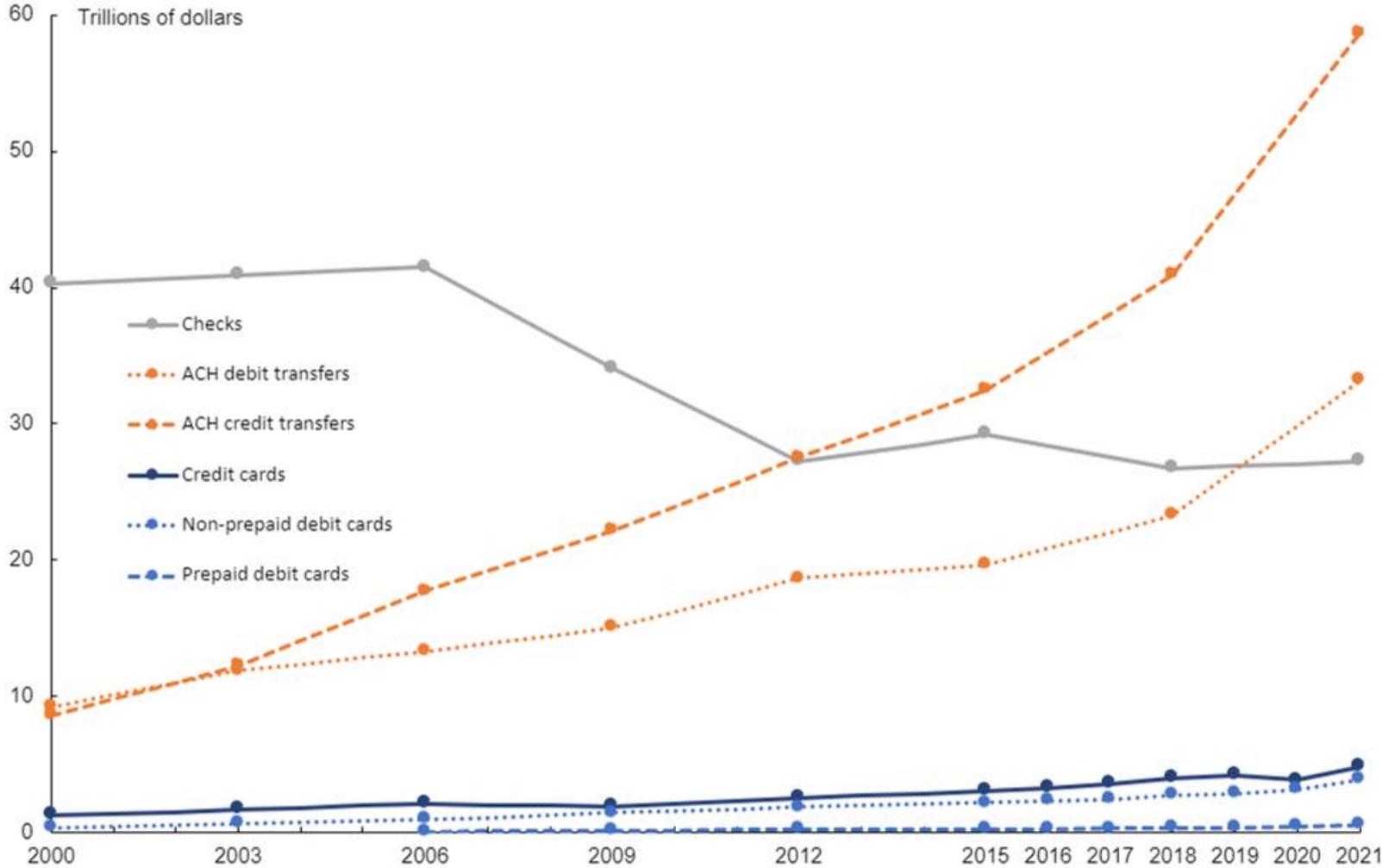
Nacha[®]

Driving Healthcare EFT Payments via ACH

Brad Smith, AAP

Sr. Director, Industry Engagement

Trends in Noncash Payments by value 2000-2021

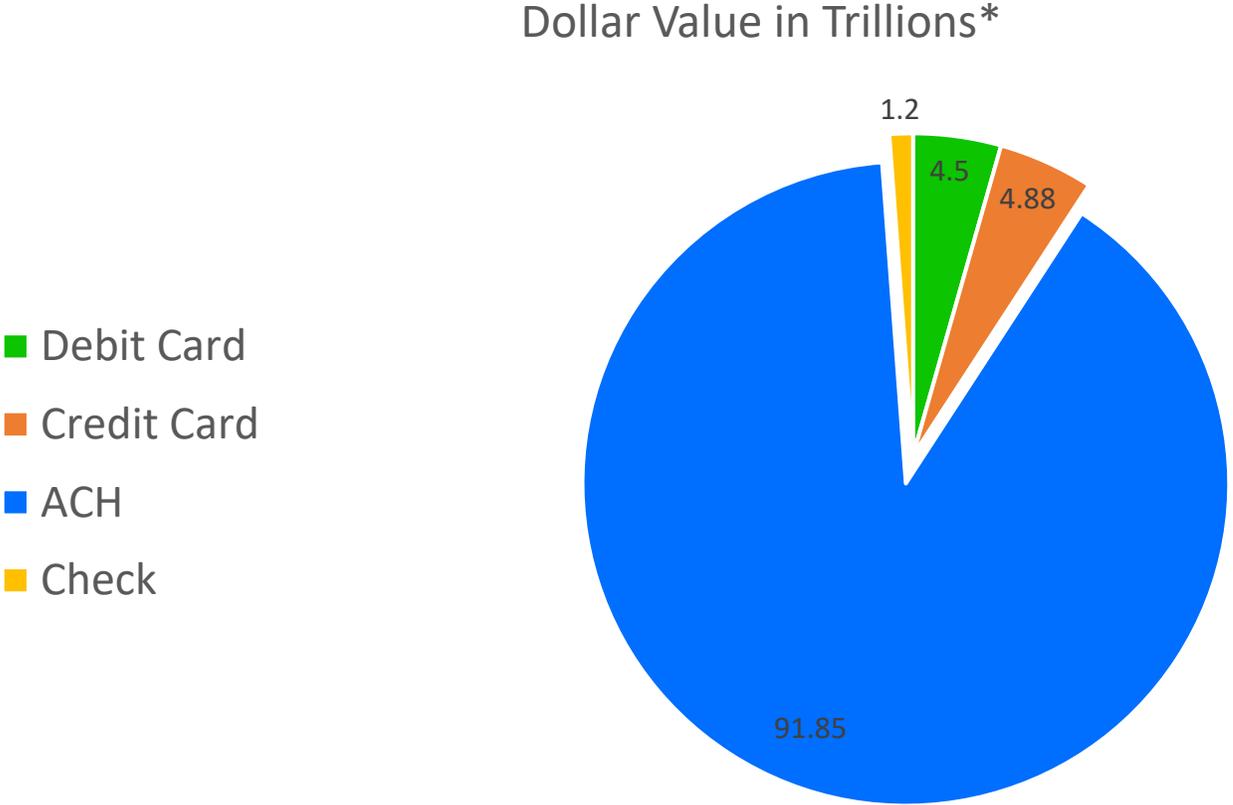


Source: FRPS 2023



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The increase in the value of ACH transfers accounted for more than 90 percent of the rise in noncash payments value from 2018 to 2021



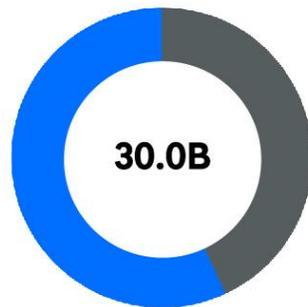
Source: FRPS 2023

*2021 data

2022 ACH NETWORK VOLUME AND VALUE

30.0B Payments Totaling **\$76.7T**

2022 VOLUME



- 17.1 Billion Debits
- 12.9 Billion Credits

2022 VALUE



- \$26.5 Trillion Debits
- \$50.2 Trillion Credits

VALUE



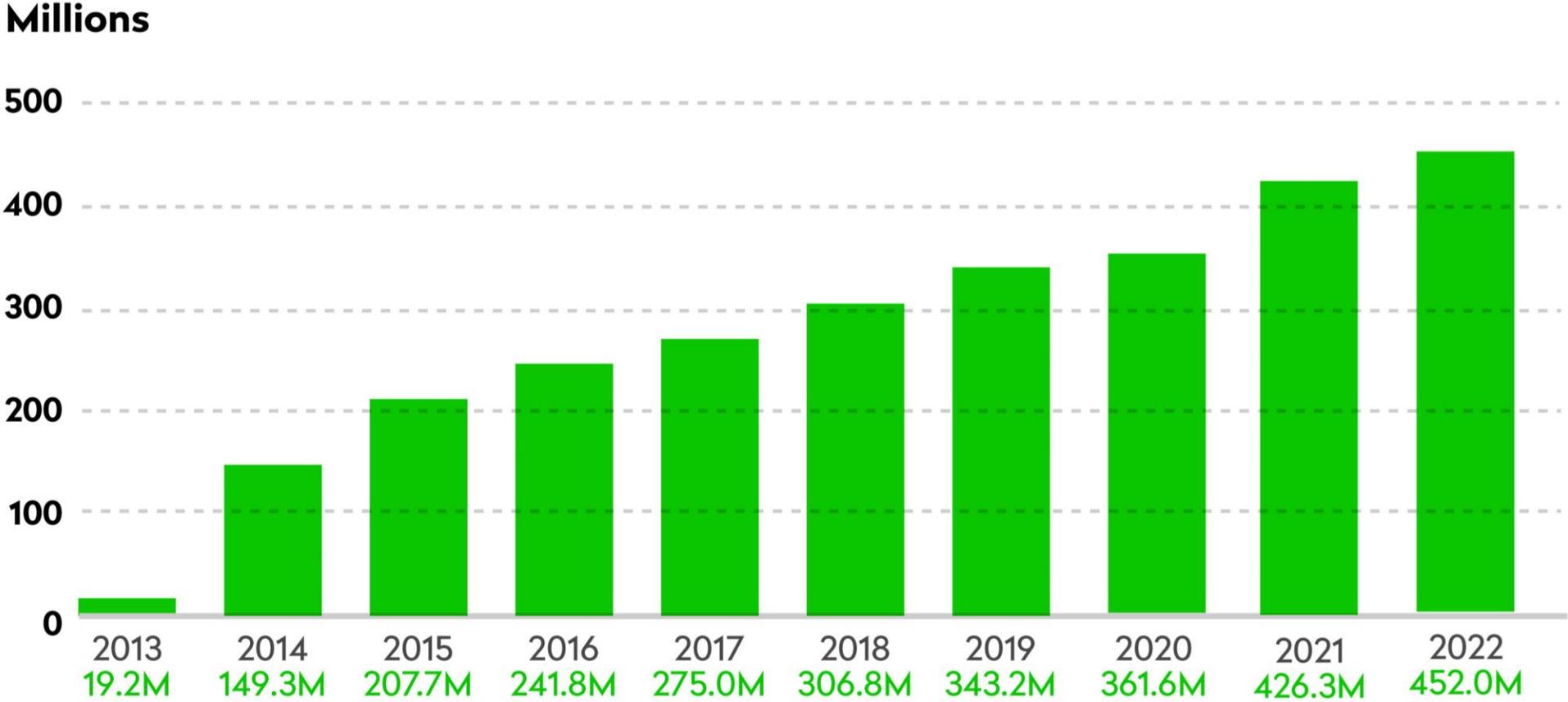
From 2021

VOLUME



From 2021

Healthcare EFT volume climbed by 6.1% in 2022



CAQH CORE: Automation of Payment and Remittance Transactions

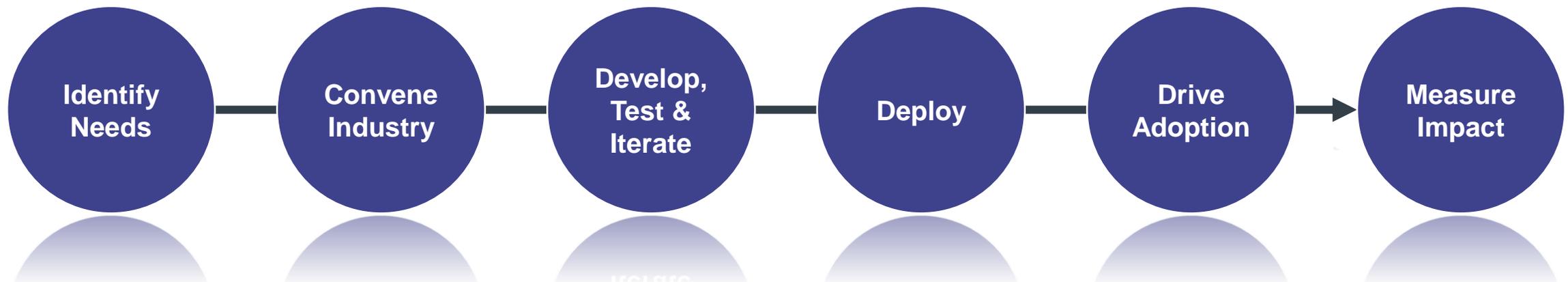
Erin Weber
Vice President, CAQH CORE

Mission

Drive the creation and adoption of healthcare operating rules that **support standards, accelerate interoperability and align administrative and clinical activities** among providers, payers and consumers.

Vision

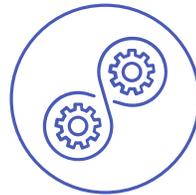
An **industry-wide facilitator** of a trusted, simple and sustainable healthcare data exchange that evolves and aligns with market needs.



Committee on Operating Rules for Information Exchange



Federally Designated by the Department of Health and Human Services (HHS) as the National Operating Rule Authoring Entity for all HIPAA mandated administrative transactions.



Develop business rules to help industry effectively and efficiently use electronic standards while remaining technology- and standard-agnostic.



Multi-stakeholder Board Members include health plans, providers, vendors, and government entities. Advisors to the Board include SDOs.

More than 100 CAQH CORE Participating Organizations

Government

- Arizona Health Care Cost Containment System
- California Department of Health Care Services
- Centers for Medicare and Medicaid Services (CMS)
- Federal Reserve Bank of Atlanta
- Florida Agency for Health Care Administration
- Health Plan of San Joaquin
- Michigan Department of Community Health
- Minnesota Department of Health
- Minnesota Department of Human Services
- Missouri HealthNet Division
- North Dakota Medicaid
- Oregon Department of Human Services
- Oregon Health Authority
- Pennsylvania Department of Public Welfare
- TRICARE
- United States Department of Treasury Financial Management
- United States Department of Veterans Affairs

Health Plans

- Aetna
- Ameritas Life Insurance Corp.
- AultCare
- Blue Cross and Blue Shield Association (BCBSA)
- Blue Cross Blue Shield of Michigan
- Blue Cross Blue Shield of North Carolina
- Blue Cross Blue Shield of Tennessee
- CareFirst BlueCross BlueShield
- Centene Corporation
- CIGNA
- Elevance Health
- Health Care Service Corp
- Horizon Blue Cross Blue Shield of New Jersey
- Humana
- Medical Mutual of Ohio, Inc.
- Point32Health
- UnitedHealthGroup

Integrated Plan/Provider

- Highmark Health (Highmark, Inc.)
- Kaiser Permanente
- Marshfield Clinic/Security Health Plan of Wisconsin, Inc.

Vendors & Clearinghouses

- AIM Specialty Health
- athenahealth
- Availity, LLC
- Averhealth
- Cedar Inc
- Cerner/Healthcare Data Exchange
- Change Healthcare
- ClaimMD
- Cloud Software Group
- Cognizant
- Conduit
- CSRA
- DXC Technology
- Edifecs
- Epic
- Experian
- Healthedge Software Inc
- HEALTHeNET
- HMS
- Infocrossing LLC
- InstaMed
- NantHealth NaviNet
- NextGen Healthcare Information Systems, Inc.
- OptumInsight
- PaySpan
- PNC Bank
- PriorAuthNow
- SS&C Health
- Surescripts
- The SSI Group, Inc.
- TriZetto Corporation, A Cognizant Company
- Utah Health Information Network (UHIN)
- Wells Fargo
- Zelis

Providers

- American Hospital Association (AHA)
- American Medical Association (AMA)
- Aspen Dental Management, Inc.
- Children's Healthcare of Atlanta Inc
- Cleveland Clinic
- Greater New York Hospital Association (GNYHA)
- Healthcare Financial Management Association (HFMA)
- Laboratory Corporation of America
- Mayo Clinic
- Medical Group Management Association (MGMA)
- Montefiore Medical Center
- New Mexico Cancer Center
- OhioHealth
- Ortho NorthEast (ONE)
- Peace Health
- St. Joseph's Health
- Virginia Mason Medical Center

Other

- Accenture
- ASC X12
- Cognosante
- Healthcare Business Management Association
- Healthcare Business Association of New York (HCBA)
- HL7
- NACHA The Electronic Payments Association
- National Association of Health Data Organizations (NAHDO)
- National Committee for Quality Assurance (NCQA)
- National Council for Prescription Drug Programs (NCPDP)
- New England HealthCare Exchange Network (NEHEN)
- Preferra Insurance Company Risk Retention Group
- Private Sector Technology Group
- Tata Consultancy Services Ltd
- Utilization Review Accreditation Commission (URAC)
- Work Group for Electronic Data Interchange (WEDI)

Account for 75% of total American covered lives.

CAQH CORE Payment & Remittance Operating Rules



CAQH CORE Payment & Remittance Operating Rules are federally mandated, except for rule requirements pertaining to Acknowledgements.

Infrastructure

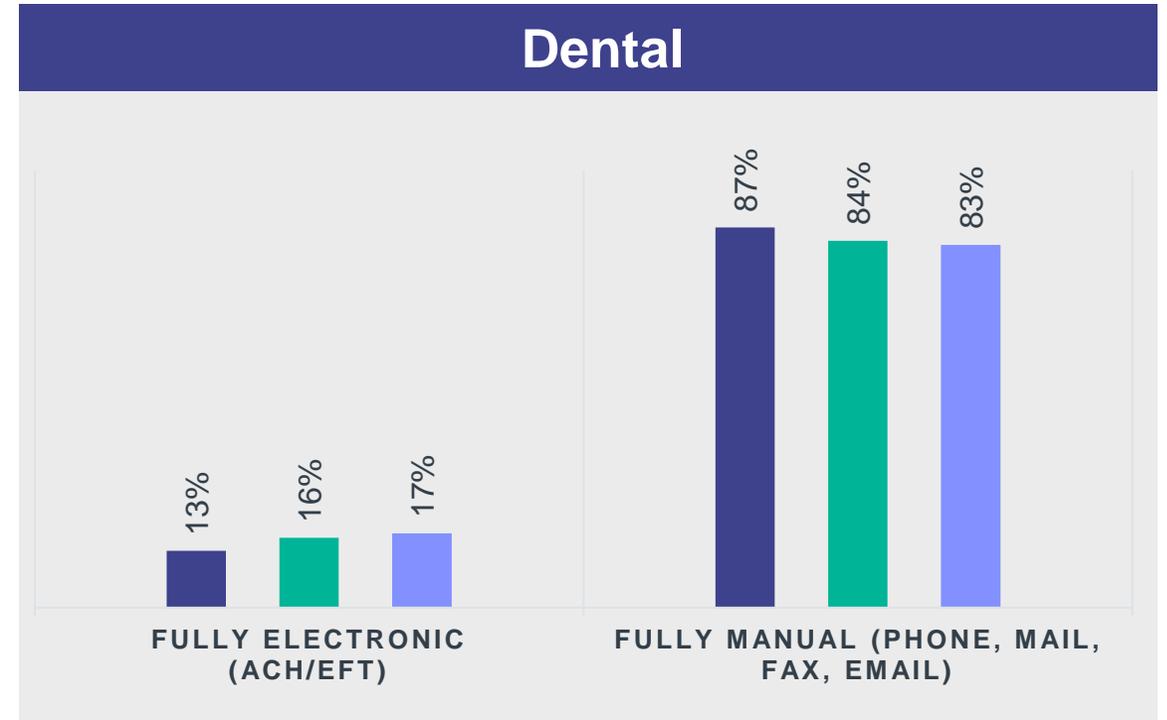
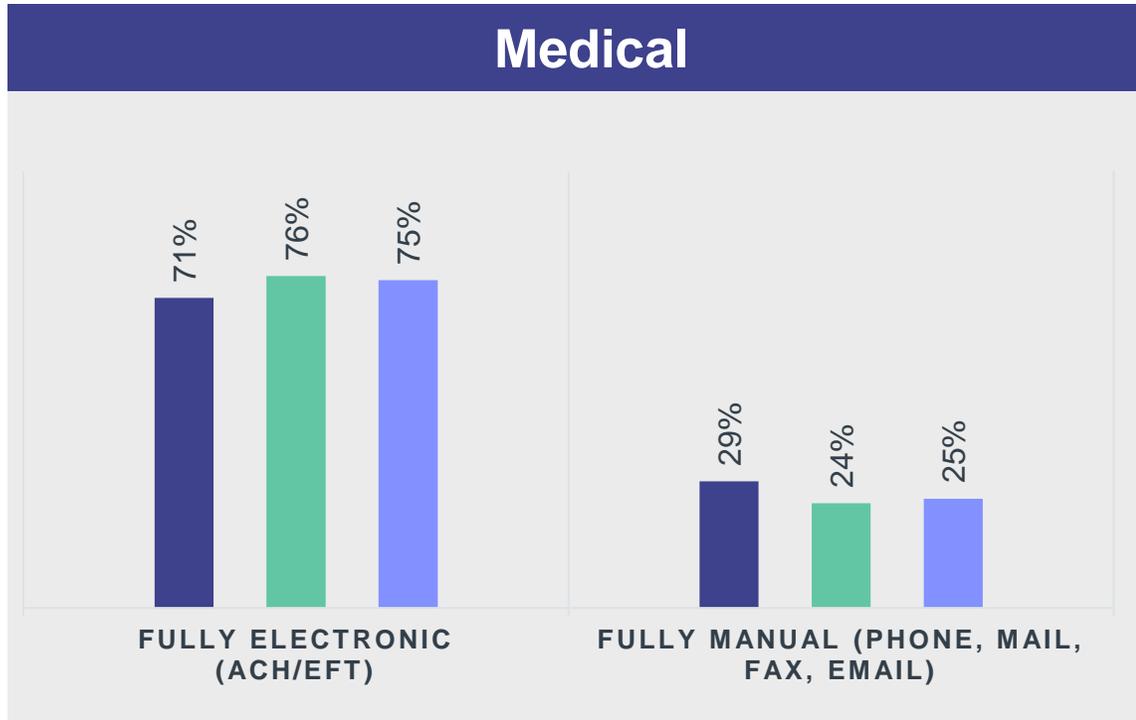
- Health Care Claim Payment/Advice (835) Infrastructure Rule
- EFT/ERA Reassociation (CCD+/835) Rule

Data Content

- Uniform Use of CARCs & RARCs (835) Rule
- EFT Enrollment Data Rule
- ERA Enrollment Data Rule

Claims Payment Adoption

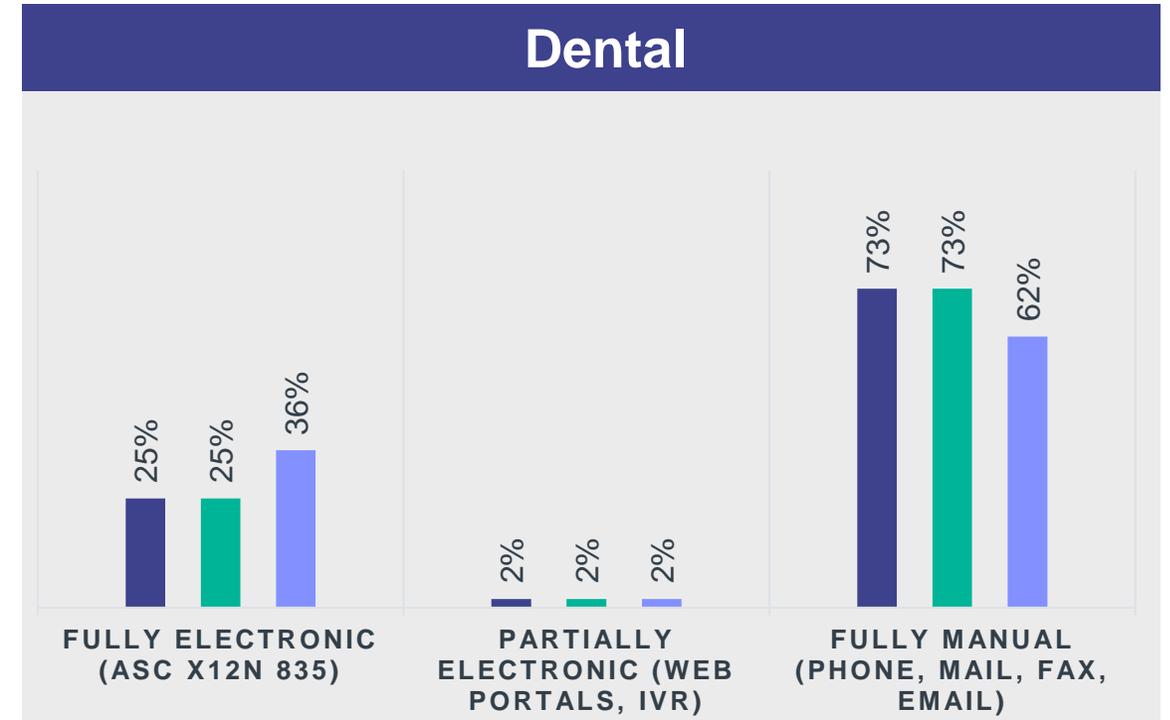
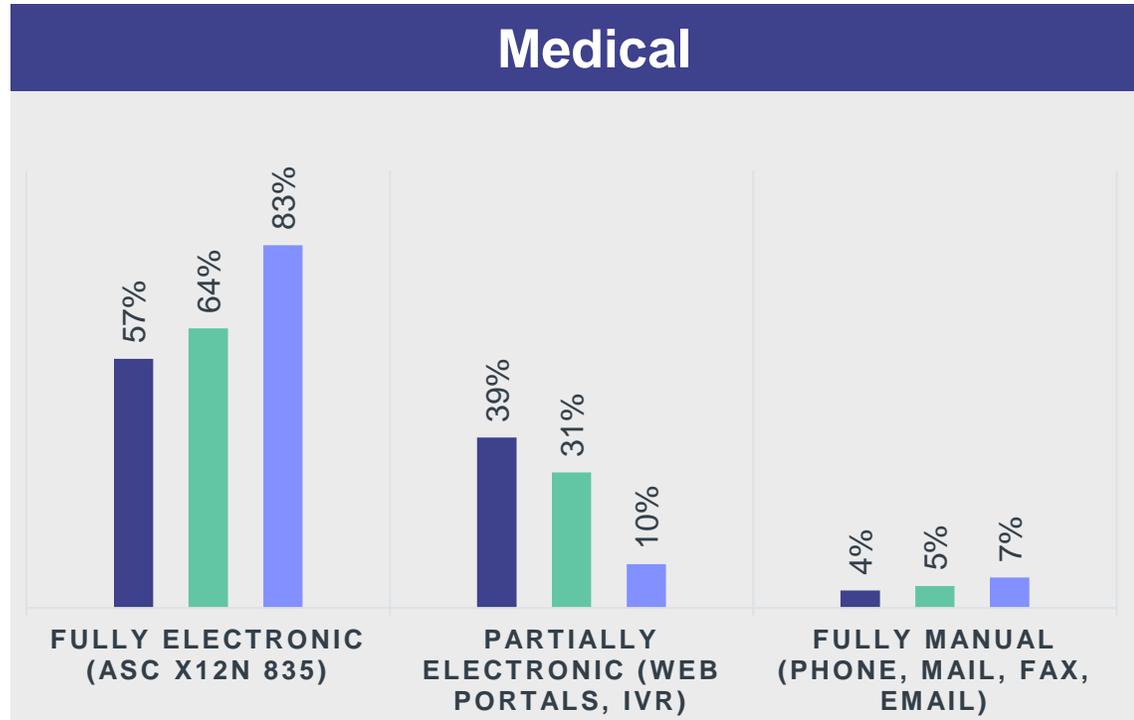
2022 CAQH Index



■ 2020 ■ 2021 ■ 2022

Remittance Advice Adoption

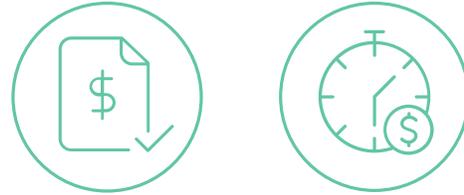
2022 CAQH Index



■ 2020 ■ 2021 ■ 2022

CAQH CORE Payment & Remittance Operating Rules

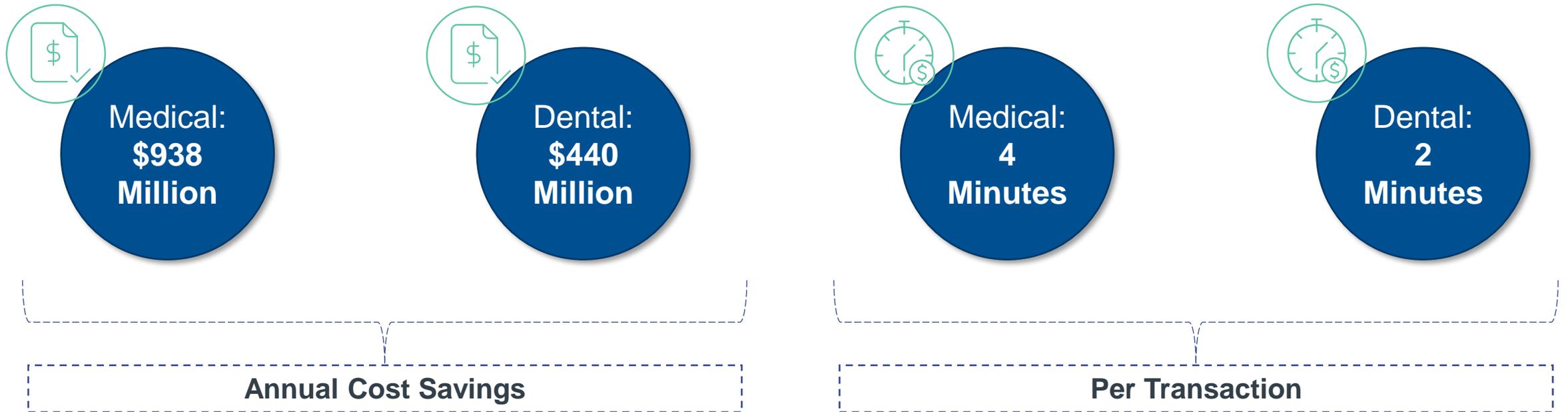
Adoption Leads to Time and Cost Savings



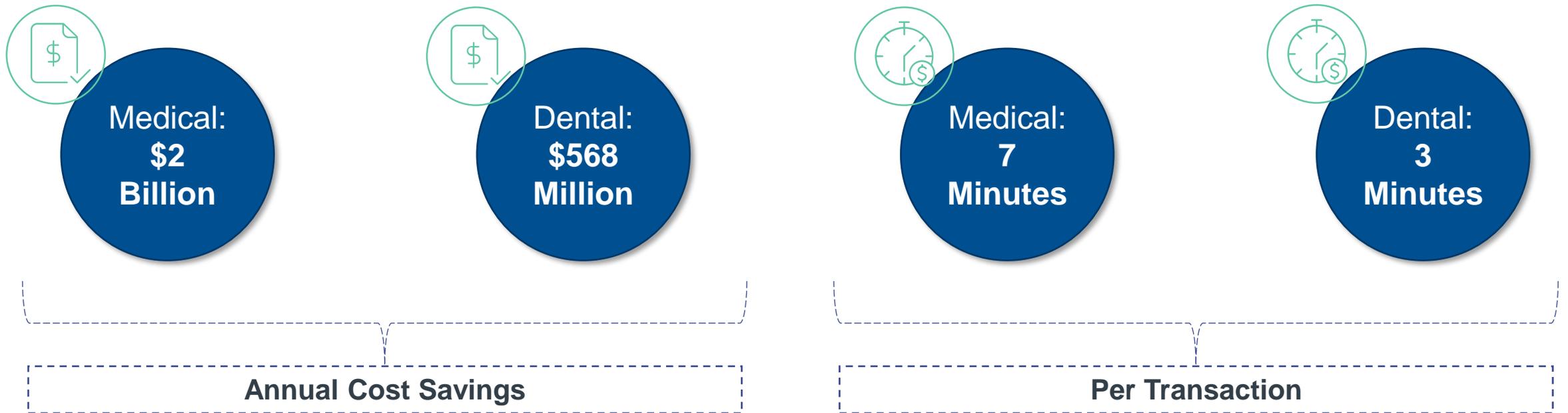
Benefits of Adoption

- ✓ Improves cash flow.
- ✓ Eliminates the need for manual re-keying of reconciliations of EFTs and ERAs.
- ✓ Increases ability to conduct targeted payment issue follow-ups.
- ✓ Standardizes enrollment for EFT/ERA.
- ✓ Automates re-association of EFT and ERA.

By Switching to Fully Electronic Claim Payment Transactions, Industry Could Save:



By Switching to Fully Electronic Remittance Advice Transactions, Industry Could Save:



Updated Guidance from CMS on EFT and ERA Standards

- The adopted HIPAA EFT and ERA standards do permit health plans to pay claims via paper check, Fedwire or via a payment card network including virtual credit cards.
- However, under HIPAA, If a provider requests that a health plan make payments for health care through the ACH Network using the adopted EFT standards, the health plan must comply. The health plan must also comply with requests to use the adopted ERA standard.
- In 2022, CMS published a [guidance letter](#) and [new FAQs](#) related to health plans' payment of health care claims using virtual credit cards and the adopted HIPAA standards for EFT and ERA.
- The CMS National Standards Group, on behalf of HHS, administers the Compliance Review Program to ensure compliance among covered entities with HIPAA Administrative Simplification rules for electronic health care transactions.
- HIPAA complaints can be filed through the CMS [Administrative Simplification Enforcement and Testing Tool \(ASETT\)](#).

The Costs of Being a Consumer of Healthcare



Increasing Medical Debt

The cost of care can be a factor preventing or delaying consumers from visiting their providers, even if the treatment is for a serious condition.

- **Nearly 1 in 10 consumers** owe at least \$250 in medical debt.²⁴
- **38% of consumers** put off treatment due to costs.²⁵
- **27% of consumers** put off medical treatment for a serious condition due to costs.²⁶



24 KFF, 1 in 10 Adults Owe Medical Debt, March 2022
25 Gallup, Americans Sour on U.S. Healthcare Quality, January 2023
26 Ibid

Lack of Price Transparency

Consumers don't know how much they'll owe before a provider visit.

- **59% of consumers** have not used online pricing information from their hospital or health system, or said the information was not available³⁰
- **47% of consumers** do not clearly understand how much they will owe their providers³¹
- **86% of consumers** say it's important to know how much they'll owe before a provider visit³²

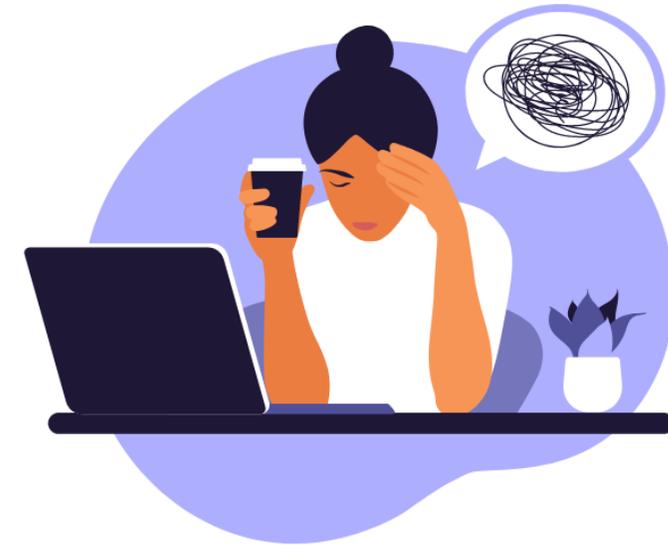


³⁰ InstaMed Consumer Healthcare Payments Survey 2022
³¹⁻³² Ibid

Unchanged Payment Experiences Frustrate Consumers

While healthcare costs have increased, the payment experience has not improved for consumers.

- **71% of consumers** are confused by their medical bills.²⁷
- **76% of consumers** received an unexpected medical bill.²⁸
- **68% of consumers** received a statement more than a month after service.²⁹



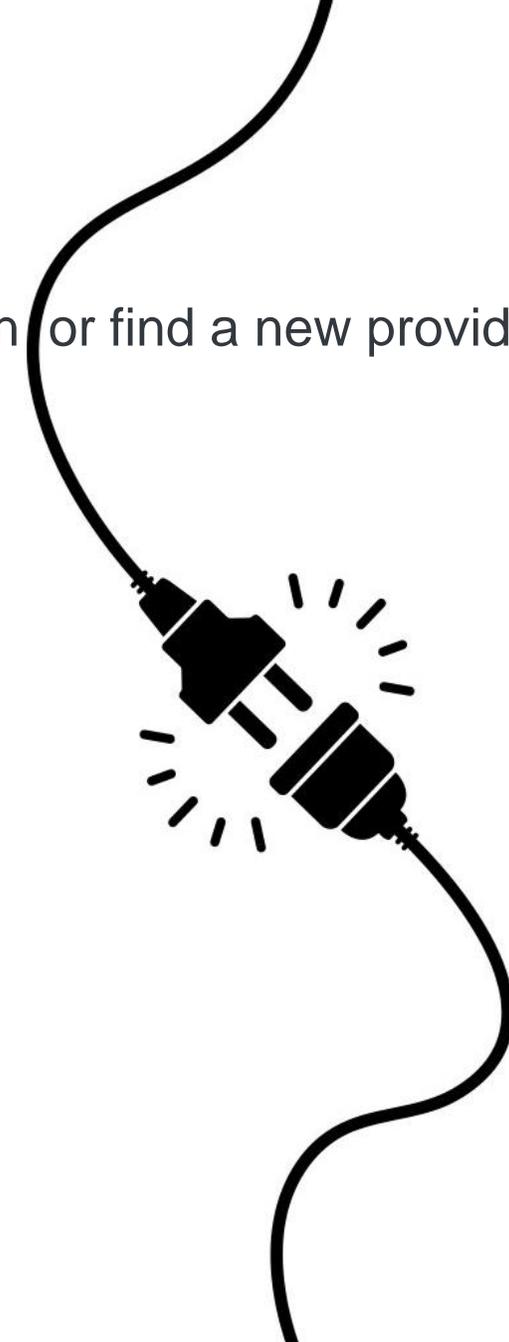
27 InstaMed Consumer Healthcare Payments Survey 2022
28-29 Ibid

Impact of Negative Consumer Experiences

Poor payment experiences may cause consumers to end a transaction or find a new provider.

- **35% of consumers** had no option to pay their medical bill online³⁹
- **30% of consumers** ended more than one transaction because they couldn't pay with a credit or debit card⁴⁰
- **42% of consumers** would switch or already have switched providers for a better healthcare payments experience⁴¹

³⁹ InstaMed Consumer Healthcare Payments Survey 2022
⁴⁰⁻⁴¹ Ibid



The Untapped Potential of Giving Consumers Exactly What They Want

Convenience is key.

- **92% of consumers** say convenience is an important factor when choosing a primary care provider.³³
 - **52% of consumers** cite it as a very important factor.³⁴
- **91% of consumers** pay recurring bills online.³⁵



³³ CVS Health, Health Care Insights Study 2022, July 2022

³⁴ Ibid

³⁵ InstaMed Consumer Healthcare Payments Survey 2022

Consumers Now Expect Convenience

The pandemic gave consumers more convenience in new virtual and self-service channels than they have ever had before.

- **77% of consumers** now expect virtual and self-service options to be offered.³⁶
- **67% of consumers** want digital and electronic payment options, such as receiving eStatements and paying online.³⁷
- **85% of consumers** want to pay all of their medical bills in one place.³⁸



³⁶ InstaMed Consumer Healthcare Payments Survey 2022
³⁷⁻³⁸ Ibid

Operating in the Red:

How a Perfect Storm of Challenges
Creates Negative Margins for
Providers



Healthcare Providers Are Operating in the Red

Healthcare providers have been at the frontlines of the COVID-19 pandemic. For the better part of three years, providers have been stretched beyond their limits.

In addition to the mental toll on the individuals, provider organizations face considerable financial struggles.

- **53% of hospitals** were projected to have negative margins through 2022.³
- **41% of providers** relied on external funding to remain open.⁴
- **36% of providers** operated at a loss due to surges from outbreaks.⁵
- The total supply chain cost-to-serve for a health system averages **37.3% of the total cost** of patient care⁶

³ KaufmanHall, The Current State of Hospital Finances: Fall 2022 Update, September 2022

⁴ InstaMed Provider Healthcare Payments Survey 2022

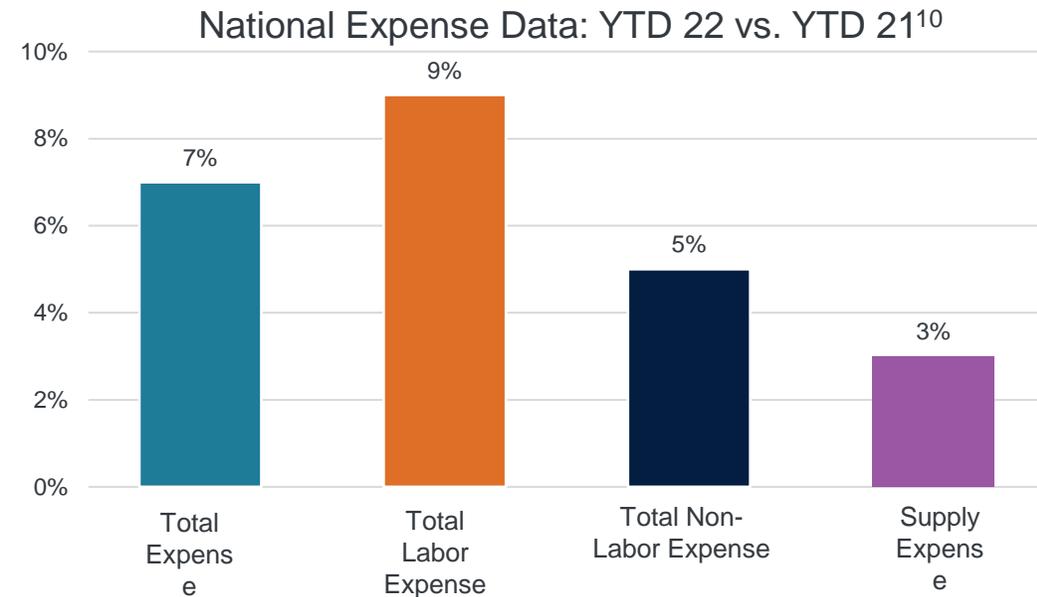
⁵ Ibid

⁶ Gartner, "The Gartner Healthcare Supply Chain Top 25 for 2022", May 2022

Swelling Labor Costs Show No Signs of Slowing Down

Many provider organizations are now challenged to attract, train and retain staff for vital positions, both clinical and administrative.

- **31% of providers** spent more than budgeted or typical on training and hiring new staff.⁷
- **15% of providers** increased overtime rates to help incentivize staff to work uncovered shifts.⁸
- **20% of providers** hired more staff than needed for vital roles with high turnover.⁹



% Change in year-to-date expenses per adjusted discharge, 2022 compared with 2021 (Jan. 1 to Sept. 30)

⁷ InstaMed Provider Healthcare Payments Survey 2022

⁸⁻⁹ Ibid

¹⁰ National Hospital Flash Report, "Kaufman Hall, Jan. 2023.

How Patient Volume and Collections Affect Provider Finances

Decreasing capacity for patient volume reduces the opportunity to generate income for provider organizations.

- **29% of providers** reduced the number of patient visits available due to staffing shortages.¹⁴
- **18% of providers** reduced the hours for patient visits due to staffing shortages.¹⁵



¹⁴ InstaMed Provider Healthcare Payments Survey 2022

¹⁵ Ibid

Current Collection Processes Hurt the Financial Health of Provider Organizations

Mailed paper statements and staff-dependent processes are significantly more costly than electronic and paperless options.

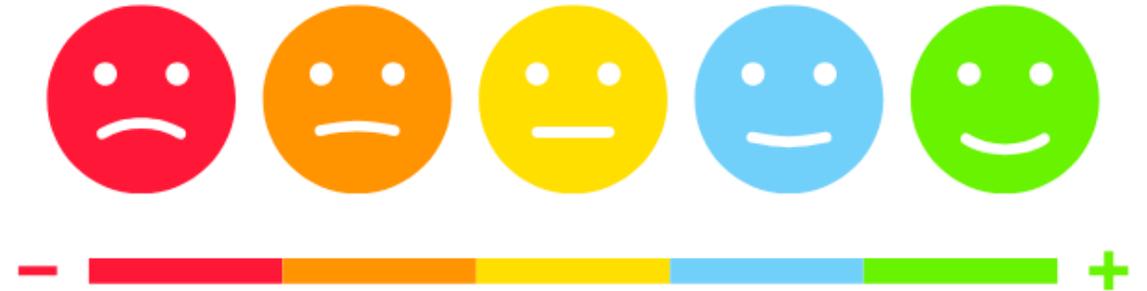
- **78% of providers** primarily collect from patients with paper and manual processes.¹⁶
- **55% of providers** primarily collect from patients with mailed paper statements.¹⁷
- **23% of providers** primarily collect from patients with in-person and staff outreach collections.¹⁸

Patient collections are historically slow. From the initial visit to the final payment, weeks or months could go by.

- **74% of providers** say it takes 2+ statements to collect a patient balance in full.¹⁹
- **37% of providers** take 3+ statements.²⁰

Importance of Improving the Patient Payment Experience

- **76% of providers** say billing and collections impact the patient experience⁸³
- **68% of providers** say billing and collections improve the patient experience⁸⁴
- **38% of providers** are prioritizing self-service options for patients⁸⁵



83 InstaMed Provider Healthcare Payments Survey 2022
84-85 Ibid

Are Payers Ready for the Return to the Doctor?



Payers Face Operational Challenges

Payer organizations do not seem adequately prepared to handle any upticks in patient volumes.

- **56% of payers** were challenged by too many open positions and/or high staff turnover in 2022.⁴⁵
- **44% of payers** say in-house payment processes were a top challenge in 2022.⁴⁶
- **34% of payers** reported difficulty managing payment vendors and channels in 2022.⁴⁷



⁴⁵ InstaMed Payer Healthcare Payments Survey 2022
⁴⁶⁻⁴⁷ Ibid

Challenges Stalling Real Growth for Payers

Any potential disruption to the status quo will likely compound existing challenges for payers

- **71% of payers** reported calls due to member confusion and payment questions as a top challenge.⁵⁰
- **52% of payers** reported calls due to provider confusion and payment questions as a top challenge.⁵¹

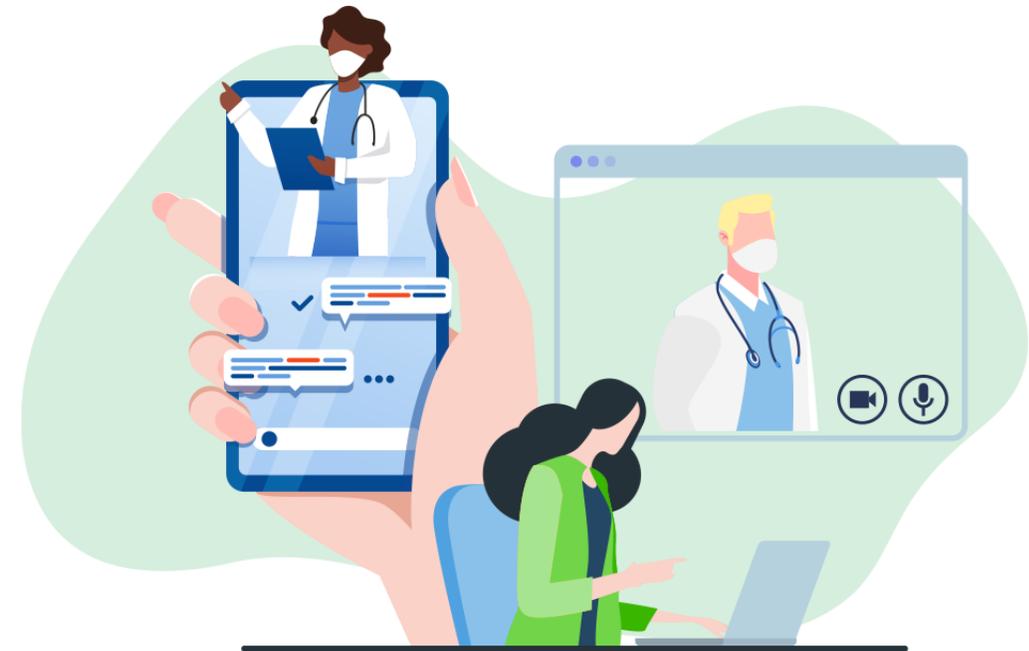


⁵⁰ InstaMed Payer Healthcare Payments Survey 2022
⁵¹ Ibid

The Importance of the Member Experience

Tapping into the growth of the ACA marketplaces will require payers to rethink the premium experience.

- **45% of payers** reported missed and/or late premium payments from members as a top challenge.⁵²
- **81% of consumers** want to pay health plan premiums online.⁵³
- **68% of consumers** want to schedule automatic deductions for recurring premiums.⁵⁴



⁵² InstaMed Payer Healthcare Payments Survey 2022

⁵³ InstaMed Consumer Healthcare Payments Survey 2022

⁵⁴ Ibid

Rising Competition in Healthcare

Providers and Payers Face Increased Pressure From Retail Giants

- **55% of consumers** said they were likely to or might use a retail clinic for preventive care.⁶¹
- **Just one in ten** consumers said they have used a retail clinic in the past year.⁶²

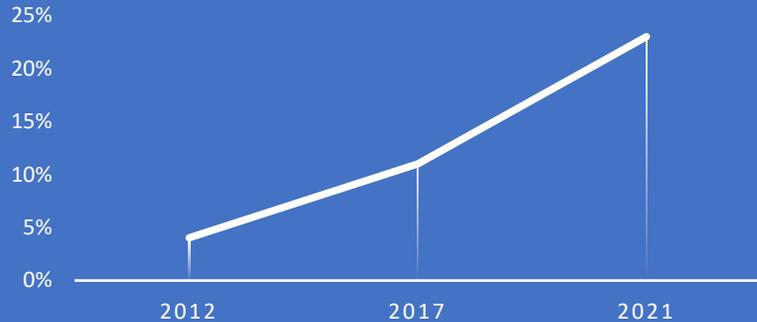


⁶¹ Deloitte Center for Health Solutions [55% Of Americans Say They'd Use Retail Clinics, But Few Actually Do, New Report Shows \(forbes.com\)](#)

⁶² Ibid

More Than a Decade of Trends Show Movement in the Right Direction

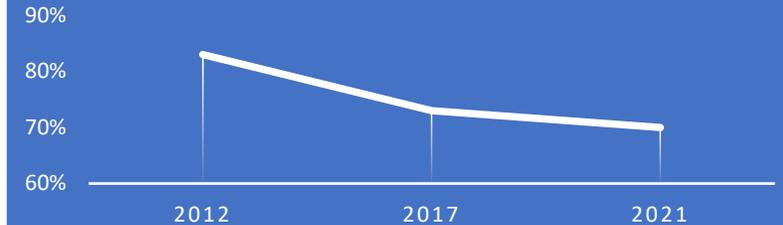
CONSUMERS WHO RECEIVE MEDICAL BILLS ELECTRONICALLY



PROVIDERS WHO RECEIVED SOME PAYER PAYMENTS ELECTRONICALLY



PROVIDERS WHO SAY IT TAKES MORE THAN ONE MONTH TO COLLECT AFTER A PATIENT ENCOUNTER



Questions

Reminder: Ask our speakers your questions by typing in the “Questions” pane on the lower right hand corner of your screen.



Call to Action



[Healthcare EFT Resources | Nacha](#)

J.P.Morgan

To download the Trends report visit: www.instamed.com/trends



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September 27-29, 2023, Westin Georgetown, Washington, D.C [Register Here!](#)

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