

Make Electronic Funds Transfer Work for You

Priscilla C. Holland, AAP, CCM
Senior Director, Healthcare Payments
NACHA, The Electronic Payments Association



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

Introduction: It's about Improving Efficiency

\$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.



**The National Progress Report on Healthcare Efficiency, U.S. Healthcare Efficiency Index (USHEI), 2010*

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).



**The National Progress Report on
Healthcare Efficiency, U.S. Healthcare
Efficiency Index (USHEI), 2010*

What is Electronic Funds Transfer (EFT)?

Electronic 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

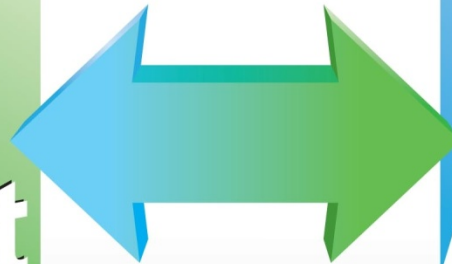
- The National Committee on Vital and Health Statistics (NCVHS) has formally:
 - Recommended that the ACH CCD+ transaction be used by health plans as the HIPAA standard for payments to healthcare providers*
 - Advocated all claim payments be processed through the ACH Network
 - Identified NACHA as the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

Direct Payment
VIA ACH

Bank
Account



Direct Deposit
VIA ACH

Bank
Account

For consumers, businesses, and government

EFT Benefits to Physician Practices

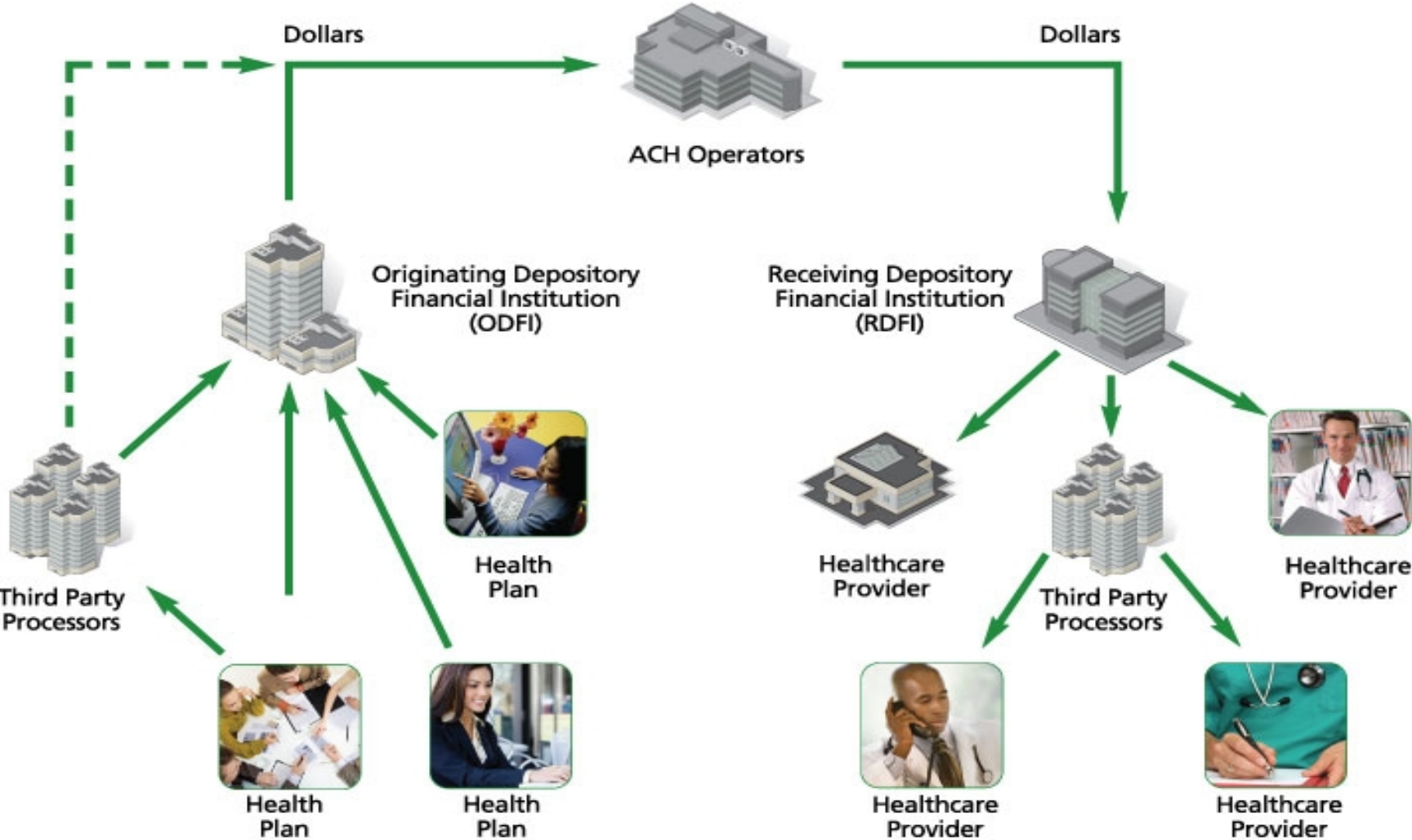
- Faster payments
 - Payments are prompt (many prompt-payment laws governing electronic claims require payment in 15 or fewer days)
 - Department of Veterans Affairs documents a 71% improvement & time and expenses savings of 64% of accounts receivables tasks*
- Decreased processing costs
 - Companies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

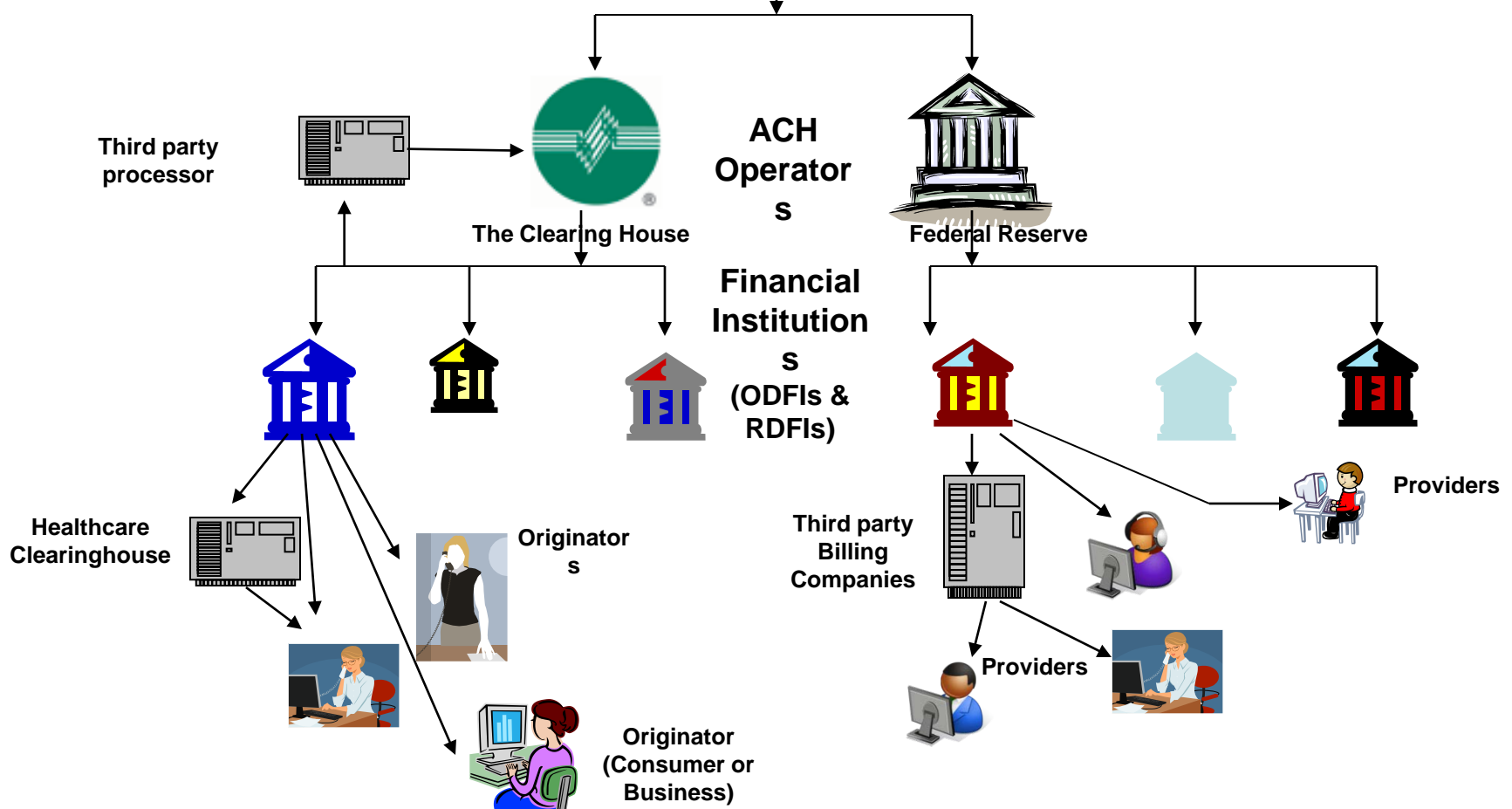
EFT Benefits to Physician Practices

- 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

EFT Healthcare Credit Payment



NACHA Operating Rules Establish a Legal Framework for the ACH Network



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

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

Currently Two ACH Operators

- Federal Reserve
- Private sector operator Electronic Payments Network (EPN)

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

ACH Primer for Healthcare

A Guide to Understanding EFT Payments Processing



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

