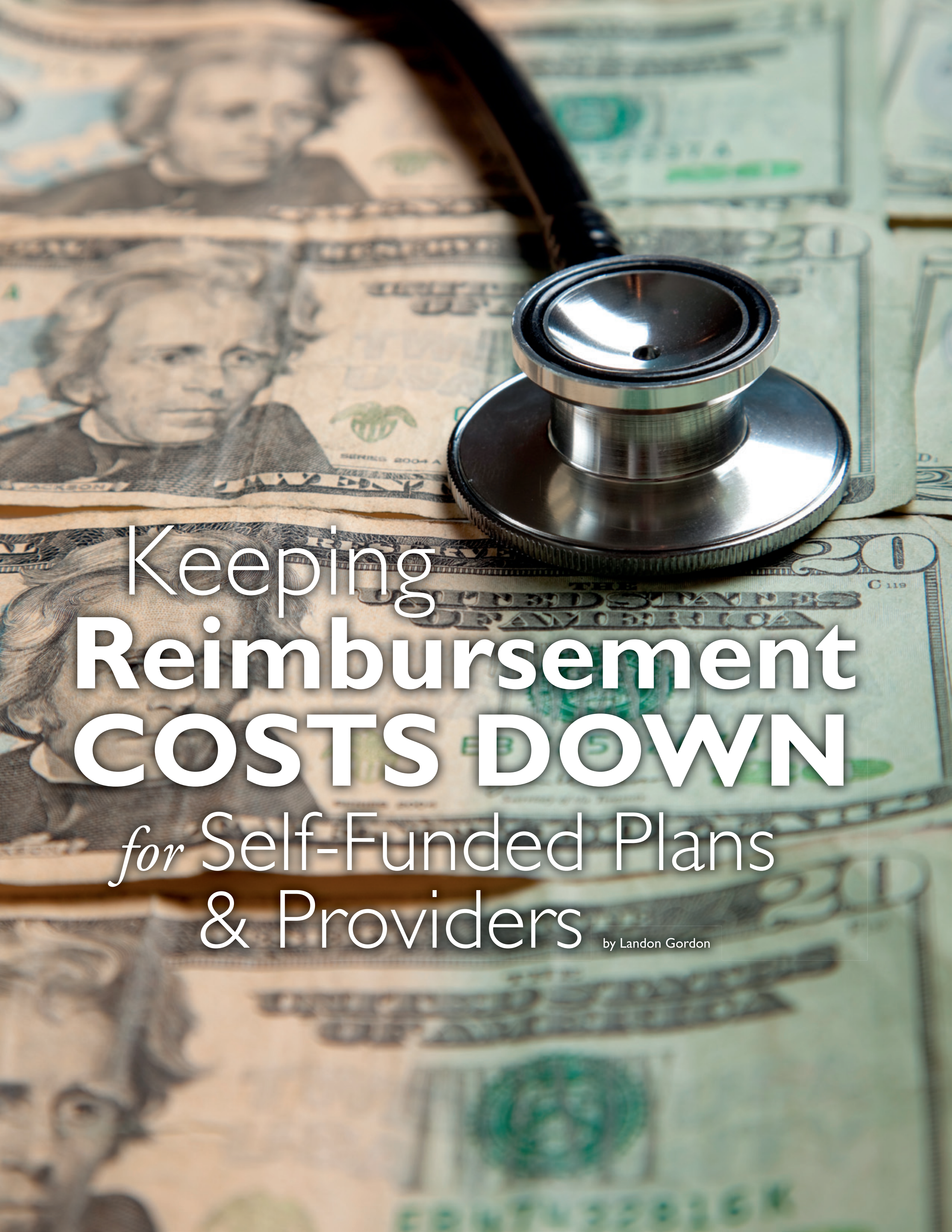

Keeping **Reimbursement COSTS DOWN** *for* Self-Funded Plans & Providers

by Landon Gordon

Self-insured employers continue to face the pressures of mounting healthcare costs, lingering economic uncertainties and increasingly complex reimbursement rules. Although these self-funded plans are exempt from several aspects of the Patient Protection and Affordable Care Act (PPACA), most of the provisions of healthcare reform will still apply. When these challenges are all accounted for, in-house-funded health plans are realizing they must do everything in their power to keep their administrative expenses to a minimum.

Many employers are still clinging to traditional billing practices utilizing paper checks, however, which, compared to electronic funds transfer (EFT), introduce unnecessary expenses in the form of stock, printing, postage and personnel resources required to process manual payments. In fact, the cost per transaction when utilizing paper checks averages $7.15.[1] These manual reimbursements also expose payers to check fraud and abuse. Self-funded employers who embrace new technology have many opportunities to minimize expenses through their healthcare reimbursement processes. However, despite recent advancements in technology, EFT still isn't widely favored among self-insured plans that still see value in the paper check process.

Healthcare Reform Brings Opportunity

Building on groundwork laid by other healthcare regulations such as the Health Insurance Portability and Accountability Act (HIPAA), provisions for electronic transactions were written into the healthcare reform law. The mandate states that by December 31, 2013, all payer organizations must show the ability to facilitate claims reimbursement transactions via automated clearing house (ACH), and beginning January 1, 2014, if a provider requests their claim reimbursements via ACH, health plans must comply. While ACH is doing away with paper checks, thus lowering processing costs for both payers and providers, it may not be the best fit for all parties involved. For one, enrollment processes for providers are relatively burdensome, and the process often leads to diminishing returns for providers that receive very few reimbursements from some payers with whom they are enrolled.

Fortunately, self-insured employers have other electronic payment options. Among the most revolutionary are virtual payments that enable plans to efficiently and transparently settle claims with provider organizations using existing credit card networks.

Virtual Payments Jumpstart EFT Adoption

Payers that offer a virtual payment solution to their provider network have the ability to push the market away from paper check while optimizing the adoption of electronic claims reimbursement. Common in other industries, virtual credit card transactions are a convenient way for employers to leverage a trusted technology infrastructure. In most cases, an employer who received a bill from a healthcare organization or physician practice will send the provider a one-time-use payment card number that they will use to process the payment transaction via their point-of-service (POS) terminal. Payment is then electronically routed to their existing bank account per their merchant acquirer agreement.

Virtual payments create administrative efficiencies by eliminating manual activities and expenses, including clearing costs associated with check reconciliation and processing. Virtual payments also incorporate fraud prevention mechanisms common to traditional credit cards, making them much safer than traditional checks. In the event the card is used fraudulently, most card issuers offer a range of dispute resolution processes from managing transaction issues with the provider to taking on the full financial burden of the disputed funds to eliminate payer concerns while the problem is being solved. It's essentially an insurance policy that indemnifies all parties against fraud, abuse and misuse.

With manual processes, reimbursement accuracy has long been an issue in healthcare. When a health plan overpays a provider due to a claim calculation error for a particular patient's visit, for example, there are very complex processes for recovering the funds. In many cases they will reconcile the problem by short-paying future claims to the provider, often causing provider balance issues since overpayments are not contained with the original overpaid patient account. With no electronic method for the provider to return the money that was paid in error, additional patient balances are often unpaid to reconcile the difference for the payer. By automating their processes, however, health plans and self-funded employers can eliminate these problems. Many virtual payment solutions allow providers the ability to issue overpayments back to payers with the same remittance allowing providers and payers a fast and efficient refund process without worrying about providing access to bank accounts.

Virtual payments also offer payers much greater insight into who the payee is and how they are using payments. With intelligence provided by the virtual payment transaction,

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Cost Item	Range
Bank related check clearing costs	$0.25 - $1.25
Check handling work-effort	$0.50 - $1.50
Reconciliation to separation of payment from remittance	$0.50 - $1.50
Health system sub-accounting	$0.00 - $0.75
Check Cost Elimination	**$1.25 - $11.75**
Virtual Card Cost ($250 Payment)	*<$7.50>*
Net <Cost>/ Opportunity for Provider	**<$6.25> - $4.25**

Mismatch Convenience Value Creation [2]

for example, employers have access to comprehensive analytics including provider payment utilization and other metrics. Virtual payment networks create a much more rich and transparent communications platform for health plans to interact with their provider networks.

Additionally, since virtual payments work in a real-time processing environment, employers can observe provider billing and posting activities more quickly than they can with check or ACH reimbursements. With immediate transaction details, payers can modify provider behaviors – perhaps correcting a claims inaccuracy before it becomes a perpetual problem. They could also leverage the information to promote their online web portal in real time to providers that are currently posting claims, for example. And unlike ACH transactions, virtual payments do not require providers to supply additional financial information that could be compromised.

But employers should ensure that their chosen virtual payment solution complies with federal regulations governing the manner in which funds must be handled. The Employee Retirement Income Security Act of 1974 (ERISA), for example, is a federal law designed to protect the investment of employees participating in employer-funded plans. Further, the healthcare reform mandate currently states that if a provider requests their claim reimbursements via ACH, payers must have the ability to comply. And while employers can offer a virtual payment solution and sell providers on the many benefits it possesses, ACH is the only EFT method that satisfies the mandate.

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Educating Providers About Virtual Payments

Existing in a proven and highly precise environment, virtual payments add transparency to healthcare transactions that few other technologies can achieve. Yet with all the advantages that virtual payments offer, self-insured health plans must fully understand the benefits in order to maximize provider adoption.

Namely, they must promote to providers that virtual payments offer a convenient, cost-effective means to reduce their reimbursement costs by eliminating physical checks. Healthcare organizations will also benefit from increased accuracy and a reduction in incorrect or unwarranted payments, including those due to fraud and abuse. By digitizing the reimbursement process, employers can assure their providers that they will receive payments more quickly, allowing them to reap the benefits of improved cash flow.

Self-funded employers must remember that not all virtual payment solutions are created equal. The most effective solutions, backed by the size and stability of the card issuer, are those proven to reconcile back to traditional billing processes, take on the burden of fraud and dispute management, simplify the handling of overpayments and provide robust analytics for payers to better understand how healthcare payments are used.

PPACA's electronic transaction provisions create an excellent opportunity for both payers and providers to revolutionize the reimbursement process, and adoption of electronic payments in healthcare can be further optimized with virtual payments. This unique solution can reduce costs, speed payment processing times and enhance staff efficiency for both employers and their provider networks. ■

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Resources

[1]*Visa comments to HHS on Administrative Simplification*

[2]*Data based on research conducted by Aberdeen Group*

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