



e-Payments



Electronic Payment Transactions – Veterans Health Administration’s Award-winning Project Pays Off

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Bottom Line



- ◆ Faster payment receipt
 - 43% improvement with Electronic Funds Transfer

- ◆ Time savings in Accounts Receivable and related business operations
 - 64% improvement



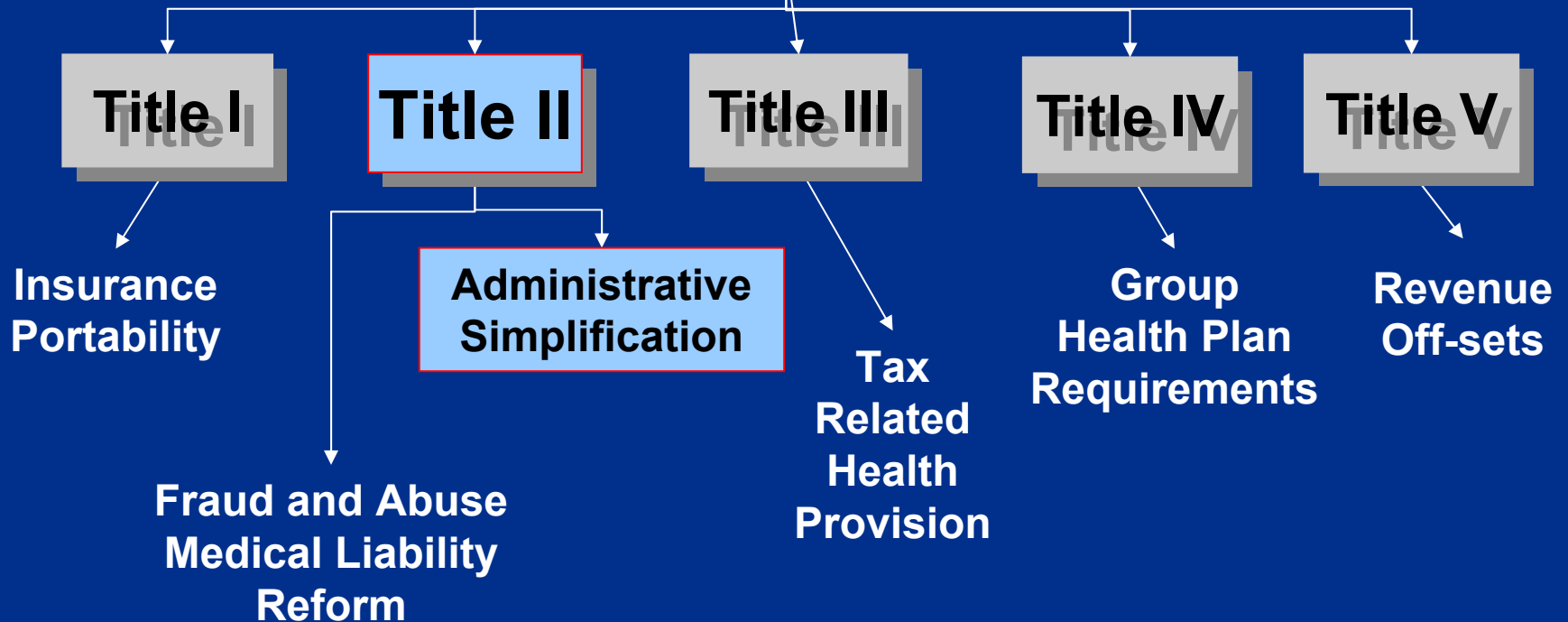
Overview



- ◆ HIPAA and ETCS
- ◆ VA
 - The Context
 - Drivers—VA Strategic Goals
- ◆ What We Set Out to Do
 - The Old Process
 - The New Process
- ◆ How It's Paying Off
 - Metrics
 - Summary of Benefits
 - Why the Project Worked
- ◆ Next Steps

HIPAA

H e a l t h I n s u r a n c e P o r t a b i l i t y a n d A c c o u n t a b i l i t y A c t o f 1 9 9 6



Title II

**Administrative
Simplification (AS)**

Privacy

Security

ETCS

**Standard
Identifiers**

**Electronic
Transactions**

Code Sets



VA—The Context



- ◆ VA is responsible for the largest centrally run health care provider system in the United States
- ◆ 21 Veterans Integrated Service Networks (VISNs): 1,100+ care facilities
 - 163 hospitals
 - 850 ambulatory care & outpatient clinics
 - 137 nursing homes
 - 43 domiciliary facilities



VA—The Context



- ◆ Public Laws enacted in 1986 and 1990 gave VA authority to seek reimbursement from third-party insurers for the cost of veterans' nonservice-connected health care
- ◆ In 1987 VHA began a Medical Care Collections Fund program which, today, uses funds collected to reimburse the cost of veterans' health care



VA—The Context



- ◆ Annually, VA submits an estimated 10 million reimbursement claims
- ◆ To 1,675 Payers



Drivers – VA Strategic Goals



- ◆ Explicit goal of Secretary of Veterans Affairs
“Ensuring that business process enhancements...
are converted from paper to electronic medium.”

Anthony J. Principi, Secretary of Veterans Affairs
FY 2003-2008 Strategic Plan
- ◆ VHA Chief Business Office:
proactive transition to e-Business
- ◆ And, of course, HIPAA Electronic Transaction requirements



What We Set out to Do



- ◆ 5 e-Business Projects FY 2003 and 2004
 - e-Payments (835)
 - e-Insurance Identification and Verification (270/271)
 - e-Claims (837)
 - e-Medicare Remittance Advice (837, 835)
 - e-Pharmacy Claims (NCPDP 5.1)

- ◆ Positive impact on Revenue Cycle



Overview of VHA Revenue Cycle

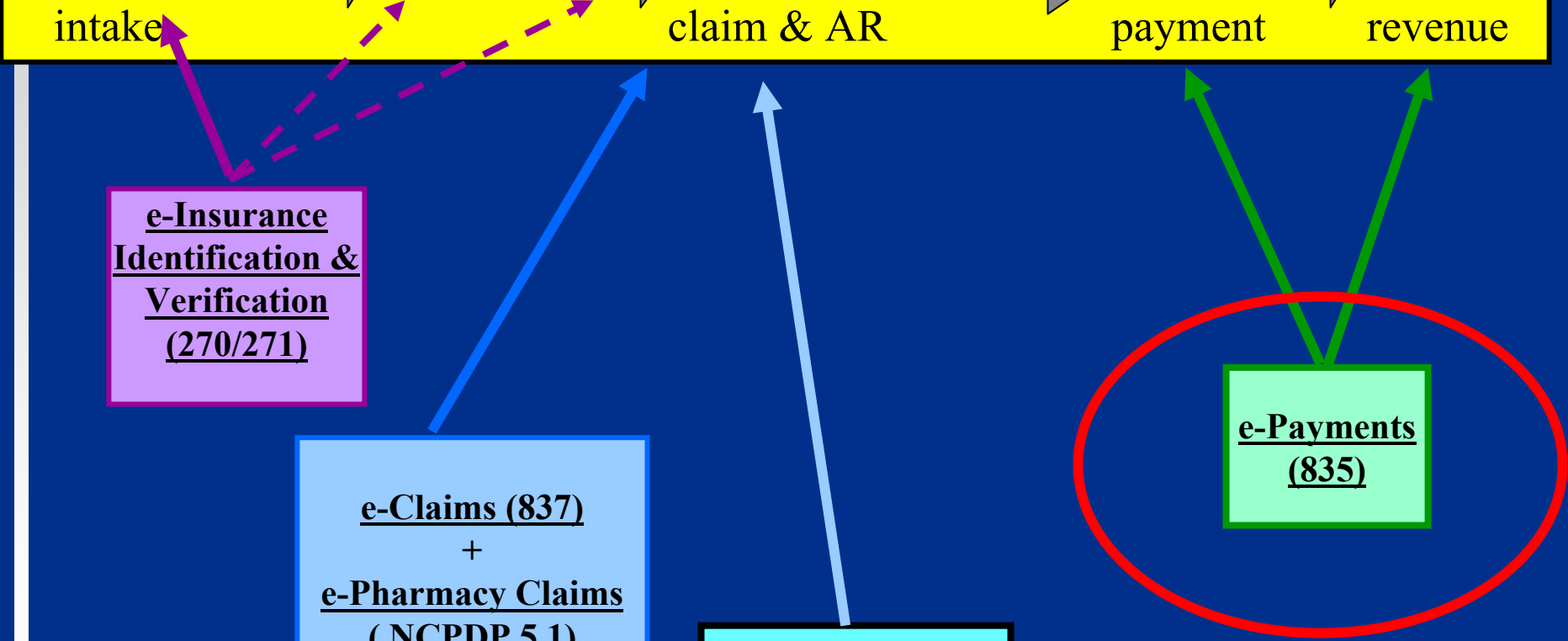


e-Insurance Identification & Verification
(270/271)

e-Claims (837)
+
e-Pharmacy Claims (NCPDP 5.1)

e-Medicare Remittance Advice
(837, 835)

e-Payments (835)





The Old Process



- ◆ Paper check payments and Explanations of Benefits were received at each medical center
- ◆ Receipt processing and posting were done manually
- ◆ Deposits were mailed to local banks, which in turn deposited payments with the U.S. Treasury

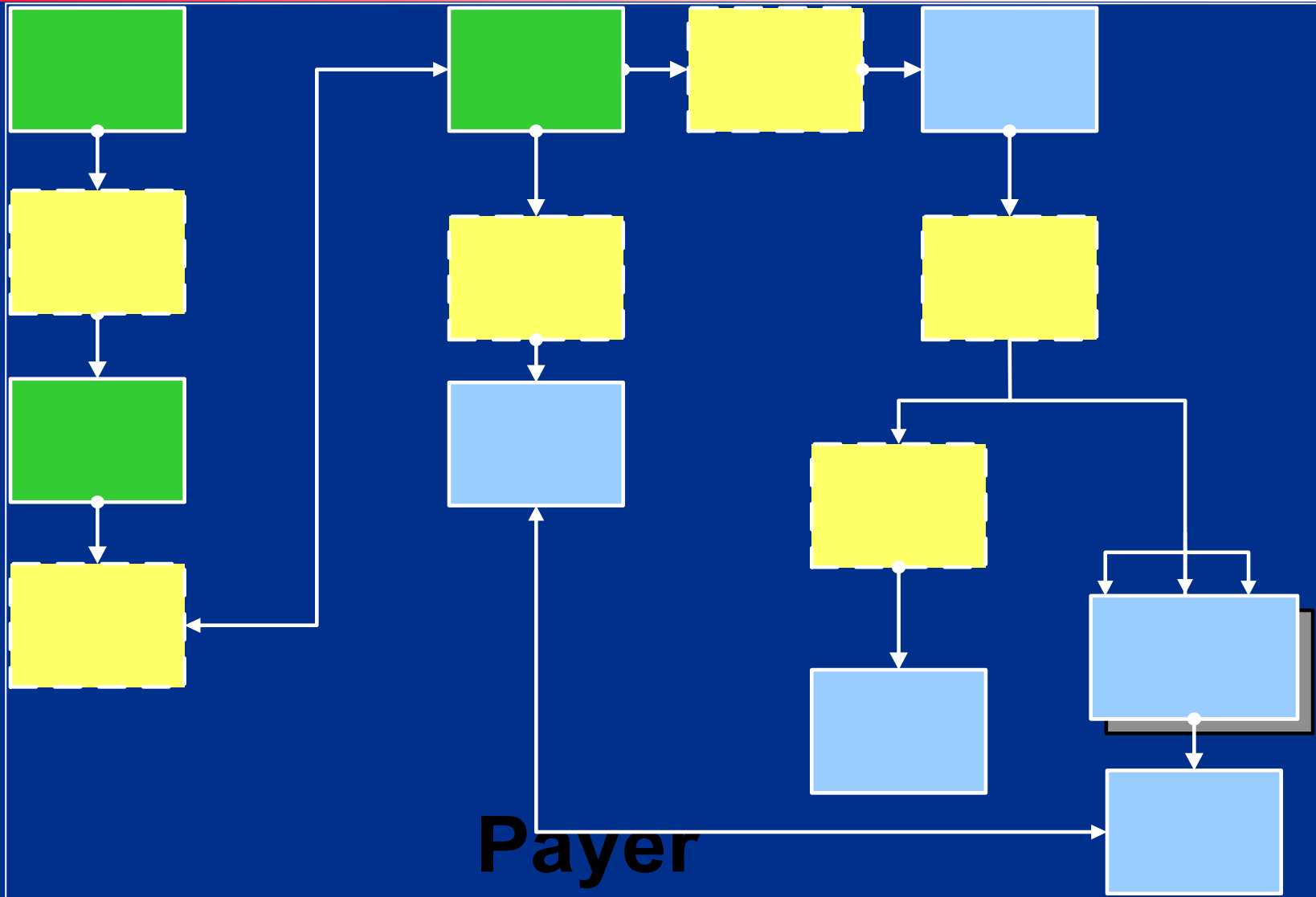


The New Process, in Brief



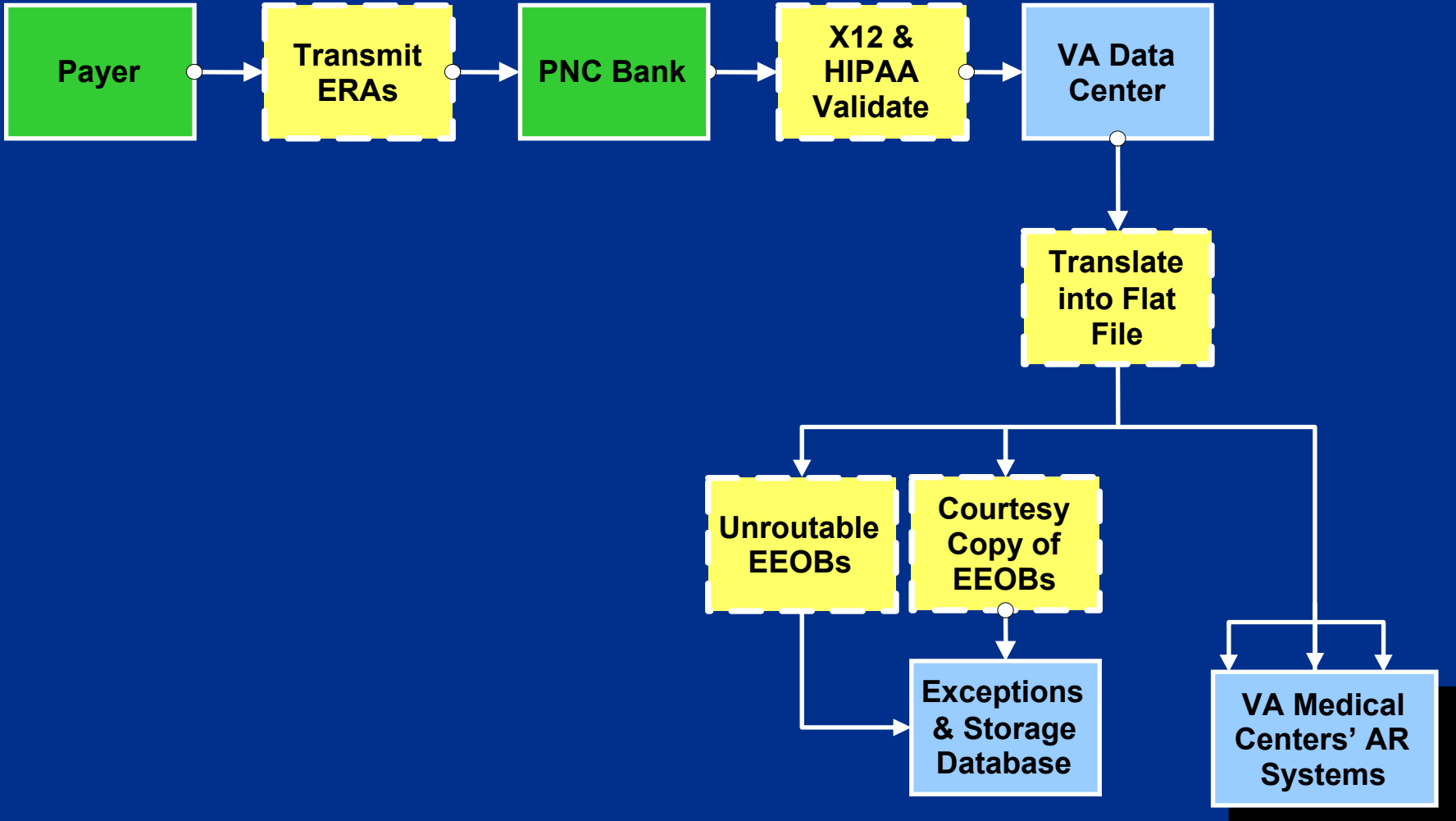
- ◆ Developed over 18 months; deployed October 2003
- ◆ Receipt of
 - Electronic Remittance Advices (ERAs)
 - Electronic Funds Transfers (EFTs)
- ◆ Payments go to one Lockbox bank, are then deposited to U.S. Treasury on behalf of VA
- ◆ Payment information and ERAs transmitted to VA Data Center, then routed to VA Medical Centers for AR posting

The New Process – e-Payments





The New Process – ERAs





The New Process – ERAs



Pre-parsing & Augmentation of Electronic Remittance Data

- ◆ Identifies payer transactions for appropriate provider
- ◆ Identification invokes “normalization” rules for each provider
 - Entity identification
 - Provider posting requirements
 - Trading-partner-specific requirements (HIPAA type 7)



Payment Process



◆ Payers

- Checks are the predominant payment form for the next 6 to 12 months
- Goal is EFT: ACH 835 CCD+ or CTX as the standard form of payment

- ◆ Funds are deposited into VA Master Demand Deposit Account upon receipt and swept through accounting deposit process to U.S. Treasury



Consolidate & Reassemble ERA



- ◆ Aggregate transactions from all payers & group into payer-specific ERA files for Provider's system
- ◆ Construct file to enable Provider's posting process
 - Transactions are normalized, augmented, edited, and transformed to enable automatic mapping and VA Financial Management System deposit process
- ◆ Consolidated transmission
 - Minimizes upload maintenance and overhead



Payment & Data Reassociation



- ◆ Re-associate Electronic Remittance Advice (ERA 835) to the electronic payment (EFT) using Trace Number assigned by Payer
- ◆ Ensure only balanced data is transmitted to receivables system (data & dollars match)
- ◆ Provides internal audit controls to support new electronic system



Workgroup for
Electronic Data Interchange



How It's Paying Off...



Payment Receipt



Metric		Before e-Payments System	After e-Payments System	Percent Improvement
<u>Receipt of Payment</u> <i>(with Electronic Funds Transfer)</i>				
	Average time from claim submission to receipt of payment	49 days	28 days	43%



Receipt, Matching of Payments



Before e-Payments System	After e-Payments System
Paper check & EOB received in mail	No envelopes to open; payment shows up in AR
Create spreadsheet of check totals	Report created automatically
Create deposit slip, mail to local bank	Deposit information received from central Lockbox bank, which deposits checks with U.S. Treasury



Receipt, Matching (continued)



Before e-Payments System	After e-Payments System
Place unposted funds in suspense account	Receipts automatically placed in holding account
Local bank deposits checks to U.S. Treasury	Deposit already made by Lockbox bank
Manually locate associated outgoing claim to match payment	Overnight process automatically matches payment to outgoing claim



Receipt, Matching (continued)



Metric		Before e-Payments System	After e-Payments System	Percent Improvement
<u>Closeout of Accounts Receivable—receipt & matching of payments</u>				
	Average time to receive payments, match to outgoing claims	.89 days	.21 days	76%



Adjustments to Claim



Before e-Payments System	After e-Payments System
Navigate through multiple menus	No menu-jumping; one-stop capabilities —all resources in one spot



Adjustments to Claim



Metric		Before e-Payments System	After e-Payments System	Percent Improvement
<u>Closeout of Accounts Receivable—adjustments to claim</u>				
	Average time to make claim adjustments	3.53 min	2.5 min	29%



Weighted Average for Time Savings



Task	FTE time	Avg. time saving	Weighted average
Receipt & matching	.6	76%	
Adjustments, deposit	.3	29%	9%
Filing	.1	90%	9%
TOTAL	1.0	---	64%

Cost Avoidance



Metric	Before e-Payments System	After e-Payments System	Cost Avoidance
<u>Cost avoidance—summary of task & time savings</u>			
<ul style="list-style-type: none"> Automated matching of payments and AR Automated data entry; less rework Automated generation of payment reports Streamlined adjustment process Less paper processing, filing, retrieving 	--	weighted average across VA sites: 64% time savings for Accounts Receivable & related tasks	estimated \$2.9 million in annual cost avoidance



Summary of Benefits



- ◆ Faster collection, Accounts Receivable closeout
 - Higher cash application rates due to standard data and reduction in A/R days

- ◆ Time & expense savings
 - Reduced data entry time and expense, and paper handling and storage expense
 - Reduced dollars and data re-association efforts



Summary of Benefits



- ◆ Reallocation of resources to
 - Revenue enhancement projects
 - Customer service to veterans

- ◆ In addition, remittance advice data enables
 - Better tracking of payments
 - A database for management of claims denials
 - Improved analysis, understanding of our business



Why the Project Worked



- ◆ Flexibility among partners
- ◆ Intense communication
- ◆ Innovative field training
- ◆ Post-release field support

- ◆ Plus...ongoing enhancements
 - Additional reports
 - Automatic payment search
 - Automatic verification of patient data



Next Steps



- ◆ It's the Payers' turn
- ◆ Need more 835s (ERAs), more EFTs
 - EFTs, while not mandatory under HIPAA, promise significant time savings
 - Primary challenge is Electronic Remittance Advices (ERAs)



Next Steps *(continued)*



- ◆ VA, as national health care system, does business with virtually all payers (about 1,675)
 - Not all Payers have yet stepped up to the ERA plate (though it's a HIPAA requirement)
 - Keeps both Providers and Payers from reaping benefits of electronic transactions
 - For VA's e-Payments system, also affects payback and full use of functionality



Next Steps *(continued)*



◆ What VA is doing

- e-Payments Enrollment Team actively recruiting Payers: VA wants YOU!
 - Focusing on VA's top 100 Payers
 - Identifying Points of Contact
 - Enrolling & activating Payers



Next Steps *(continued)*



- But...if Payers aren't complying with HIPAA and joining up
 - VA will request compliance from the Payer
 - VA may pursue legal avenues
 - VA may lodge complaint with CMS, enforcer of ETCS regulations



Next Steps *(continued)*



◆ A message to Payers

- VA is ready to help you with 835s
- We're up and running with other Payers ...we can help get you up and running, too
- Let's get started...
- Our goal— “compliance without complaints”



e-Payments – Last Words



- ◆ VA is helping lead the health care industry—from paper...to ERAs...all the way to EFTs
- ◆ NACHA, the Electronic Payments Association, recently recognized this pioneering role—
awarding VA the 2004 Kevin O'Brien Automated Clearing House Quality Award for our e-Payments Project



e-Payments – Last Words



- ◆ Ultimately—for all of us in the health care industry—it's about moving into the electronic transactions future
- ◆ And for VA, its about continuing to build a sound, more efficient foundation for the support of veterans' healthcare



For More
Information...



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Workgroup for
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Thank you