

WEDI ePayments Taskforce



*Partnering for Electronic Delivery
of Information in Healthcare*

Electronic Payments: Guiding Principles **August 23, 2016**

Workgroup for Electronic Data Interchange

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I. Purpose of this Document

The opportunities for improved efficiency and cost-savings associated with industry adoption of the Automated Clearing House (ACH) Electronic Funds Transfer (EFT) transaction are well established. However, despite having a national standard and supporting operating rules, ACH EFT is significantly underutilized by the industry, with the most recent CAQH Index[®] reporting that only 61.4% of claims payment are made via ACH EFT.¹ The purpose of this principles document is to establish a consensus-driven set of principles that each impacted stakeholder² could review and adopt in an effort to drive adoption of ACH EFT while at the same time establishing guidelines for the use of alternative payment options.

This document contains three main sections:

- A general introduction to issues related to electronic payments (epayments), including applicable definitions, identification of barriers to provider adoption of epayments, and the return on investment associated with ACH EFT, especially when coupled with electronic remittance advice (ERA);
- An outline of the various epayments federal mandates, including the operating rules developed by CAQH CORE; and
- A number of recommended guiding principles to which all impacted stakeholders are encouraged to adhere regarding the implementation and ongoing use of epayments.

II. Introduction

The payment from the health plan to a provider for medical services is one of the most important transactions in healthcare. Until recently, many payments were made through the issuance of paper checks, requiring inefficient and costly manual processes for both health plans and providers. Epayments is defined as Automated Clearinghouse Electronic Funds Transfer (ACH EFT), Virtual Credit Cards (VCCs), and any other e-commerce payment between a health plan and provider.

The traditional paper payment process was transformed in 2010 when the President signed into law the Patient Protection and Affordable Care Act (ACA). Section 1104 of the ACA required the Department of Health and Human Services (HHS) to adopt standards for EFT and operating rules for EFT and ERA. The Administrative Simplification: Adoption of Standards for Health Care Electronic Funds Transfers (EFTs) and Remittance Advice; [Interim Final Rule](#) was published on January 10, 2012. HHS then released the Administrative Simplification: Adoption of Operating Rules for Health Care Electronic Funds Transfers (EFT) and Remittance Advice Transactions; [Final Rule](#) on August 10, 2012. As of January 1, 2014, health plans were required to support

¹ [2015 CAQH Index Report](#)

² *Impacted stakeholders include covered entities and their business associates who are involved in the chain of exchanging the ACH EFT transaction.*

standard EFT payments through the ACH Network using the Corporate Credit or Debit with an Addenda (CCD+Addenda) format as well as the federally mandated CAQH CORE EFT & ERA Operating Rules. In the EFT Standard IFC, health plans were also required to include the Reassociation Trace Number (TRN) segment in both the Accredited Standards Committee (ASC) X12N 835 ERA transaction version 5010 and the CCD+Addenda. Inclusion of the TRN in both the CCD+Addenda and the ERA permits providers to more easily match a remittance advice to a particular payment. If a health plan is transmitting payment information and remittance advice together through the ACH Network, or any network used for EFT, then, as of this writing, the ASC X12 Standards for Electronic Data Interchange Technical Report Type 3, June 2010, ASC X12N/005010X221A1 and Errata to Health Care Claim Payment/Advice (835) is the required standard.

The benefits of using ACH EFT in healthcare are well established. Health plans reduce their paper, printing, and postage costs while providers save staff time compared to manually processing and depositing paper checks. Further, combined use of ACH EFT and ERA permits providers to take full advantage of reassociation capabilities which are addressed by the operating rules. This reassociation of the ACH EFT and ERA provides the optimum value to all entities in the healthcare industry. The savings associated with adoption of these transactions can permit physician practices and hospitals to redirect resources to the care delivery process. The government estimates that the savings and cost benefit to using ACH EFT and ERA operating rules is \$3 to \$4.5 billion for government and commercial health plans, TPAs, hospitals and physician offices over ten years.

One critical obstacle to utilization of EFT by the healthcare industry was addressed by the adoption of standards and operating rules for the ACH EFT and ERA transactions. This was targeted at the difficulties faced by physician practices and hospitals who attempted to use ACH EFT and ERA. However, despite increased standardization of these transactions full industry adoption and use of ACH EFT continues to be lower than optimum, resulting in unrealized administrative savings for all stakeholders.

Provider adoption of the ACH EFT after promulgation of the standards has not been as rapid as many had hoped, as some organizations have been reluctant to modify existing workflows or purchase supporting software. Some covered entities and their business associates implemented proprietary payment approaches that utilize payment methodologies other than ACH EFT, further affecting the adoption of ACH EFT. These alternative approaches include the issuance of a "virtual credit card" (VCC). The VCC is a one-time use 16-digit credit card number emailed, faxed or mailed to the provider. The provider must manually enter the VCC number into their credit card terminal to receive payment. Any fees established through a contract with a credit card company would generally be the responsibility of the provider.

The VCC payment does not typically require the provider to enroll with a health plan and does not facilitate the automated reassociation of the payment with the ERA. Deployment of alternative payment approaches, combined with some entities charging excessive fees for ACH EFT payments, could have the effect of reducing the number of

ACH EFT and ERA transactions. This runs counter to the goal of leveraging national EDI standards to increase efficiency and decrease administrative costs.

III. Federal Mandates

ACH EFT is the federally mandated standard for electronic payments from health plans to providers and payment-related vendors. Federal requirements include, but are not limited to the following:

- *Health plans (either directly or via a contracted payment vendor) are required to offer ACH EFT payments. Providers have the right at any time to elect to receive payments via ACH EFT, even if they have requested or agreed to an alternative electronic payment method previously.*
- *A health plan, clearinghouse or payment-related vendor may not offer a financial or other incentive to providers for selecting any non-ACH EFT payment option.*
- *The health plan or vendor must include the TRN Reassociation Trace Number in the ACH EFT addenda record and it must match the TRN Reassociation Trace Number in the associated ASC X12N v005010 835 transaction TR3 Report.*
- *Electronic payment transactions are required to comply with CAQH CORE EFT & ERA Operating Rules with special emphasis on requirements addressing:³*
 - *Communication from the health plan to the provider must include the process for obtaining the TRN, including contacting the provider's financial institution*
 - *Health plans must offer online enrollment for providers seeking to receive payments via the ACH EFT.*
 - *Health plans directly or via a contracted payment vendor must offer dual delivery of paper explanation of benefits (EOB) and an ERA to the provider during initial implementation and testing of the ASC X12N v005010 835 transaction.*

* *Additional information on these and other federal epayment mandates are available from [CMS](#), [CAQH](#), [NACHA](#), and [X12](#).*

³ [CAQH CORE EFT & ERA Operating Rules](#), with the exception of requirements pertaining to acknowledgements, are mandatory for HIPAA covered entities. Adoption of these rules by vendors involved in the payment process is encouraged, particularly for those involved in communication to the provider and on-line enrollment.

IV. Guiding Principles

The following principles have been developed to guide the industry in the use of all epayment methodologies and leverage the advantages of the administrative simplification opportunities associated with use of the ACH EFT and ERA standards and operating rules.

1. *ACH EFT is the federally mandated standard for electronic payments from health plans to providers, and broad adoption of this standard by the industry is encouraged⁴.*
2. *Software vendors should develop products that fully support the current mandated ACH EFT and ERA standards and operating rules and automated reconciliation to facilitate provider adoption of integrated ACH EFT and ERA.*
3. *Providers should take the necessary steps to incorporate/optimize ACH EFT and ERA into their revenue cycle workflow.*
4. *A health plan, clearinghouse or payment-related vendor should complete the ACH EFT enrollment process to facilitate ACH EFT payments within 30 days of receipt of provider enrollment information.*
5. *The health plan, clearinghouse, or payment-related vendor should continue to offer the provider the current or established payment method until completion of the ACH EFT enrollment.*
6. *Health plans, clearinghouses and payment-related vendors should not delay ongoing payments when a provider elects to begin receiving any form of electronic payment.*
7. *The provider should not be subject to any hidden fees. Before a provider may be paid via electronic payment, the health plan, clearinghouse or payment-related vendor must: (a) notify providers regarding their fees associated with this payment method; (b) advise providers to check with any of their contracted vendors (i.e., their credit card merchant processor) regarding any additional administrative fees; and (c) notify providers about the availability of an ACH EFT payment option.*
8. *Before a provider may be paid via an epayment method other than ACH EFT, the health plan, clearinghouse or payment-related vendor should receive explicit agreement (“opt-in”) from the provider.*
9. *Health plans may require their contracted providers to receive ACH EFT payments as a requirement for their participation. A health plan, clearinghouse or*

⁴ The ability to support this payment method is required for health plans and clearinghouses (and their business associates) and strongly recommended for providers.

payment-related vendor can require the provider to accept a non-ACH EFT electronic payment method, if the provider declines payment via ACH EFT.

10. *When a health plan or any of their clearinghouses or payment-related vendors offers an ACH EFT payment option, it should offer an ACH EFT option with no origination fees.*
11. *There should be transparency from health plans, clearinghouses and payment-related vendors regarding any required transition from paper-based payments to electronic payments, and providers should be given a minimum 90-day notice before the effective date of the electronic payment mandate and must opt-in to any nonstandard electronic payment method scheduled to replace a paper-based payment.*
12. *Health plans are encouraged to participate in standardized/centralized ACH EFT enrollment databases.*
13. *A health plan should inform providers of their recoupment policies and that agreeing to ACH EFT will not affect current overpayments/recoupment policies.*
14. *Per [NACHA Operating Rules](#), health plans, clearinghouses or payment-related vendors must receive explicit authorization from the provider prior to use of the ACH EFT debit transaction for recoupment purposes.*

* *NOTE: [Contact CMS](#) for assistance with issues related to trading partners who may not be using the ACH EFT transaction appropriately or covered entities who will not conduct the ACH EFT transaction.*

V. Acknowledgements

The co-chairs wish to express their sincerest thanks and appreciation to the members of the WEDI ePayments Taskforce who participated in the development of this document.