Update: Virtual Credit Cards

NCVHS SUBCOMMITTEE ON STANDARDS
JUNE 10, 2014
Virtual Credit Cards 101

- Health plans mail, fax, or email single-use credit card payment information and instructions to physicians to pay claims (as opposed to sending paper check or electronic funds transfer [EFT] via the ACH Network)
- Physician office staff process as they would a patient credit card payment

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Remit-R-Us
Card #: 1111-2222-3333-4444
Security #: 456
Authorized Amount: $150.27
Valid Thru: 12/14
```
Virtual Credit Cards: Provider Concerns

• Erosion of provider income/contracted fee
  – Interchange fees (up to 5%)
• Administrative burden
  – Manual entry of card information
  – Manual payment posting/reconciliation
• Lack of provider choice
  – Opt out vs. opt in
• Health plans heavily incentivized to use virtual cards
  – Up to 1.75% cash-back offers
Scope of Issue: Outlier vs. Mainstream?

- AMA is frequently (and increasingly) contacted by medical society staff with questions and complaints on virtual cards
- Informal survey of medical society staff (March/April 2014)
  - 44% of state medical society staff reported receiving >5 physician complaints related to virtual cards
  - 24% reported receiving >10 complaints
Scope of Issue: Outlier vs. Mainstream? (cont’d)

• Informal survey of physician practices (May/June 2014)
• 68% of respondents had received payment via virtual credit cards
  – Geographically spread across country (not localized issue)
• 96% received virtual credit card payments without prior consent/notification (opt-out model)
• 40% reported being unaware of interchange percentage fee associated with virtual credit cards
## Virtual Credit Card Case Study: Large North Carolina Radiology Practice, 2014 YTD

<table>
<thead>
<tr>
<th>Month</th>
<th># VCC Transactions</th>
<th>Total VCC Claim Payments</th>
<th>Total VCC Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2014*</td>
<td>176</td>
<td>$62,878.64</td>
<td>$1,257.57</td>
</tr>
<tr>
<td>February 2014</td>
<td>397</td>
<td>$108,709.16</td>
<td>$2,174.18</td>
</tr>
<tr>
<td>March 2014</td>
<td>372</td>
<td>$74,975.54</td>
<td>$1,499.51</td>
</tr>
<tr>
<td>April 2014</td>
<td>570</td>
<td>$114,327.39</td>
<td>$2,286.55</td>
</tr>
<tr>
<td>May 2014</td>
<td>564</td>
<td>$116,910.63</td>
<td>$2,338.21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2079</strong></td>
<td><strong>$477,801.36</strong></td>
<td><strong>$9,556.02</strong></td>
</tr>
</tbody>
</table>

*January record-keeping began 1/16/14.

VCC = virtual credit card. Interchange fee = 2%.
Case Study Comments

- Fees add up quickly
- This reflects only 4.5 months of data for a single practice
- Interchange fees may be higher than 2% depending upon merchant agreements
- Need to factor in additional administrative cost to the practice of manually entering information for 2,079 virtual credit cards and manually posting payment information
- Practice reports receiving virtual card payments from 48 different vendors; extremely labor intensive to opt out of all programs
ACH EFT Concerns

- AMA promoting ACH EFT as preferred payment form vs. virtual credit cards
- Alarming reports of providers being charged percentage-based fees (1.8% - 1.9%) for ACH EFT
  - Fees charged by health plans’ payment solution vendors
  - Vendors claim fees are for “value-added services”
  - Communication to providers contains no indication that no-charge ACH EFT option is available
- Physicians are again paying to be paid!
Virtual Credit Cards and Standard Electronic Transactions

• ASC X12 835 v 5010 does not support credit card payment
  – RFIs 1631 and 1887 both stated that transaction cannot carry all of the necessary information
• CR [change request] 1265 updates ASC X12 835 to support credit card payments
  – Discussion on CR 1265 to continue after June 2014 ASC X12 meeting
  – AMA does not support CR 1265 unless provider protections (e.g., opt-in verbiage) are added
• Even if CR 1265 is approved, it will be years until virtual card information can be used in X12 835
  – Guide development, pilot testing, and regulation process could mean 6 years until new HIPAA-mandated version of X12 835 is in place
Virtual Credit Card Guidance

• CMS issued FAQ 9778 on March 28, 2014, which states:
  – Health plans must comply with provider request for payment via ACH EFT
  – Health plan cannot delay or reject standard transaction
  – Providers cannot be incentivized for using alternate payment method or adversely affected for using standard transaction (i.e., charged excessive fees)
  – Providers should carefully analyze agreements for any added fees
AMA Resources on Virtual Credit Cards and EFT

AMA EFT Toolkit additions:

• “The effect of health plan virtual credit card payments on physician practices”
• “Know your rights and make ACH EFT work for your practice”
• Upcoming educational webinar (will be live and archived)

All available at www.ama-assn.org/go/eft
Recommendations

- Additional guidance required on virtual credit cards to directly address transparency on fees and provider choice
- Health plans should not be incentivized to use virtual credit cards at provider expense
- Percentage-based fees for ACH EFT improper and an enforcement issue
- No-cost ACH EFT option should be available and clearly communicated to providers
Thank You

Heather McComas
Director, Administrative Simplification Initiatives
AMA
heather.mccomas@ama-assn.org