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

Remit-R-Us

Card #: 1111-2222-3333-4444
Security #: 456
Authorized Amount: $150.27
Valid Thru: 05/14
Patient Credit Card ≠ Payer Credit Card

MRS. IMA PATIENT

Card #: 1111-2222-3333-4444
Security #: 456
Authorized Amount: $150.27
Valid Thru: 05/14

SUPERCARD
Virtual Credit Cards—Direct Costs

- Banking fees
  - Transaction fee ($0.10)
  - Interchange fee (% of payment)
- Interchange fees higher for payer credit cards
  - e.g., 1.54% for consumer card vs. 2.95% for corporate card
- Even higher interchange fees (up to 5%) are charged for manually entering credit card information due to additional fraud protections
Doing the Math

<table>
<thead>
<tr>
<th>ACH EFT Payment</th>
<th>Virtual Credit Card Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted fee amount</td>
<td>Contracted fee amount</td>
</tr>
<tr>
<td></td>
<td>$1,500</td>
</tr>
<tr>
<td>ACH fee</td>
<td>Transaction fee</td>
</tr>
<tr>
<td></td>
<td>−$0.31</td>
</tr>
<tr>
<td>Addenda charge</td>
<td>Interchange fee (5%)</td>
</tr>
<tr>
<td></td>
<td>−$0.03</td>
</tr>
<tr>
<td>Net payment</td>
<td>Net payment</td>
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<tr>
<td></td>
<td>$1,499.66</td>
</tr>
<tr>
<td></td>
<td>$1,424.90</td>
</tr>
</tbody>
</table>

Additional lost income from credit card = $74.76
Virtual Credit Cards—Indirect Costs

- Staff time to manually key in credit card information
- Entry errors require additional time to resolve problems
- Standard electronic remittance advice (ASC X12 835) not equipped to carry credit card information
- Remittance advice via paper notice or through payer portal
  - Manual payment posting
  - Manual reconciliation
- One virtual credit card payment may represent multiple claims, further complicating reconciliation
Provider Concerns: Income Erosion

- Unilateral cut to physician contracted reimbursement rates at time of other financial challenges (Sequestration, HIT investments, etc.)
- Income reduction often unanticipated due to lack of transparency regarding credit card fees
- Shifts payment processing costs from health plans to physicians without associated benefit
  - Patient credit cards ensure payment receipt and reduce risk
  - No comparable issue or risk with insurer claim payments
Provider Concerns: Payer Motivation

• “Easier than paper checks,” but . . .
• Credit card companies may offer payers up to 1.75% cash-back incentives on claim reimbursements
  – Payers heavily solicited to use virtual credit cards
  – Payers receive portion of interchange fee as a rebate
  – Credit cards positioned to payers as a revenue generator
• “Rewards programs” come at physicians’ expense
• If true motivation is administrative simplification, ACH EFT reduces administrative burdens for all stakeholders
Provider Concerns: Lack of Choice

- EFT operating rules in effect 1/1/14, but challenges remain
- Inflexible contract terms may require physicians to accept virtual credit card payments to be in network
- Physicians may not realize contract terms until too late
- “Take it or leave it” philosophy
- Credit cards received and processed in billing office (not by physician office management or decision-makers)
- Lack of payment options particularly problematic in small physician offices without credit card machines
Provider Concerns: Administrative Simplification Setbacks

- Virtual credit card information cannot be transmitted in a compliant standard transaction for electronic remittance advice (ASC X12 835)
- Goal should be to use HIPAA-mandated transactions to increase automation and reduce manual processing
- Credit cards increase manual work for physician practices
  - Manual entry of card information
  - Manual payment posting
  - Manual reconciliation
Recommendations: Virtual Credit Cards

• Payment by virtual credit cards should be by mutual agreement of payers and providers
  – Providers may choose credit card payments in specific situations (plans with low claim volume)
  – Contract terms should be flexible on payment options and not preclude ACH EFT
• Complete transparency needed on all applicable card processing fees
• Payment options should be clearly communicated to physicians
• Payers should not receive incentives to use virtual credit cards
Recommendations: Big Picture

• AMA continues to educate physicians on the new EFT rules and the need to understand contract terms regarding payment

• ACH EFT should be promoted and encouraged as best payment option for all stakeholders
  – Ease of use
  – Common goal of administrative simplification
  – Least costly option
Thank You

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