

Virtual Credit Cards

NCVHS SUBCOMMITTEE ON STANDARDS



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



Patient Credit Card ≠ Payer Credit Card



Remit-R-Us

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

ACH EFT Payment		Virtual Credit Card Payment	
Contracted fee amount	\$1,500	Contracted fee amount	\$1,500
ACH fee	-\$0.31	Transaction fee	-\$0.10
Addenda charge	-\$0.03	Interchange fee (5%)	-\$75.00
Net payment	\$1499.66	Net payment	\$1424.90

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

Heather McComas

Director, Administrative Simplification Initiatives

AMA

heather.mccomas@ama-assn.org



