



The effect of health plan virtual credit card payments on physician practices

Health plans are increasingly paying physicians via electronic methods vs. using paper checks. As part of this shift, some health plans pay physicians through virtual credit cards (VCCs). When paying via VCCs, health plans send credit card payment information and instructions to physicians, who process the payments using standard credit card technology.

Cost to Physicians - Although an electronic alternative to paper checks, the use of VCCs for payment comes at a significant cost to physicians. As with traditional credit card payments, VCC payments are subject to interchange and transaction fees. The interchange fees can run **as high as 5%** for these corporate “card not present” transactions. Physicians are often unaware of these high fees when accepting VCC payments.

Unlike traditional credit card payments received from patients, the processing fees for VCCs do not come with corresponding benefits to physicians. Patient credit cards ensure physician payment by shifting the patient debt collection responsibilities to credit card companies, thereby eliminating the potential bad debt risk for physicians. VCCs do not offer risk reduction for physicians, but nevertheless carry increased processing charges.

Health Plan Financial Incentives - While physicians receiving VCCs must pay additional processing costs to receive payments, health plans may receive cash-back incentives from credit card companies for such transactions. Credit card companies **may offer health plans up to 1.75% rebates** for paying claims with VCCs.

Right to Refuse VCC Payments - Health plans may not force physicians to accept VCCs. Under the Health Insurance Portability and Accountability Act (HIPAA), physicians have a legal right to request payment via Automated Clearinghouse (ACH) Electronic Funds Transfer (EFT). Any physician who continues to receive VCCs after requesting ACH EFT payments can file a [complaint](#) against the health plan with the Centers for Medicare & Medicaid Services.

Recommendations

The American Medical Association recommends that physicians:

- **Enroll in HIPAA-standard ACH EFT**
- **Be aware of payment terms when contracting with health plans**
- **Educate practice staff on credit card processing**

EFT - Similar to direct deposit offered by many employers, ACH EFT is a funds transfer tool in which payer-to-physician payment is processed through the federally regulated NACHA — The Electronic Payments Association banking network. Unlike percentage-based interchange fees associated with VCCs, **ACH EFT payments are subject only to a nominal transaction fee (approximately \$0.34) regardless of payment amount.**

As shown, the difference in processing fees can have a substantial impact on total physician payment. Health plans must use ACH EFT when physicians request and enroll in this payment method. To learn more about EFT payment, consult the AMA’s [EFT toolkit](#).

	Virtual Credit Card vs. Healthcare Standard ACH EFT	
	ACH EFT	Virtual Credit Card
Contracted Fee Amount	\$5,000.00	\$5,000.00
Processing Costs	\$0.34	\$250.10*
Total Payment	\$4,999.66	\$4,749.90

* Calculated using 5% interchange fee + \$0.10 transaction fee

Contract Payment Terms - Although HIPAA requires health plans to make ACH EFT available upon request, health plans may seek to require other payment methods, such as VCC, within their contracts with physicians in order to avoid using ACH EFT. Physicians should be cognizant of any restrictions in payment methods when contracting with health plans and avoid signing contracts with inflexible payment terms.

Practice Staff Education - The same practice staff often process both patient and health plan payments. If a practice chooses not to accept health plan VCCs, physicians should ensure that practice staff can differentiate between patient and health plan credit card payments in order to prevent undesired authorization of health plan VCC payments.