

CASE STUDY

MID-SIZE PROVIDER PRACTICE

VALUE PROPOSITION OF HEALTHCARE EFTS BECOMES REALITY FOR MEDICAL GROUP

The federally mandated Healthcare Electronic Funds Transfer (EFT) Standard, which became effective January 1, 2014, as part of the Patient Protection and Affordable Care Act, requires that all health plans deliver the healthcare EFT standard via ACH if it is requested by the provider.

The EFT standard offers healthcare providers the opportunity to reduce costs, streamline accounting and administrative processes, and improve operating efficiencies. In 2014, the ACH Network moved more than 149 million EFTs, transferring about \$876.6 billion in claim payments from health plans to providers. The estimated savings to the healthcare industry overall is approximately \$740 million compared to using paper checks, according to the 2014 CAQH Index.

Midwest Center for Women's Health Care (MCWHC), a group of 11 OBGYN practices in the Chicago area, is one of the many providers taking advantage of the new Healthcare EFT Standard—and reaping its benefits.

SAVING MONEY AND TIME

Founded in 2002, MCWHC is a collection of semi-autonomous OBGYN practices located in the northern and northwest suburbs of Chicago. Operating as one group allows the practices to maintain independence while saving on costs, creating economies of scale with purchasing, and centralizing certain services. MCWHC has more than 56 providers, 19 medical locations, and a central business office. In 2014, it served more than 55,000 patients and expects to grow even further in 2015.

For several years, the MCWHC billing office has been working with insurers to convert to electronic payments whenever possible. The company worked first with the insurers it billed most—Aetna, United, Humana, Cigna and Blue Cross-Blue Shield—to switch to EFT. It then worked to convert smaller insurers, as well. Today, roughly 90 percent of the company's payments are electronic. Eventually, MCWHC would like to receive all of its payments electronically.

Using EFT and ERA together, MCWHC has reduced the number of days in accounts receivable from 25 to 13, far below the industry average of 30 days.

According to Eric Brodsky, MCWHC's director of billing and operations, the healthcare group has experienced significant cost savings by converting to electronic payments. Not only are EFTs more secure than traditional checks, but they offer a potential savings of \$3.04 per payment, according to the 2014 CAQH Index. And when combined with electronic remittance advice (ERA), the savings increase to \$7.21 per EFT/ERA.

MCWHC also has seen cost savings related to staffing thanks to EFTs. Staffers are able to process EFT payments more easily because each payment is linked to an ERA number, making it easy to identify the service and patient covered by the payment. "On a daily basis, we might receive \$100,000 to \$200,000 from Blue Cross, and we know right away what that payment amount consists of and which accounts that payment is for," Brodsky said.



Even as its business has grown, MCWHC has not had to increase its number of staffers handling payments. In the last seven years, the business has seen a 55 percent increase in claims processed and a 40 percent increase in dollars posted. Yet, the company's accounts receivable department still has just four employees—the same number as seven years ago. “We've added a lot of volume in the past seven years, but we haven't needed to add staff in order to keep up,” Brodsky said.

Because insurer payments via EFT are received and processed more quickly, MCWHC patients also receive their bills in a timely manner. “Evidence suggests that patients are more likely to pay their bill if they receive it in a timely manner,” Brodsky said. “It's all about time, and because of EFT, we're definitely seeing improvements in that area. Our days in accounts receivable have dropped significantly and we've been able to reallocate patient collection resources elsewhere.” Using EFT and ERA together, MCWHC has reduced the number of days in accounts receivable from 25 to 13, far below the industry average of 30 days.

The use of EFTs also has reduced the potential for billing errors, Brodsky said. “It's just logical that if someone is typing something manually, there's a chance that there will be a typo or numbers will get transposed,” he said. “Electronic payments increase accuracy, leading to fewer mistakes and less verification. As long as the data is accurate, it's going to post correctly.”

TIPS FOR EFT CONVERSION

MCWHC has learned a few valuable lessons while moving to electronic payments. For practices looking to follow in MCWHC's footsteps, Brodsky offers the following advice to help ease the process:

- **PAY ATTENTION TO NEW AND RENEWING CONTRACTS WITH PAYERS.**

Find out what their policies and procedures are for EFT and ERA, and make sure you have a contact person for any EFT/ERA questions.

- **WORK CLOSELY WITH YOUR CLEARINGHOUSE.**

Brodsky has found that many clearinghouses are not actively promoting EFT conversion. As a result, healthcare practices must be proactive about getting information about EFT conversion and making sure they take the necessary steps to enroll.

- **WATCH OUT FOR VIRTUAL CARDS.**

Some providers have expressed concerns over virtual card payments, which are used by some health plans or their vendors to reimburse providers. With virtual cards, a provider is charged an average processing fee of 3 percent of the transaction value, plus a transaction charge to accept virtual card payments. According to CMS, under HIPAA a provider has the right to choose to receive the HIPAA healthcare EFT for claims reimbursements and is not required by HIPAA to accept virtual card payments. It is important for provider groups to establish a policy on handling of virtual card transactions in their practice.



For more information and tips about the Healthcare EFT Standard, visit healthcare.nacha.org.

