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June 30, 2009

The Honorable Edward M. Kennedy
Chairman
Committee on Health, Education, Labor, and Pensions
United States Senate
Dirksen Senate Office Building 428
Washington, DC 20510

**Re: Affordable Health Choices Act; Administrative Simplification Through
Electronic Funds Transfers**

Dear Senator Kennedy:

On behalf of NACHA – The Electronic Payments Association,ⁱ I am writing you to offer our knowledge and expertise in the area of electronic funds transfers as they pertain to health care payments. As the rule making body for the Automated Clearing House (ACH) Network, NACHA, and the banking industry we represent, are particularly well-positioned to help to create efficiencies in the health care industry through administrative simplification of the payments and remittance processes. We understand that the Senate is actively drafting the *Affordable Health Choices Act* (“Act”) and are encouraged that section 222(a) of the Act states that initial standards for financial and administrative transactions “shall include” requirements permitting electronic funds transfers. This will allow automated reconciliation of a health care payment with its related remittance advice. Section 222(a) further states that in developing these standards, the Secretary “shall build upon *existing and planned standards, implementation specifications, and operating rules.*” [Emphasis added].

We believe effective simplification requires stakeholders to work together, to take advantage of existing regulatory oversight, and to avoid creating redundancy. Automating health care payment and remittance transactions, as permitted through Section 222(a) of the Act, can lead to significant annual cost reductions from four main sources: payment aggregation, payee preference management, streamlined inquiry resolution, and accelerated electronic adoption.

Therefore, NACHA recommends that the Secretary of the Department of Health and Human Services (HHS) coordinate with banking regulators and payment system administrators, including NACHA, to understand the standards, requirements and regulations that are already in place (including payments with associated claim data), and to ensure health care information standards are aligned with existing payment systems standards, operating rules and oversight. Effectively leveraging the foundation of existing standards will help to drive efficiencies.

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Together we can dramatically improve the efficiency and timeliness of the health care payment cycle. NACHA and the banking industry stand ready to help create and ensure efficiencies in the health care industry through administrative simplification. For many years, NACHA has been involved with healthcare payments issues through its participation in several health care groups.ⁱⁱ

To further discuss the capabilities of the ACH Network and the role the banking industry seeks to play in meeting the objectives of administrative simplification in health care, please contact Ian Macoy, Managing Director of Network Strategy & Outreach at (703) 561-3929, or by e-mail at imacoy@nacha.org. Ian would be pleased to schedule a meeting with you and your staff to advance this key provision in important health care legislation.

Sincerely,



Janet O. Estep
President and CEO

cc: Ian W. Macoy

ⁱ NACHA is a not-for-profit association that is responsible for the administration, development, and enforcement of the *NACHA Operating Rules* and sound risk management practices for the ACH Network. The ACH Network provides a safe and efficient flow of payments and related data among all financial institutions in the United States. In 2008, the Network processed 18.3 billion payments, of which 17.1 billion were commercial transactions and 1.2 billion were Federal government transactions, including over 30 million Direct Deposits as part of the 2008 economic stimulus package. (According to the U.S. Department of the Treasury's Financial Management Service, the Federal government saves \$0.925 for every Direct Deposit transaction that replaces a check payment). For Federal government payments, the U.S. Department of the Treasury has adopted the *NACHA Operating Rules* through 31 CFR part 210 and uses the ACH Network for tax collections and for making vendor, Federal employee, and taxpayer payments. In addition, many state governments and private companies also rely on the ACH Network for their vendor and employee payments.

ⁱⁱ In 2002, NACHA and the American Bankers Association established a joint HIPAA Task Force to address specific health care payment issues arising from that Act. Most recently, NACHA provided rule making guidance to the Council for Affordable Quality Healthcare (CAQH) in its development of CORE rules (Committee on Operating Rules for Information Exchange). NACHA has also worked with the Electronic Healthcare Network Accreditation Commission (EHNAC) to present and clarify for the health care network community practices and requirements of bank health care payment processing services. This enabled EHNAC to ensure that its standards cover both health care and medical banking equitably and consistently.