

**PAYMENT & REMITTANCE PROCESSING COMPLEXITY**

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## 1. Today, payments of healthcare claims reimbursements create significant efficiency challenges for both payers and providers

- Payer reimbursements are unnecessarily more expensive and much less efficient due to roadblocks to associating payments with the related payment information, particularly in the electronic funds transfer (ACH) environment.
  - The main source of the payment inefficiency in processing healthcare payments through EFT stems from the fact that money movement is separated from data movement because banks do not have guidance from HHS on whether they can process Protected Health Information (PHI), which is necessary to credit payments properly, through the ACH Network.
  - In effect there have been no economies of scale for payers' general and administrative costs over the past decade remaining close to 14-15% of revenue industry-wide<sup>1</sup>.
- When checks are used for payment, one check covering multiple payments requires manual intervention by the provider to credit payment amounts individually to the appropriate accounts.
  - Another source of inefficiency is that payers, even when paying by check, use a wide variety of formats and procedures, requiring human intervention to read and understand each format, and then, typically, to match the payment amount to the submitted claim.
  - Re-associate data to dollars post-payment is therefore typically neither efficient nor scalable. The lack of enforced standards across disparate data and payment networks simply generates more work to reconcile dollars to data.
- Providers bear the brunt of the inefficiencies inherent in the system, requiring additional resources for reconciling payment with payment information, supporting multiple payer enrollments points, and integrating disparate financial management tools.
  - Administrative expense associated with billing and insurance reimbursements is 42% of the general and administrative expense at providers<sup>2</sup>.
- Obtaining an HHS ruling that the ACH Network can process PHI would allow banks to send payments and payment information together, enabling payers to use integrated information and payment processes.
  - NACHA represents a widely used, national EFT network, the ACH Network, that has been in place for more than three decades. Most importantly is the accessibility of this network to even the smaller physician practices that are responsible for largest percentage of healthcare payments.

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<sup>1</sup>. J.P. Morgan Healthcare Solutions industry analysis, J.P. Morgan MorganMarkets analysis, J.P. Morgan Healthcare Solutions return on investment analysis

<sup>2</sup>. The Cost Of Health Insurance Administration - Kahn et al, Inside the Black Box of Administrative Costs - Thorpe, J.P. Morgan TS Healthcare Segment analysis (Preliminary Analysis)

## 2. Payment & remittance processing complexity creates inefficiency in three specific areas within a payer organization

- Provider relations
- Treasurer's finance and accounting department
- Customer support

These disparate processes generate duplicative and redundant administrative costs which can be drastically reduced through intelligent integration of payment and payment information.

### The four main sources that can affect the administrative support costs of healthcare payments

#### I. Greater Payment Consolidation - Sophisticated & automated aggregation

- Today provider payments are batched based on arbitrary frequency of payments.
  - Daily or weekly payments are issued, regardless of number of claims, age of claims or dollar threshold.
  - A provider may have multiple systems with separate streams for data and dollars; batching often occurs for claims, not payments.
- Intelligent consolidation of payments based on business rules, using time and value thresholds, reduces payment & remittance volume and can lower transaction costs.
  - Rather than a payment "going out" on the same day for all providers, payments are issued based on rules that maximize aggregation within set parameters.
  - For example, if a payer simply pays weekly, a payment for a particular provider is issued regardless of the business rules, whereas intelligent batching would only issue payments that meet certain thresholds.
- Overall, generating fewer payments with strengthened payment information can improve provider relationships through more manageable payment and remittance flows.

#### II. Streamlined Enrollment - Centralized provider preference management

- Today providers must create and update their payment and information delivery preferences in multiple formats across multiple payers, sometimes more than once for a given payer due to different health care plans.
  - Duplication and redundant preference data creates inefficiency and errors.
  - Providers are reluctant to share their banking details with non-banks.
- Centralizing provider preferences improves timing, control, and efficiency for participants in the process.
  - For example, a provider could enroll once eliminating the need for a payer to maintain store the same information that is leverage across multiple payers.
- Provider satisfaction is improved by payment reliability and preference management usability.

#### III. Reduced Calls - Streamlined inquiry resolution

- Today, the sheer lack of transparency on payment status and associated information generates unnecessary calls.

- When the payment travels separately from the claim information, status of a payment is not relayed back to customer support.
- Inquiries on when a payment was issued and whether it has cleared require customer support personnel to research status.
- Integrated payment and information means that providers can check payment status through the web portal, eliminating costly manual interaction by both provider and payer staff
- Both payers and providers can better track payment progress and status using the same source for that information.

#### **IV. More electronic transactions - Accelerated electronic adoption**

- Today, payers have to support the administrative task of enrollment of provider for electronic transactions.
- Self-provisioned & self-serviced provider preference selection accelerates ACH/ERA adoption
- ACH/ERA are cheaper per transaction than paper check/remittance
- Simplified payment timing, risk management & archiving