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How to solve the faster payments puzzle

At U.S. Bank, we've seen a dramatic increase in questions about the Faster Payments Initiative.

Most of our clients have heard of these solutions but they want clarification on practical business applications. They want to know how to prioritize these solutions in a payments strategy.

Speed is only part of the real value

It's not enough for payments to be "faster." Many of our clients care more about efficiency, flexibility, transparency, simplicity and security. Each faster payment solution has a component of speed, but the real value lies in how organizations can more easily meet their objectives.

We tell our clients that new payment options shouldn't replace their traditional methods, but supplement what's already in place. There are situations when new faster payment methods can help and situations when they may not provide added benefits.

The current state of faster payment implementation

Through the Faster Payments Task Force, the Federal Reserve (Fed) asked for solutions that met a detailed set of effectiveness criteria. The task force measured the options against the primary factors of efficiency, visibility, flexibility and speed.

While there are 19 separate proposals under consideration, four faster payments solutions are gaining momentum:

- **Same Day ACH:** A rule adopted by NACHA allows for payment processing within one business day using the existing ACH infrastructure. Same Day ACH is limited to domestic transactions under $25,000 and only allows for credits (debits are coming in September 2017).

- **Zelle:** Formerly known as clearXchange, Zelle is a network used by large banks (including U.S. Bank) to allow for alias-based person-to-person (P2P) and business-to-consumer (B2C) payments using an email address or mobile number.

- **Visa Direct or MasterCard Send:** A system that uses the Visa and MasterCard debit networks to allow for instant payments to a consumer's bank account.

- **Real-Time Payments (RTP):** A comprehensive real-time network from The Clearing House using a new infrastructure, scheduled to launch in mid-2017.

When to use (and when not to use) faster payments solutions

We regularly consult with numerous clients on the areas of focus when it comes to these new payment options. We tell clients to avoid faster payment methods that won't benefit their organization.

Solution	Focus on when …
Same Day ACH	• Same-day settlement is important • Sending extensive data (addenda) with the payment is a requirement • Payments are domestic and less than $25,000
Zelle	• Relatively small (i.e., less than $5,000) payments to individuals • Email addresses and phone numbers for payees are easy to obtain and validate • Bank account information isn't easy to obtain or store
Visa Direct or MasterCard Send	• Consumer payments are relatively small (i.e., less than $5,000) • Debit card information is easy to obtain
Real-Time Payments (RTP) to/from businesses	• Vendors and customers have an established RTP infrastructure • There's a need to communicate extensive data between trading partners • Speed of payment is a critical need
RTP to/from consumers	• Request for Payment (RFP) adds value • A direct debit program is not a practical alternative

Solution	Look elsewhere when …
Same Day ACH	• Real-time, immediate funds are important • Confirmation is required • Irrevocable funds are necessary • Payments are greater than $25,000
Zelle	• Payments are relatively high (i.e., more than $5,000) • Email addresses aren't easy to obtain or validate • Cheaper alternatives (e.g., ACH, card) are just as easy to use • Payments are to businesses
Visa Direct or MasterCard Send	• Payments are relatively high (i.e., more than $5,000) • ACH information is available and already stored • Recipients are already registered with Zelle • Payments are to businesses
Real-Time Payments (RTP) to/from businesses	• Payment posting and communication isn't currently an issue • Vendors and customers haven't established RTP infrastructure
RTP to/from consumers	• Electronic alternatives (ACH, Zelle, Visa Direct/ MasterCard Send) are established and working • The Request for Payment (RFP) model doesn't enhance posting procedures

Our clients also ask for help in visualizing how and where each solution impacts their processes. To help provide some context, here's how we could apply them to a common business case.

A practical application of faster payments in an overall strategy

Meet Jeff, who oversees treasury operations at an electric company.

Jeff's company serves both consumers and businesses, and manages many payment options. Jeff faces various expectations from his stakeholders (shareholders, board members, customers and vendors). He needs to save time and money on payment processing while creating a better experience for his employees, customers and suppliers.

Jeff can utilize a mix of traditional and faster payment methods to achieve his business objectives. His options, outlined below, are in order of how he would typically pursue each.

1. **Payments to vendors.** Jeff partners with vendors for supplies, utilities, consulting and other resources. Here's how he could prioritize his vendor payment options:

    a. Virtual card payment, when vendors have enrolled

    b. Traditional ACH, when the standard one-to-two business day turnaround doesn't hinder operations

    c. Same Day ACH, when the amount of the payment justifies waiting until the final day payment is due

    d. RTP with enabled vendors, when there's an established need to communicate regularly regarding invoice receipt, payment status and remittance detail

    e. Paper check, when a vendor is unwilling to accept electronic payments

    f. Wire transfer, for large value payments requiring guaranteed funds or for international payments

Faster payment options don't replace standard vendor payment methods, but they can provide a lifeline when virtual card payments or traditional ACH aren't viable.

2. **Payments to individual payees.** When Jeff needs to refund customers for account cancellations or overpayments, efficiency and accuracy are crucial. Here's how he can prioritize his payment options to satisfy customers:

    a. Traditional ACH for direct debit customers

    b. Card refunds for recurring card payment customers

    c. Zelle, if the payee is already enrolled (or interested in enrolling) in the network and Jeff's company has the payee's email or phone number information

    d. MasterCard Send or Visa Direct, if the debit card information is easily obtained

    — These networks allow for real-time payment, but Payment Card Industry (PCI) compliance is required for storage of debit card numbers

    e. Paper check, if the customer cannot enroll in electronic options

In most cases, traditional ACH or credit card refunds will suffice for customer payments. Thanks to faster payments, there are new options that bridge the gap between these two options and the last resort of drafting a paper check.

3. **Payments from customers.** Jeff wants to avoid receivables issues so customer payment processing errors and inefficiencies don't jeopardize delivery of electrical services. Here's how he can prioritize payment collection methods:

   a. Direct debit ACH, after the customer enrolls in the program

   b. A Request for Payment (RFP) through RTP

   c. Incoming ACH initiated through banking bill pay or web-hosted applications

   d. **Same Day ACH**, provided customers pay on or before billing due dates

   e. Lockbox (paper check or card) or walk-in cash payment

When faster payment options are deployed properly, they can provide more flexibility for Jeff's customers while helping him achieve his stakeholder objectives.

Make faster payments part of your overall strategy

Faster payment options don't offer a one size fits all approach, so it's important for you to understand how each can be applied to your organization. When applied successfully, certain faster payments solutions could save time and money by reducing cumbersome payment processes.

At U.S. Bank, we can help you get started. We'll begin with a comprehensive assessment of your payment strategy, and then explore how faster payment options can fit within your plan. If you're on the fence about faster payments, we're happy to provide additional information.

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Mobile banking increases efficiency, but how secure is it?

More treasury professionals want to conduct business when they're on the go, and Mobile SinglePoint® from U.S. Bank lets them do it securely.

The Mobile SinglePoint app and the mobile-optimized website enable treasury managers, and other authorized employees, to use mobile devices to execute a variety of banking functions, such as:

• View balances and transaction details

• Approve Automated Clearing House (ACH), wire and book transfer transactions

• Transfer funds

• Deposit checks remotely

• Decision Positive Pay exceptions

Mobile banking can make companies more efficient and improve cash management. A good example is a company whose drivers or service technicians collect checks from customers in the field. With a mobile remote deposit capture service, these employees can use a mobile device to deposit checks immediately after receipt, instead of returning to the office to drop off checks for deposit. This saves them time and allows them to focus on their core duties. It can also eliminate deposit delays and improve the company's access to funds.

A consistent security framework

Mobile SinglePoint operates under the same security standards and policies as the SinglePoint online banking solution. "We've leveraged the security infrastructure in place on the web to enhance the security of mobile transactions," says Randy Lade, group product manager at U.S. Bank.

Before a client can use one of the U.S. Bank mobile banking solutions, a decision-maker or system administrator within their organization must authorize access.

From there, all the approval processes and security infrastructure incorporated within the SinglePoint web solution are employed within the mobile offering. To start, before they can log in, employees must enter a user identification number and password.

Hard or soft token authentication

Users then complete a secondary authentication. This can be done through a hard token (or fob) that regularly generates random numbers. To gain access, users must enter the number displayed on their tokens at the time they're logging into the system.

Mobile SinglePoint also offers users the option of soft token authentication in the form of a text message sent to their phones. Again, they must enter the code provided by the text before they can access the system. This alternative often appeals to users who don't want to carry hard tokens, or whose organizations have policies against hard tokens being taken off premises, Lade says.

Additional controls

Once on the system, a user's ability to access different functions is controlled by an administrator. These granular entitlements ensure that employee access to Mobile SinglePoint is limited to those functions required to perform their jobs.

In addition, any approval requirements in place for transactions conducted online are incorporated within Mobile SinglePoint. For example, employees who initiate repetitive payments through Mobile SinglePoint are required to obtain the same secondary approvals as configured under their SinglePoint web customer ID.

Mobile RDC safeguards

Similar safeguards are deployed with the U.S. Bank mobile remote deposit capture (RDC) solution, which enables users to deposit checks remotely using a supported mobile device. "Mobile is an extension of our On-Site Electronic Deposit platform," notes Stephanie Schmitt, group product manager at U.S. Bank.

A system administrator must grant permission before a user can use their mobile device to deposit checks to U.S. Bank. Users must also complete the dual authentication process. Companies can customize the service to require secondary review and approval of check deposits for added security and oversight.

U.S. Bank, along with many other financial institutions, also leverages tools to detect suspicious activity including duplicate deposits in the event that a client also makes a deposit through a traditional banking channel such as a branch. Clients are required to "frank" or mark checks, which is another way to identify an item as deposited. However, it's not a foolproof process, Schmitt says. Additional safeguards are necessary to protect U.S. Bank and its clients. Banks have introduced monitoring processes to detect suspicious activity.

Who owns the device?

When implementing mobile treasury solutions, one question that often arises is the benefit and security of requiring employees to access treasury apps only from corporate-owned devices — versus allowing employees to use their own personal devices. Policy on this can vary from one company to another.

"In either case, none of the security requirements or processes need to change," Lade explains. On both corporate-owned and personal devices, a company can require its system administrator to allow employees access to the system, and require users to complete the dual authentication process.

Innate security features

In addition to the security features provided through Mobile SinglePoint, mobile devices have some inherent security features. Each mobile phone, of course, is assigned a unique phone number. In addition, many devices require users to enter credentials, such as passwords, before they can use them. Some require biometric authentication such as a thumbprint.

U.S. Bank is currently exploring the addition of biometric authentication security to its Mobile SinglePoint offerings. Indeed, U.S. Bank continues to evaluate its mobile strategy and security offerings.

"We want to ensure we've leveraging innovations that will meet our clients' evolving needs," Lade says.

"We want to ensure we're leveraging innovations that will meet the evolving needs of our clients," Lade says.

Avera Health and U.S. Bank

Accounts receivable management solutions drive efficiency, complement centralization effort and improve patient payment experience

Avera Health, an integrated health system based in Sioux Falls, South Dakota, has more than 330 locations in 100 communities throughout South Dakota, Minnesota, Iowa, Nebraska and North Dakota. It offers a full continuum of care through 33 hospitals, more than 200 clinics, as well as retirement communities, home care, and sports and fitness centers.

Since 2011, when Mary Wickersham, vice president, Revenue Cycle, joined Avera Health, the company has been on a journey toward financial centralization, greater efficiency in accounts receivable (A/R) management, and more patient-friendly billing and collection practices.

Like other revenue cycle managers across the ever-changing healthcare field, Wickersham and her colleagues at Avera have been working to improve cash flow and cut costs through greater payment processing efficiency — while at the same time addressing patients' desire for a more convenient payment experience. Critical to that effort has been the company's implementation of a centralized business office for hospital operations and complementary A/R management technology.

Benefits of wholesale lockbox

For years, the U.S. Bank Wholesale Lockbox service has been a key tool at Avera Health for achieving improved cash flow and collections efficiency. The company has used wholesale lockbox for collecting both hospital patient "self-pay" payments and some insurance payments.

With wholesale lockbox, no longer do patients and insurers mail payments directly to Avera Health facilities, requiring Avera employees to open the mail, prepare the deposit, key in the transaction, and perform balance and reconciliation duties.

Instead, patients mail payments to the lockbox, where U.S. Bank performs those duties and deposits them. Automated posting files are then provided to Avera that can be easily entered into their patient accounting system. As such, wholesale lockbox saves staff time and accelerates the deposit process.

With all the collections challenges healthcare providers face today, lockbox continues to provide a good value, Wickersham says. "Due to changes in reimbursements to hospitals, rising bad debt, higher deductibles and co-insurance, obviously the faster we can get the money in the door the better," she says. "With wholesale lockbox, we're also able to post payment automatically without a lot of human intervention."

In addition, since U.S. Bank, rather than hospital employees, takes receipt of payments, lockbox eliminates segregation of duties risk, Wickersham notes.

Consolidation supports centralized business office

In the past, from a financial perspective, all of the company's hospitals operated independently, and each hospital that used a lockbox for collections had its own service. However, over the last three years, Avera has been centralizing its hospital operations into one business office structure with standard processes and procedures. In doing so, the company has worked with U.S. Bank to consolidate its hospital lockboxes. As of spring 2016, the company had consolidated to a single lockbox for hospital patient payments and a single lockbox for insurance claim payments, both located in St. Paul. On a daily basis, Avera receives an average of about 800 patient payments and 300 insurance payments in the two lockboxes.

The lockbox consolidation has coincided with Avera's development of a consolidated patient billing statement, enabling patient families paying for care provided by multiple Avera facilities to receive one bill, direct payment to one lockbox, and if they are on a payment plan, to be on just one plan. "It just makes it easier for patients to manage their bills," Wickersham says.

Avera's A/R automation journey

- In 2011, only Avera McKennan Hospital & University Health Center, the company's flagship hospital in Sioux Falls, was using a lockbox for patient payments.
- Between 2011 and 2013 Avera implemented wholesale lockbox at many of its other hospitals to speed collections, save staff time and reduce risk.
- In 2013, the company began creating a centralized business office structure for its hospital operations. As part of that process, by spring 2016, Avera consolidated down to one lockbox for patient payments and one for insurance claim payments.
- Along the way, the company adopted U.S. Bank Payment Navigator to enable patients to make electronic payments online or by phone and set up automatic payment-plan payments, and U.S. Bank Payment Consolidator, to add efficiency to the process of accepting payments and related information from insurers in an electronic format.

Consultation and automation

U.S. Bank healthcare treasury specialists have been meeting regularly with Wickersham and her Avera colleagues to share industry insights and explain how new treasury automation tools can support the company's goals around centralization, efficiency and the patient payment experience. Two A/R management tools that Wickersham says Avera has adopted in recent years with great success are:

- **U.S. Bank Payment Navigator:** This web-based payment tool is designed to improve up-front collection of patient payables and reduce bad debt. Payment Navigator enables patients to visit Avera's website to make payments online, unassisted. "With the millennial population getting older and becoming responsible for more healthcare payments, we have to compete with the Amazons of the world," Wickersham explains. "We want the patient to be self-sufficient, and Payment Navigator has made that possible." Avera's call center collectors can log into the Payment Navigator portal and accept by phone credit and debit cards, as well as electronic debits to patients' checking and savings accounts. Through the portal, Avera also enables patients to set up "auto payments," such as monthly deductions from a checking account, as part of a payment plan.

- **U.S. Bank Payment Consolidator:** A comprehensive receivables service designed specifically for the healthcare industry, Payment Consolidator supports Avera's payments received from insurers by converting explanation of benefits (EOB) forms into electronic posting files. Insurance payments get deposited automatically (through wholesale lockbox), instead of checks arriving at the hospital requiring manual processing and depositing. "We receive an electronic posting file that can be scripted into our system, rather than someone having to look at every patient account on an EOB printout and hand keying in all of those transactions," Wickersham says.

Outside the box

Every hospital has unique needs, structures and patient accounting system setups. U.S. Bank has worked to understand Avera's platform, and "mold some of their tools around our needs," Wickersham notes.

For example, Avera is working with U.S. Bank now to enhance Payment Navigator to provide patients with enough information on the website to allow them to make a payment without needing to refer to their statement.

"It's been a good relationship," Wickersham says. "U.S. Bank is always open to new ideas and different ways of doing things to help us be successful."

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