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Migrating to electronic payments and remittances in healthcare

While the number of healthcare payments and remittances sent electronically is increasing steadily, paper and manual processes continue to play a sizable role, costing both health insurance payers (i.e. Aetna, United Healthcare, Blue Cross/Blue Shield, etc.) and healthcare providers (i.e. doctors, clinics, labs, specialty physicians, etc.) time and money.

CAQH® (Council for Affordable Quality Healthcare), a non-profit alliance of health plans and related associations, estimates that shifting to electronic payments and remittances could save the U.S. healthcare industry more than \$1.3 billion annually. In the dental market, moving from paper to electronic claim payments could save another \$346 million annually.

Paper pain points

As mentioned previously, paper payments and remittances are inefficient and costly. Payers must print, mail and store the documents, and providers must spend time and labor processing them.

According to CAQH®, providers spend on average between eight and 30 minutes more processing manual transactions versus the time required to process an electronic transaction. And, in general, most providers prefer to receive their payments electronically. Yet, nearly 40 percent of claims payments are still sent via paper. While the mandates and industry best practices call for an electronic remittance advice (ERA), in the HIPAA standard 835 format, with the accompanying ACH payment information included in the file, some payers still cling to the traditional ways of doing things. The old adage, “it’s not broke, why fix it” applies here. They can send ERAs and they can deliver ACH so why make a change? The problem is, many Payers are not looking at the claims disbursement process holistically and are failing to recognize the value of a single platform, which can handle all payment types for them.

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Payment Master

Helping to address this challenge is U.S. Bank Payment Master, powered by InstaMed, a full-service claims disbursement solution that delivers electronic remittance advices and payments compliant with the Health Insurance Portability and Accountability Act (HIPAA). “Payment Master helps healthcare payers streamline their claims disbursement process by providing a network of providers that signed up to receive payment and remittance information electronically. This delivers savings on print, postage, and operational costs,” says Greg Kassebaum, vice president and healthcare group product manager with U.S. Bank.

The Payment Master solution is built on a payment network that connects more than two-thirds of the healthcare market. And, because Payment Master is a cloud-based solution, there is no need for payers to install additional hardware or software to leverage it.

Once a payer sends U.S. Bank its file with claims to be paid that day, the bank manages the rest, Kassebaum says. Payment Master receives a single output file from the payer, whether in a standard healthcare 835 file or proprietary format, and then consolidates payments across providers, ensuring each provider receives the payment as they have selected (i.e. paper or electronic). A team of dedicated professionals continuously reaches out to providers who are not currently part of the network, or who are receiving paper checks and remittances, to promote the benefits of automated electronic processing.

Payment Master matches the payment information in the output file received from the payer to the provider network, all of which have indicated how they’d like to be paid. “Whether it’s check, ACH, or virtual card, the platform handles that process from beginning to end,” Kassebaum explains. This includes managing all bank account and routing number information for the tens of thousands of providers being paid every day. “Many payers achieve electronic adoption rates of 65 percent or greater within 12 months of deploying the solution,” he adds.

Provider outreach

U.S. Bank also partners with payers to promote the benefits of electronic payments and remittances with providers. “We do regular, ongoing outreach to providers to get them signed up to receive the payment and remittance information electronically and remind them of the benefits of doing so which include: improved cash flow, ability to auto-post the remittance file, and reduced operational expenses associated with paper processing,” Kassebaum notes.

Both payers and providers benefit from greater adoption of the healthcare standard 835 file, which combines the payment and remittance information into a single file. According to a recent study from the 2016 CAQH Index, the total cost to both parties of processing a paper claim payment averages \$3.46, compared to \$0.78 for an electronic claim payment. Similarly, the cost of processing a paper remittance averages \$6.19, compared to \$1.00, if the remittance is handled electronically.

“There are two key components of the value proposition for Payment Master” according to Jim Moynihan, senior vice president, CTP, FHFMA at U.S. Bank.

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First, U.S. Bank has had unique success in achieving very high (more than 80 percent) adoption of EFT and ERA among providers for our participating customers. Secondly, U.S. Bank provides unique customer service that is a hallmark of our solution. Claim or medical bill payers may have a provider relations staff and a treasury/finance staff but neither of these want to field provider questions on payments. Payment Master bridges the gap between these two areas with a staff trained specifically to field questions and solve issues. Claims payers can benefit from the economies of automation without having to increase provider relations or treasury staff. This is a long term win-win for our customers.”

Contact your TM consultant today to schedule a revenue cycle engagement and find out how much you could save by increasing your electronic claim payment adoption.

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Same Day ACH: solid early volume with expansion efforts underway

Proving that U.S. payers are ready for faster payment options, early Same Day ACH volume is strong. In October 2017 — a little more than a year after Same Day ACH credits were launched and in just the second month of Same Day ACH debit activity — overall Same Day ACH payment volume reached 10 million payments, totaling more than \$9 billion, according to NACHA – The Electronic Payments Association.

The introduction of Same Day ACH, an optional alternative to the one to two-day settlement provided by standard Automated Clearing House (ACH) service, is a key development in the faster payments movement in the United States. Businesses can now look to their banks to support same-day settlement of domestic ACH transactions initiated by a mid-day cutoff time.

Previously, the standard same-day payment option was always wire transfer, which settles in real time. The new, faster ACH service provides a more economical same-day payment option when businesses need to make urgent exception payments or want to improve the customer experience.

Same Day ACH debits: off and running

Same Day ACH debit volume was strong from the start, hitting two million payments in September, its first month, and immediately more than doubling to 4.2 million in October, according to NACHA. The vast majority of initial Same Day ACH debit volume (94 percent) was comprised of consumer bill payments and account-to-account transfers, compared to only six percent that were business-to-business payments, NACHA reports.

Same Day ACH debits allow companies to offer their customers an option for making last-minute payments to avoid late payment fees. Another typical use would be a business initiating a reversal of a duplicate payment, such as a payroll payment.

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One U.S. Bank client, a real estate company that maintains depository relationships at several banks to maintain FDIC coverage, has used Same Day ACH debits for cash concentration into its main U.S. Bank account to cover operating expenses and also to collect last-minute monthly assessments from condominium owners.

Some of the best candidates for using Same Day ACH debits are businesses that regularly collect from consumers, such as insurance companies, utilities, telecommunications firms, condominium associations and health clubs.

An important caveat for users of Same Day ACH debits is to make sure the paying party has authorized a transaction on the debit date. This requires monitoring the effective dates in transmission files. “You would want to avoid any consequences that could result from debiting someone’s account earlier than they expected,” explains Beth Anne Hastings, a group product manager in Treasury Management at U.S. Bank. “For example, you don’t want to inadvertently debit the accounts of a large group of customers ahead of schedule.

[An update on Same Day ACH credits](#)

Same Day ACH credit volume was fairly stable in 2017, generally hovering around the four million mark each month but then rising in October to nearly six million transactions. In that month, 41 percent of Same Day ACH credits were direct deposit for payroll or other consumer disbursements, while 30 percent were business-to-business payments, according to NACHA.

Indeed, emergency payroll remains the top use of Same Day ACH credits at U.S. Bank, says Lisa Hunt, ACH product manager. “We had a large energy company use Same Day ACH to avert a payroll crisis on the very first day we made the same-day service available,” she notes.

[Refining the rules](#)

To build upon strong early volumes, NACHA is working to revise its rules to make it easier for more businesses to use Same Day ACH for more transactions.

NACHA has proposed adding a third Same Day ACH processing window to expand same-day access to later in the day. This proposed change has the potential to benefit all users of same-day processing, but will specifically address concerns of companies in Western time zones that have been challenged by the current mid-day (Eastern Time) file-delivery cutoff time (which translates to early a.m. Pacific Time).

Another proposed amendment to NACHA operating rules would increase the Same Day ACH transaction dollar limit to \$100,000 from the current \$25,000. This change would enable use of Same Day ACH for larger-dollar trade payments, for example.

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Opt in to avoid last-minute scramble

U.S. Bank recommends that clients work with their relationship manager or treasury management consultant to opt into the bank's Same Day ACH service before an emergency payment need arises. "There is no cost to opt in. If you opt in now, on the day of your payment emergency, you only need to focus on one thing: meeting the daily cutoff," Hunt explains.

Learn more about the opportunities presented by Same Day ACH, as well as related new developments, by accessing NACHA's Same Day ACH Resource Center (<https://resourcecenter.nacha.org>) or the U.S. Bank Same-Day ACH reference site (<http://www.usbank.com/ach> using access code "fastach16").



Zelle® lowers cost and risk with digital B2C payments

The emerging Zelle network* enables businesses to experience the efficiency of sending payments electronically to one-time or infrequent individual payees without assuming the risk associated with collecting and storing their bank account information.

A U.S.-based digital payment network — owned by a number of financial institutions including U.S. Bank — Zelle allows individuals and businesses to transmit payments to beneficiaries using their mobile phone number or email address*. It started out mainly as a fast, convenient person-to-person payment network where one consumer could pay another by electronically transferring money directly from one bank account to another.

Organizations are also seeing advantages in using the network to initiate certain business-to-consumer (B2C) transactions.

“The Zelle network is allowing businesses to electronify payments to consumers that in the past they would have made by check,” says Laura Listwan, senior vice president, product development and emerging solutions, Global Treasury Management.

Cost, risk and speed

Zelle payments can eliminate the costs of printing and mailing checks to consumers, while helping businesses avoid the risks associated with collecting and storing the payee bank account information needed to make the same payments through other currently available electronic payment options.

Zelle transactions can also offer a speed advantage compared to traditional payment alternatives, improving the experience for payees. Payers choose between real-time

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and one to two-day settlement. In comparison, checks can take several days to clear, and while ACH offers a same-day (but not a real-time) settlement option most ACH transactions settle in one or two days.

Disbursements via Zelle

U.S. Bank offers access to the Zelle network for B2C payments through its Disbursements via Zelle digital payment product. Listwan says bank clients attracted to B2C Zelle payments have included:

- **Insurance companies.** Many insurers are beginning to offer a digital claims experience aimed at speeding reimbursement. Auto insurers, for instance, allow claimants to submit pictures of auto damage by phone. But that digital experience can sometimes get bogged down by traditional paper-based claim payments.

In cases where auto insurers must pay accident victims for damage caused by their customers, Zelle offers an answer. It's an ideal use of the network because the insurer, who often has no relationship with the accident victim, only needs the payee's mobile phone number or email address to promptly provide the claim payment.

- **Utilities.** Utilities regularly need to deliver refunds to homeowners or renters when they close their accounts. Traditionally, those payments have been made by check, which is inefficient and can lead to escheatment costs if a payee never cashes the typically small-dollar item. Paying consumers through Zelle can reduce a utility's check-issuance costs and, by ensuring payments reach the consumers' accounts, the potential for escheatment expenses.

- **A class-action lawsuit company.** These companies often distribute monetary awards to judgment winners. Zelle provides a method to efficiently make those award payments to large numbers of consumers with whom it has no relationship — one that's convenient for the recipients.

The Zelle registration and payment process

To initiate B2C disbursements through Zelle, a business transmits payment instructions, including an email address or mobile phone number, to U.S. Bank, which queries the Zelle directory to see if the payee is registered with the network. If the payee is registered, Zelle initiates the account-to-account transfer. If not registered with Zelle, the payee receives a text or email with an invitation to register. At that point, the payee can register with their bank (if it's a Zelle member institution) or directly with Zelle, and that will trigger the payment. In either case, the speed of the transfer is based on the settlement option the disbursing business chooses — either real-time or one to two days.

If a payee fails to register after an established number of days, the payer can have U.S. Bank print and mail a paper check to the payee, or print and mail the check itself.

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Review your B2C payment practices

“B2C Zelle payments should be viewed as a supplemental solution, one that works for some but not all B2C payments,” says Adam Kruis, a vice president and working capital consultant in Treasury Management at U.S. Bank. “Generally, Disbursements via Zelle is not going to completely eliminate checks or ACH payments to consumers for a company.”

Since Zelle payments are irrevocable, Kruis also recommends that clients establish a relatively low dollar ceiling on transactions through the network — no more than a few thousand dollars — to lessen the business burden for payment sent to unintended recipients.

Contact your U.S. Bank Treasury Management Consultant to arrange for a review of your B2C payment practices and see if you can benefit from using the Zelle network, or potentially any of the other new faster payment solutions being brought to market.

*Originally known as clearXchange, the network was rebranded under the Zelle name in 2016.

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