

# Update: Virtual Credit Cards

NCVHS SUBCOMMITTEE ON STANDARDS

JUNE 10, 2014



# Virtual Credit Cards 101

- Health plans mail, fax, or email single-use credit card payment information and instructions to physicians to pay claims (as opposed to sending paper check or electronic funds transfer [EFT] via the ACH Network)
- Physician office staff process as they would a patient credit card payment



## Virtual Credit Cards: Provider Concerns

- Erosion of provider income/contracted fee
  - Interchange fees (**up to 5%**)
- Administrative burden
  - Manual entry of card information
  - Manual payment posting/reconciliation
- Lack of provider choice
  - Opt out vs. opt in
- Health plans heavily incentivized to use virtual cards
  - Up to 1.75% cash-back offers



## Scope of Issue: Outlier vs. Mainstream?

- AMA is frequently (and increasingly) contacted by medical society staff with questions and complaints on virtual cards
- Informal survey of medical society staff (March/April 2014)
  - 44% of state medical society staff reported receiving >5 physician complaints related to virtual cards
  - 24% reported receiving >10 complaints



## Scope of Issue: Outlier vs. Mainstream? (cont'd)

- Informal survey of physician practices (May/June 2014)
- 68% of respondents had received payment via virtual credit cards
  - Geographically spread across country (not localized issue)
- 96% received virtual credit card payments without prior consent/notification (opt-out model)
- 40% reported being unaware of interchange percentage fee associated with virtual credit cards



## Virtual Credit Card Case Study: Large North Carolina Radiology Practice, 2014 YTD

Month	# VCC Transactions	Total VCC Claim Payments	Total VCC Fees
January 2014*	176	\$62,878.64	\$1,257.57
February 2014	397	\$108,709.16	\$2,174.18
March 2014	372	\$74,975.54	\$1,499.51
April 2014	570	\$114,327.39	\$2,286.55
May 2014	564	\$116,910.63	\$2,338.21
<b>Total</b>	<b>2079</b>	<b>\$477,801.36</b>	<b>\$9,556.02</b>

\*January record-keeping began 1/16/14.  
VCC = virtual credit card. Interchange fee = 2%.



## Case Study Comments

- Fees add up quickly
- This reflects only 4.5 months of data for a single practice
- Interchange fees may be higher than 2% depending upon merchant agreements
- Need to factor in additional administrative cost to the practice of manually entering information for **2,079** virtual credit cards and manually posting payment information
- Practice reports receiving virtual card payments from **48** different vendors; extremely labor intensive to opt out of all programs



# ACH EFT Concerns

- AMA promoting ACH EFT as preferred payment form vs. virtual credit cards
- Alarming reports of providers being charged percentage-based fees (1.8% – 1.9%) for ACH EFT
  - Fees charged by health plans' payment solution vendors
  - Vendors claim fees are for “value-added services”
  - Communication to providers contains no indication that no-charge ACH EFT option is available
- Physicians are again paying to be paid!



# Virtual Credit Cards and Standard Electronic Transactions

- ASC X12 835 v 5010 does not support credit card payment
  - RFIs 1631 and 1887 both stated that transaction cannot carry all of the necessary information
- CR [change request] 1265 updates ASC X12 835 to support credit card payments
  - Discussion on CR 1265 to continue after June 2014 ASC X12 meeting
  - AMA does not support CR 1265 unless provider protections (e.g., opt-in verbiage) are added
- Even if CR 1265 is approved, it will be years until virtual card information can be used in X12 835
  - Guide development, pilot testing, and regulation process could mean 6 years until new HIPAA-mandated version of X12 835 is in place



# Virtual Credit Card Guidance

- CMS issued FAQ 9778 on March 28, 2014, which states:
  - Health plans must comply with provider request for payment via ACH EFT
  - Health plan cannot delay or reject standard transaction
  - Providers cannot be incentivized for using alternate payment method or adversely affected for using standard transaction (i.e., **charged excessive fees**)
  - Providers should carefully analyze agreements for any added fees

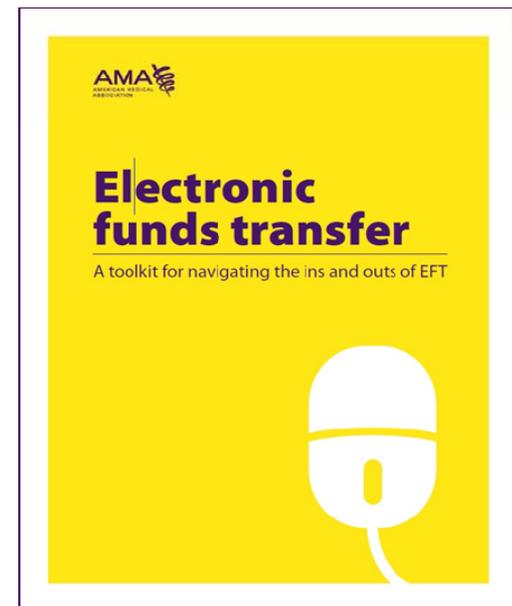


# AMA Resources on Virtual Credit Cards and EFT

## AMA EFT Toolkit additions:

- “The effect of health plan virtual credit card payments on physician practices”
- “Know your rights and make ACH EFT work for your practice”
- Upcoming educational webinar (will be live and archived)

All available at [www.ama-assn.org/go/eft](http://www.ama-assn.org/go/eft)



# Recommendations

- Additional guidance required on virtual credit cards to directly address transparency on fees and provider choice
- Health plans should not be incentivized to use virtual credit cards at provider expense
- Percentage-based fees for ACH EFT improper and an enforcement issue
- No-cost ACH EFT option should be available and clearly communicated to providers



# Thank You

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