

The EFT/ERA advantage

Electronic payment systems can help payers meet ACA requirements and lower costs

Everyone with a stake in the health care system understands the critical need to drive down costs and focus on what matters most — better patient care. One of the major cost drivers of health care is inefficiency in claims payments.

The U.S. Healthcare Efficiency Index® estimates \$30 billion is wasted on paper in American health care, something a fully electronic claims submission and payment system could alleviate. Industrywide, the payment of claims lags behind other steps in the claims submission and payment process, with only about 10 percent of claims being paid electronically. About 46 percent of all claim remittance advices are transmitted electronically, leaving a majority of Americans to use paper transactions.¹

This slow pace of change in health care stands as a stark contrast to other industries. For example, the financial industry now offers online banking, prepaid and debit cards, and mobile payments. In the case of the more than 62 million Americans who received Social Security or Supplemental Security Income benefits in January 2013, 90.8 percent used direct deposit and 3.6 percent received a prepaid card. Only the remaining 5.6 percent received a check, according to the Center for Financial Services Innovation.²

Driving change in health care payments

The Affordable Care Act (ACA) addresses the need to reduce administrative costs with a requirement that payers be able to use electronic funds transfer (EFT) and electronic remittance advice (ERA) for claims payments by January 1, 2014. There are penalties if payers don't comply:

- **\$1 per day**, per covered life, with a maximum penalty of \$20 per year, per covered life
- As high as **\$40 per year**, per covered life, if a health plan has knowingly provided inaccurate or incomplete information



The ACA requirement aside, EFT/ERA systems are good business for health plans, third-party administrators and other payers of health care claims.

An integrated solution combining electronic payment, data systems and virtual card payment options can:

- Simplify and streamline the claims payment process for payers and providers
- Improve service to and relations with providers in a payer's network
- Significantly reduce administrative costs for individual payers and across the entire health care system
- Delivers full remittance data on the day the payment is deposited (ACH) or is available for processing (VCP). The EOBs for the VCP are loaded to a secure website and available on the day the VCP is mailed out.

What are the benefits of Virtual Card Payment (VCP)?

- VCP can be used for those providers who have not signed up for EPS; same benefits of an ACH but uses reloadable credit card technology.
- Virtual Card Payments delivers an electronic payment using technology that 99% of providers already use on a daily basis.
- The VCP solution does not require a provider to submit banking information and/or maintain banking info to receive electronic payments.

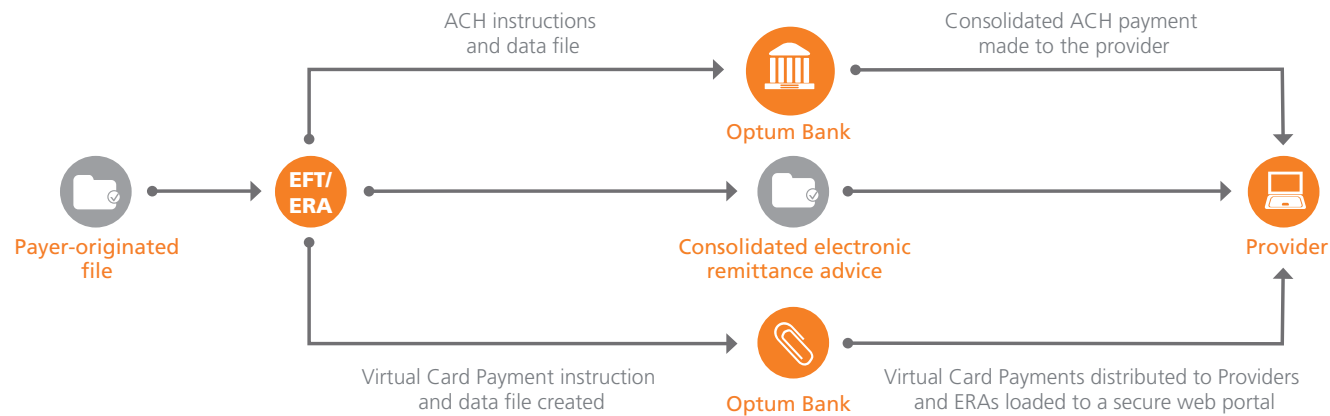


1. U.S. Healthcare Efficiency Index, National Progress Report on Healthcare Efficiency 2010, ushealthcareindex.org.

2. Center for Financial Services Innovation and the Hudson Institute, *Double Duty Payments: Cards as a Doorway to Greater Financial Health*, March 2013.

Electronic payments are easy to use

EFT/ERA systems can streamline the payment process by integrating claims payments and remittances with banking functions. After receiving payment data from a payer, an EFT/ERA system creates an electronic payment file; delivers payments to providers' bank accounts; and posts 835 files (with EFT and ERA information) online for providers to view, print and/or download into their practice management systems.



EFT/ERA improves service to providers

Today's providers are juggling many priorities with their top concern: patient health. Not only are the administrative requirements of practices mounting, but they also have to manage billing and payment reconciliation for a rising number of patients who have deductibles and coinsurance obligations or don't have insurance at all.

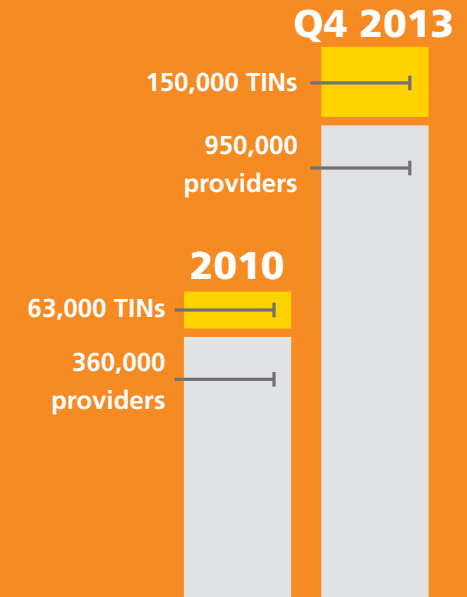
For providers, EFT/ERA systems for payment and remittance advice can help speed up the payment process and accounts payable reconciliation with health plans. And the most effective solutions for providers deliver ERAs *with* payments.

Our history

EPS has been servicing payers for eight years and currently connect to 20 payer clients including traditional medical payers, specialty payers (behavioral, dental, vision, chiropractic, physical health), workers' compensation, Medicare supplement, and Property and Casualty payers. Over just the past three years, EPS has processed more than 2 billion claims and have paid more than \$400 billion in payments.

Providers are rapidly enrolling in EFT/ERA

The number of providers and taxpayer identification numbers (TINs) enrolled in Optum™ EFT/ERA has accelerated in recent years:



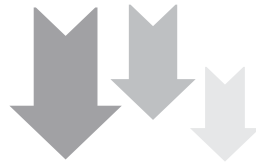
Source: Enrollment and TINs as part of Optum Electronic Payments and Statements.

EFT/ERA leads to substantial cost reduction

Complete EFT/ERA systems can significantly reduce administrative costs by creating savings in paper and printing, postage, manual labor, banking fees, fees for voided or returned checks, and call center volume.



\$0.50–\$1.50: Average cost of mailing a check or explanation of benefits



20%–50% decrease: Typical decrease payers have in claims payment administration costs by using an integrated data and payment solution



\$486,000 per year: Amount a payer could save on printing, paper and postage costs if it paid 80 percent of claims via an EFT/ERA system (assumes payer has 750,000 covered members, 9 million claims per year and 46,875 network providers)

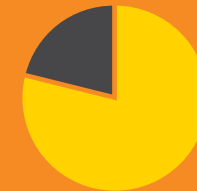
Source: Optum Financial Services analysis, November 2012.

Provider-perceived benefits

Providers report that integrated EFT/ERA systems have helped save staff time and increased cash flow:



83% said they experienced an improvement in cash flow



79% said their office efficiency improved



71% said EFT/ERA saved staff time

Source: Optum Financial Services survey of health providers using Optum Electronic Payments and Statements, 2008.

Learn more about EFT/ERA systems at optum.com.

The bottom line

EFT/ERA systems are good for health care, good for payers' bottom lines and good for their relationships with network providers.