

# Provider Tips for Moving to Electronic Payment Receipt and Reconciliation

**H**ighly fragmented manual processes for posting and reconciling payments generate significant administrative costs and fees for providers. Transitioning these paper-based processes to electronic ones has the potential to save as much as \$35 billion and 2.5 billion pieces of paper annually by some estimates. To realize such benefits, providers are searching for new opportunities to eliminate paper from the revenue cycle, especially in payment and reconciliation. In this roundtable discussion, sponsored by Emdeon Business Services, senior financial executives from several hospitals and a university-based physicians' practice association share practical advice for managing concerns such as obtaining accurate remittance data, linking payment information to corresponding remittance details, and training staff to manage electronic processes.

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## What are some of the challenges of the current paper-based payment process?

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**George Lazenby:** Aside from the normal costs and challenges of dealing with a manual and paper process, the current paper-based payment process offers other challenges to providers. For example, each payer has its own EOB [explanation of benefits] format and proprietary claim-adjudication reason codes, and those inconsistencies make it difficult to train employees who post and reconcile payments. In addition, having employees key information off of paper documents is very inefficient and presents many opportunities for errors.

Paper also presents storage and retrieval challenges. In order to manage their secondary claims, providers have to research paper archives. Also, without a central repository of data, providers can't properly analyze their payments, so they aren't effective at managing denied claims.

**Toni Hatch:** The sheer size of bulk paper remits is challenging. Some of our facilities get a weekly Medicaid check that is 350 pages long—an all-day job for one person to post. If we received that remit in electronic form, it would take maybe an hour to post. There are also balancing issues with paper remits. If you type \$2.50 instead of \$25.00, you have to check your whole batch to find the error.

**Joyce Slater:** We find that allowances on paper EOBs are not always accurate, nor is the amount of the patient's responsibility.

**Elise Lauer:** It's hard to derive trends from paper documents and manual processing. Because insurance companies have different remittance formats, the ability to quickly identify potential problems with billing or accurate claims adjudication within a single payer, or across service lines, is limited. Some payers may send checks directly to the bank and the paper remittance advices to the hospital, resulting in an extra step of making sure the deposit occurs before the remittance advice is processed or posted.

**Julie Blind:** With one of our payers, we have to deal with the problem of paper checks that frequently get lost in the mail.

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## What are some of the biggest challenges to using electronic remittance advices and electronic fund transfers today?

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**Lazenby:** There are really three challenges in using ERAs today: One, data quality within the ERA; two, breadth of payer availability; and three, payment reconciliation.

The quality of the data within ERAs from payers isn't very good today. ERAs often don't have sufficient data to allow automatic posting against the patient account. Said another way, just getting the remit data electronically isn't

enough. If the electronic remit lacks certain information that is necessary for a provider to automate posting, then there is really no gain.

The second problem is that providers can't realize any improvement in efficiency if only a few payers distribute electronic remits. Until a provider reaches a certain scale of electronic remittance advices, workflow isn't going to change and staff can't be reassigned to other important functions, such as denial management. Not having an all payer solution that meets the providers needs for posting is a real barrier to adoption.

Finally, with EFT [electronic funds transfer], the real challenge lies in reconciling the funds transfer to the remit data. If the data that supports the EFT doesn't help the provider reconcile the payment, then more work is created for the provider. My experience with providers over the past six months is that they are aggressively trying to use EFTs, even if the electronic remit data isn't there. They want the peace of mind of knowing that the money is flowing into their account.

**Slater:** Since payers have merely mapped their legacy systems to HIPAA standards—instead of changing their legacy systems—there are no one-to-one matches of legacy rejection codes to HIPAA transaction codes. So unless we align them appropriately internally, we may be writing off dollars unnecessarily. Also, it's been disappointing that many payers don't have the capability to process the HIPAA 835 transaction set accurately, and that each payer interprets the HIPAA guidelines differently.

I question whether payers see the true benefits of electronic payments. Their goal is to reduce their costs, and the only way to do that is to stop processing paper remittances. But until we marry HIPAA transaction codes and rejection codes, we still need the paper remits. It's been a tremendous setback to all of us that payers haven't made electronic payments a top initiative.

#### **PARTICIPANTS IN THIS HFMA ROUNDTABLE:**

**Julie Blind** is Administrative Director of Business Services for Sierra View District Hospital, Porterville, Calif.

**Toni Hatch** is Senior Director, Business Office Operations, for Triad Hospitals, Plano, Texas.

**Elise Lauer** is Director of Patient Accounting, Northwestern Memorial Hospital, Chicago, Ill.

**George Lazenby** is Chief Executive Officer for Emdeon Business Services, Nashville, Tenn.

**Joyce Slater** is Senior Director, Revenue Cycle Operations, Johns Hopkins University Physicians, Baltimore, Md.

**Lauer:** Some payers may process ERAs and EFTs by product line. So one provider might receive multiple ERA transmissions per day from one payer if that payer is making payments from multiple product lines, which must each be reconciled to either a single deposit or multiple deposits. Most commercial payers set up their electronic remittance processes in a way that works for their business practices; there hasn't been a great deal of information from the commercial payers as an industry to indicate a willingness to move toward a limited number of processing methods. Another challenge for providers is determining what is being credited versus what is being debited electronically—because insurers can now more quickly offset payments without following more reasonable refund request processes. Payers simply offset money they believe is owed without necessarily having to explain why they believe a refund is due.

**Blind:** We still have a challenge with electronic Medi-Cal remits because our client system isn't flexible enough to allow us to post the remit line by line as it is received. It's critical in this electronic world for you to know your system's limitations. Once you start putting Band-Aids™ on your system to accommodate electronic remittances, you need to evaluate whether it's time to find a new server system.

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#### **What strategies have been successful for your organization in overcoming these challenges?**

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**Slater:** We have worked with payers to help them understand the HIPAA rejection codes, and some of our payers have worked with us in developing reason codes to help us correctly identify the rejections. We have an action plan that we follow for every single payer, and we survey them to make sure they can meet our requirements. We also meet with them regularly. Internally, we meet on a daily basis to review files and we continually test our system. So our organization puts in extensive time and effort to make sure that the information passed to us is posted accurately.

**Blind:** We have an informatics representative assigned to patient accounting. This person is dedicated to ensuring that our electronic systems operate the way they are intended to function. She also facilitates all of the processes that have to occur prior to implementing an electronic remittance advice setup. Having a person who is in constant communication with our vendors on what we need for electronic payments doesn't solve all of the problems, but it makes them much easier to manage.

**Lazenby:** We have set up workgroups with our provider and payer partners to facilitate the exchange of information around the challenges to adopt the ERA transactions. We believe that the largest provider organizations in the country can potentially work effectively with their top payer partners, but that the majority of providers will struggle to establish this relationship and will be subject to the payer's standard processes.

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**What are the benefits of implementing ERAs and EFTs versus maintaining a paper-based system?**

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**Lauer:** The information you get from ERAs (835s) is amazing. Providing everyone is using the standard ANSI codes accurately, one can see how claims are being adjudicated and how quickly and accurately payments are being made. We've created a database that allows us to examine our top denials and the reasons for those denials. In the paper world, most providers post at the claim level; in the electronic world, many of the payers are able to process electronically and are able to adjudicate at the line item level.

**Hatch:** Electronic posting is far faster and easier than paper-based processes. Billing is more accurate, too, because we don't miss a contractual and send the patient a statement with the wrong balance on it. Timing of receipts is also accurate, so you have more predictability in your cash.

**Lazenby:** Once the ERAs are in good condition, they can be posted automatically, allowing cash-receipts personnel to spend their time working on exceptions instead of having to key in all of the payments. Plus, when providers receive the data electronically, they have a better understanding of their payments in relation to their contracts with payers. The advantage of EFTs is a more secure and accurate process for getting funds into their bank accounts.

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**For ERA and EFT processes to be successful, providers need to obtain certain data from payers so they can reconcile payment. What advice do you have for getting the data you need from payers?**

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**Slater:** You have to develop a close relationship with your payers, so they recognize that having accurate data in the file is a win-win for both of you. There are costs to the payer if we have to follow up with a phone call because the file isn't accurate.

**Hatch:** We wanted payers to send us files for all 52 of our hospitals to one location, which was something they said they couldn't do initially. But we've been able to work through that and now payers put a unique header and trailer identifier on the file to segregate each facility's files.

There are very few payers using uniform codes for denials, so we're trying to work through that problem one payer at a time.

**Blind:** We tell our billing vendor what data we need and in what format, and the vendor provides it for us.

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**What are some of the ways you communicate with payers about ERA and EFT needs, and how frequently do these communications take place?**

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**Slater:** When we have the first meeting with the payer to initiate electronic payment processing, we make sure people with the right technical expertise are in the room. We try to schedule meetings every other week after the kickoff so issues can be addressed in a timely fashion. But since there currently isn't an incentive for payers to spend money to upgrade their systems to make electronic payments, I'm not sure any discussions we have with payers will change that status.

**Hatch:** Most payers have been very receptive to our suggestions on how to improve the data they send, but the size of the company will determine how quickly it can make changes on a per-file basis. When you're choosing a vendor to help with your electronic posting, I would recommend finding a vendor that has a good relationship with a variety of payers because, frankly, the vendor knows the issues before you do. And payers are invested in getting vendors accurate data because doing so cuts down on their work and costs.

**Lauer:** We're trying to motivate our top volume payers (which make up 85 percent of our business) to transition to ERAs and EFTs. We meet our payers regularly, and after a slow process, we're beginning to see them make available ERAs and EFTs using the electronic standards.



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**Blind:** Don't be afraid to ask payers as many questions as you have. If you don't, you'll inevitably get a step wrong, which will cause more problems. Be persistent and don't accept, 'We'll get back to you' for an answer. Our billing vendor is our lifesaver. We know electronic payments are not a top priority for payers, and we certainly didn't want to be the ones calling each payer to get the data we need.

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**When moving from paper-based to electronic processes, providers must also focus on training and obtaining buy-in from staff regarding use of the new technologies. How has your organization done this?**

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**Lazenby:** Employees have to be given the message that the electronic process is more accurate, more efficient, and will allow them to perform higher value services, like focusing on denial management or internal projects that drive cash flow, instead of just keying cash into the system.

**Hatch:** When they saw that an electronic system could reduce a six-hour job of posting a Medicare or Blue Cross remit to one hour, they initially didn't know what to do with their time. It took a little while for them to realize that they now had an opportunity to take cash posting reimbursement to the next step by making sure that account balances are correctly stated and in the appropriate A/R category.

The buy-in from staff members came when they knew they would no longer have to waste an entire day searching for a 29-cent keying error from a 300-page paper remit. The most frustrating aspect of their job was gone. Now they want all of their remittance advices to be electronic instead of saying, 'We want to keep posting because it gives us job security.' They are able to plan their work day without feeling like the stack of checks is so high that they'll never get to the bottom.

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**Any advice to offer other providers on training staff on electronic payment processes?**

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**Hatch:** For many of our cashiers, learning the computer skills of uploading files and moving them to the right place to get them to post was the most challenging aspect of transitioning to electronic payments. That is where we spent the greatest amount of training to calm their fears. Our vendor was very supportive in detailing the steps they had to follow, and our IT staff was on call if they had any questions—so they didn't feel they were completely alone.

Our training was basically one remit at a time, as we made sure the payments and contractals were balanced. It was a very fast process actually; after a couple of times, staff had the process down.

**Lauer:** When we made the transition to electronic payments, we made sure to map data and document similar to what staff would see from manual processing. As a result, what staff see on a day-to-day basis appears unchanged, with the exception of increased use of ANSI codes versus proprietary payer codes. As a result, buy-in and training were easier.

**Slater:** It's really important to be up front with your staff members about long-term goals, and how they are involved in the overall strategy and mission of the organization. We utilized our payment posting manager to develop the edits that allow staff to post a claim. To make sure that the process benefits the organization, we focused a lot on streamlining the processes to minimize the number of edits for our staff.

**Blind:** My organization is very good at communicating to employees the benefits and pitfalls of any process changes being considered and soliciting their opinions. So by the time a change occurs, they have already bought into it. We also have staff members call our vendor directly when they have problems or questions. Because they are the end user, we want them to take ownership of the process and provide feedback on whether things are working as desired.




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