



# The effect of health plan virtual credit card payments on physician practices

In recent years, health plans have shifted from paper checks to electronic methods of physician payment. As part of this movement, many health plans have started paying physicians through payer-issued virtual credit cards (VCCs). When paying via VCCs, health plans send credit card payment information and instructions to physicians, who process the payments using standard credit card technology.

**Cost to Physicians** - Although a valid electronic alternative to paper checks, the use of VCCs for payment comes at a significant cost to physicians. As with traditional credit card payments, VCC payments are subject to interchange and transaction fees. The interchange fees can run **as high as 5%** for these corporate “card not present” transactions. Physicians are often unaware of these high fees when accepting VCC payments.

Unlike traditional credit card payments received from patients, the physician processing fees for VCCs do not come with corresponding benefits. Patient credit cards ensure physician payment by shifting the patient debt collection responsibilities to credit card companies, thereby eliminating the potential bad debt risk for physicians. VCCs do not offer risk reduction for physicians, but nevertheless carry increased processing charges.

**Health Plan Financial Incentives** - While physicians receiving VCCs must pay additional processing costs in order to receive payments, health plans often receive cash-back incentives from credit card companies for such transactions. Credit card companies **may offer health plans up to 1.75% rebates** for paying provider claims with VCCs.

## Recommendations

The American Medical Association recommends that physicians:

- **Enroll in Health Insurance Portability and Accountability Act (HIPAA)-standard Automated Clearinghouse (ACH) Electronic Funds Transfer (EFT)**
- **Be aware of payment terms when contracting with health plans**
- **Educate practice staff on credit card processing**

**EFT** - Similar to direct deposit offered by many employers, ACH EFT is a funds transfer tool in which payer-to-provider payment is processed over the ACH Network, a payment system implemented by NACHA - The Electronic Payments Association. Unlike percentage-based interchange fees associated with VCCs, **ACH EFT payments are subject only to a single transaction fee (approximately \$0.34) regardless of payment amount.**

As shown, the difference in processing fees can have a substantial impact on total physician payment. As of January 1, 2014, all health plans are required to use ACH EFT to pay physicians that request and register for this payment method. Physicians looking to enroll in EFT payments should contact their health plans. In order to learn more about EFT payment, consult the AMA's [EFT toolkit](#).

**Contract Payment Terms** - Although HIPAA requires health plans to make ACH EFT available upon request, health plans may seek to require other payment methods, such as VCC, within their contracts with physicians in order to avoid using ACH EFT. Physicians should be cognizant of any restrictions in payment methods when contracting with health plans and avoid signing contracts with inflexible payment terms.

**Practice Staff Education** - While patient and health plan payments differ in many ways, they are often processed by the same practice staff. If a practice chooses not to accept health plan VCCs, physicians should ensure that practice staff can differentiate between patient and health plan credit card payments in order to prevent undesired authorization of health plan VCC payment.

Visit [www.ama-assn.org/go/simplify](http://www.ama-assn.org/go/simplify) for information on other administrative simplification topics.

	ACH EFT	Virtual Credit Card
Contracted Fee Amount	\$5,000.00	\$5,000.00
Processing Costs	\$0.34	\$250.10*
<b>Total Payment</b>	<b>\$4,999.66</b>	<b>\$4,749.90</b>

\* Calculated using 5% interchange fee + \$0.10 transaction fee