

# HEALTHCARE VIRTUAL CARD PAYMENTS — JUST THE FACTS!

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Healthcare regulations continue to focus on ways to reduce cost and increase efficiency for both Providers and Health Plans, including a renewed emphasis on electronic payments. Electronic Funds Transfer (EFT) payments sent via the ACH Network are now considered a HIPAA transaction; therefore, Health Plans are required to provide EFT payments if requested by a Provider. Other electronic payment types are allowed by this regulation,<sup>1</sup> but are not mandated like EFT.

## HOW VIRTUAL CARDS WORK

One payment type that currently has much visibility in healthcare is payment by Virtual Card. In this method, payment for healthcare claims is made to the Provider via a single-use Virtual Credit Card. Information about the card payment is sent to the Provider via fax, email or mail (usually this is a picture of the card itself), and the Provider keys the card information into an existing merchant services system (equipment used to process patient card payments) to process the payment. The payment is then deposited into the Provider's merchant account in 1–5 business days.

## BENEFITS OF VIRTUAL CARDS

Virtual Cards provide a way for Health Plans to pay Providers electronically, thus reducing their costs for producing and mailing paper checks. Often, Health Plans also receive a rebate for using Virtual Cards, further reducing their costs.

Providers may prefer to receive Virtual Card payments for payments from Health Plans that are not frequently used, as they can receive an electronic payment without having to enroll with each individual Health Plan.

Card payments may be more secure than other payment types, because if the Virtual Card number is lost or stolen, it can be replaced by the Health Plan. Also, the Straight-Through Processing model allows Health Plans/vendors to send funds directly to the Provider's merchant account, eliminating manual processing and reducing interchange fees (if negotiated).

## COST CONSIDERATIONS

In making the choice about receiving Virtual Card payments, Providers should be aware that it is expensive to accept them. Providers pay an average of 3% in interchange fees and a per transaction charge for each payment processed, which can range from \$.10 to \$40.00 per transaction. Virtual Card payments involve manual processing: the Provider must manually key the virtual card number into their office merchant services system (if not Straight-Through Processing). In addition, the current HIPAA-mandated ASC X12 835 (ERA) does not support card payment types. Therefore, Providers must receive remittance advice information on paper or print image to be compliant. This may be a paper EOB sent via mail or print image viewed via the Health Plan's web portal, and manual posting is required to update the Provider's revenue cycle system.

Also, funds are not immediate — they are deposited to the Provider's merchant account 1–5 business days after processing.



### “GATEWAY” PARTNERSHIPS

Many Health Plans partner with “Gateways” to provide the payments to Providers. Often the Virtual Card Payment is provided as the default payment type by the Gateway, and Providers are unaware that they will receive payment via Virtual Card until it is received. Providers must then call to “opt out” of the card payment and request payment via check or EFT, and may have to do this with each payment received. A single “opt out” may not work for future payments. Provider revenue cycle staff who receive card payments may be unaware of the fees associated with the payment since the statements that include the fees may go to the Provider’s accounting or treasury department.

### DEALING WITH VIRTUAL CARD CHALLENGES

In an effort to assist Providers with the challenges currently being experienced with Virtual Cards, the National Committee on Vital and Health Statistics (NCVHS) recently held hearings to gather information, then issued a letter of recommendation to the Secretary of Health and Human Services (HHS) recommending guidance and definition for best practices around Virtual Card payments. Additional action may be seen around these recommendations in 2015.

Electronic payments get funds to Providers more quickly with less risk than paper checks. Virtual Cards may provide a good solution for some Providers in certain situations, and should be available for them to choose for payment. Providers should ensure that all agreements with their Health Plans include details around card payments, with clearly defined fees and details about receipt of the Remittance Advice. Providers should ensure that they have the ability to “opt in” to card payments, rather than having to “opt out” after a card payment is already received.

EFT payments are usually the recommended payment type; and Providers should remember that, effective Jan. 1, 2014, Health Plans *must* provide EFT payments if requested by the Provider. By law, Providers cannot be charged an interchange fee for receiving an EFT transaction from a Health Plan. Providers should always remember that they have the option to file a complaint with CMS if a Health Plan does not comply with the regulations. Complaints can be filed anonymously.

### ABOUT THE AUTHOR

Pam Grosze is a vice president and senior product manager with PNC Healthcare, based in Dallas, Texas. She is co-chair for ASC X12’s 835 workgroup and for WEDI’s Transactions and Code Sets workgroup and Electronic Funds Transfer Subworkgroup, and she actively participates in the CAQH CORE Operating Rules development process.

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For more information on Virtual Card payments, please contact your Healthcare Sales Representative or Pam Grosze at [pamela.grosze@pnc.com](mailto:pamela.grosze@pnc.com).

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