The Missing Link in Provider Payments

Sky-high medical workers' compensation payments and increasingly complex claims are calling for a streamlined solution to manual provider payment processes

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Introduction

Caring for injured workers is more complex than ever before. In 2012 alone, workers' compensation medical costs to providers increased to $30.8 billion,[1] a staggering increase from years past. This upward trend, coupled with increasing injury severity, is detrimental for workers' compensation payers. With more severe injuries comes an increasing number of provider payments to manage—a time-consuming, costly, and error-prone endeavor. Many of the same issues are also putting providers under pressure, further complicating the workers' compensation landscape.

Enter the missing link. Payers are looking to streamline the revenue cycle management process to eliminate errors, curb administrative spending, and increase transparency. While manual check writing and electronic funds transfers (EFTs) made sense in the past, these tried-and-true payment methods are challenged by sky-high workers' compensation spending and an increase in claim complexity. This paper provides insight into challenges for payers and providers and presents an innovative solution.

Check writing: The link to higher claim costs?

Manual check writing is an expensive and time-consuming payment method. As claims become more complex, payers find themselves issuing thousands of payments, all of which must include an Explanation of Benefits (EOBs) for providers. EOBs are a necessary component of all payments because they ensure payments are properly applied. However, without a streamlined audit trail, paper EOBs - which may be sent out separately from the payment - are hard to track. Therefore, payers have to go through great lengths to reduce missed, duplicate, or incorrect payments. Payers also find that manual payment processing lacks transparency, making it difficult to account for which providers they are paying, how often they are paying them, how much they are paying them, and for which services they are paying them.

Manual check writing is also expensive. According to an AP Automation Study published by the Institute of Financial Operations in 2013, check processing alone can cost as much as $1.61 to $8 per transaction.[2] On top of processing and postage fees, the potential for lost or late checks adds to claim costs.
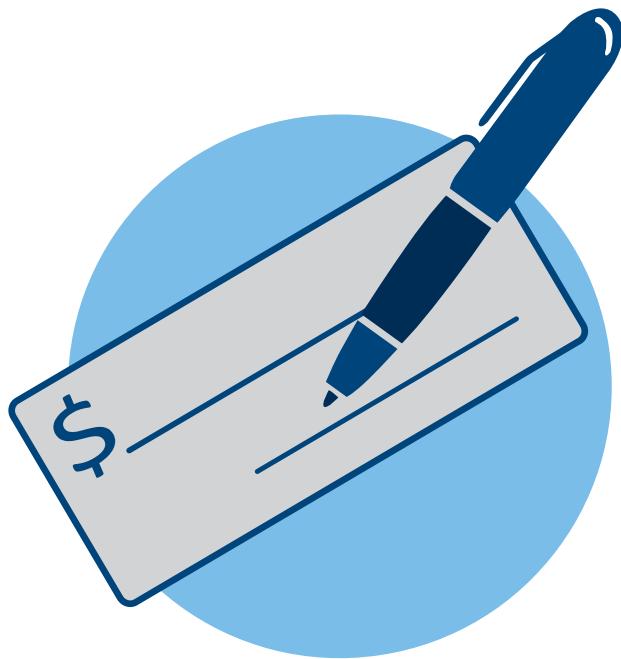
Additionally, manual check writing poses a security risk for sensitive banking account information. According to the 2015 AFP Payment Fraud Survey, checks remain the most-often targeted payment method by those committing fraud attacks.[3] As data breaches and corporate fraud continue to rise, it's essential to put more stringent controls on provider payments.

Figure 1 illustrates the high cost of manual claim processing compared to the less expensive electronic claim processing.

Figure 1

Electronic claims reduce providers' costs substantially[4]
Typical provider costs to prepare and submit claims

$31.99

Cost nearly doubles if manual claim needs to be reworked

$16.99

$5.49

Manual Claims
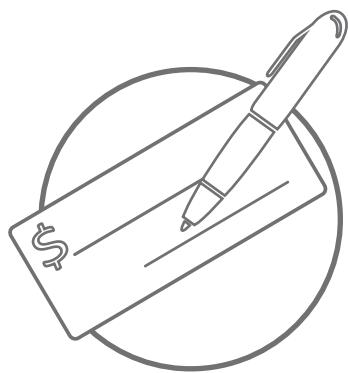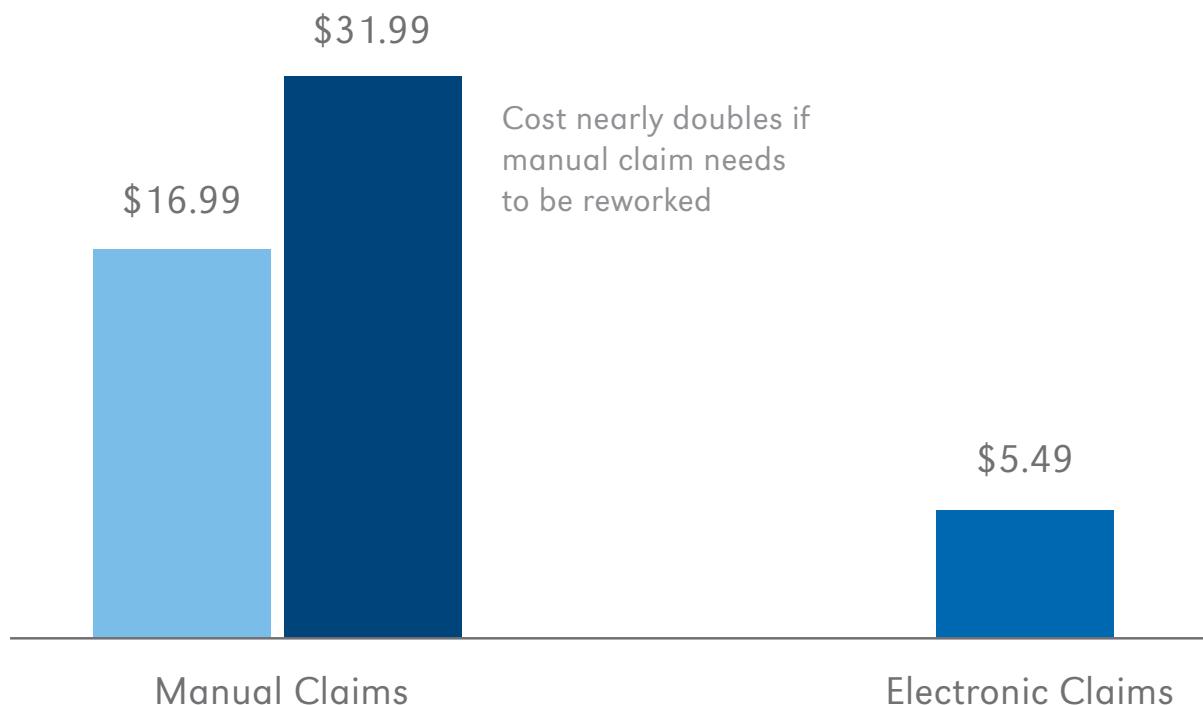
Electronic Claims

According to the 2015 AFP Payment Fraud Survey, checks remain the most-often targeted payment method by those committing fraud attacks.

EFT: The answer? Or another link to unnecessary costs?

Electronic funds transfers are less expensive than writing a check, however there are still challenges with this form of payment. Payers have to worry about incorrect payment distribution, payment duplication, posting delays, and hidden processing fees (sometimes per transaction). Also, EOBs and EFTs are not integrated, making late or missing EOBs an all-too-common problem. In addition, EFTs share many downsides with manual check processing.

The following table addresses the associated risks with both forms of payment.

Table 1

Challenges of common check writing and EFT processing
A comparative view of processing methods

| RISKS	CHECKS	EFT
Manual errors	●	
Postage & printing fees	●	
Escheatment	●	
Payment delays	●	●
Higher propensity for fraud	●	●
Inquiry calls to adjusters	●	●
High administrative costs	●	●
Duplication of payments	●	●
Inability to tie EDI directly to claim system	●	●
No 24x7 support	●	●
Hidden service fees		●
Inability to attach EOB		●

The missing link to the payments puzzle: Virtual payments

A centralized virtual payment solution can help workers' compensation payers streamline the revenue management cycle by automating payment processing, reconciliation, and management. Registered providers use a unique transaction code to process reimbursements through their existing point-of-service (POS) card terminal, avoiding the hassles associated with traditional check writing and EFT payments.

By utilizing a virtual payment solution, payers can systematically improve procedures while bringing all elements of the processing chain in-house. With faster reconciliation, reduced paperwork, and more transparency, providers benefit greatly from this solution as well.

A virtual payment solution should also offer an online portal that enables payers and providers to:

- Access and reconcile EOB information

- Views claims submission history

- View all reimbursements to providers

- Run on-demand payment reports and analytics
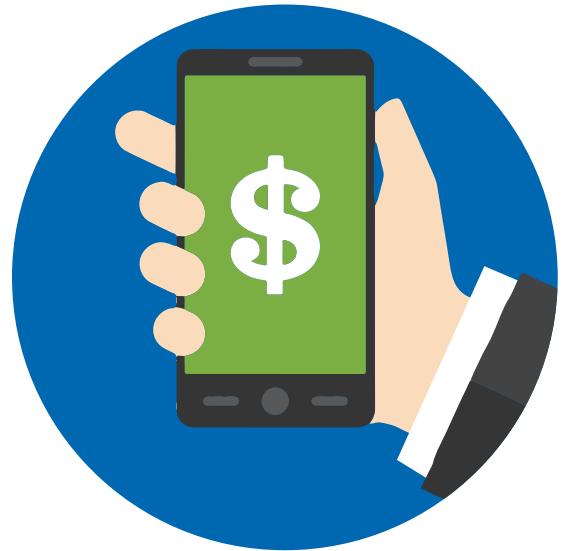
Benefits to payers

- Reduced administrative costs

- More accurate payments

- Improved relationships with providers due to more timely claims payments

- Easy integration with existing payment processes

- Check and transaction fees eliminated

- Improved compliance and fraud protection

- Electronic Data Interface (EDI) connected directly to claims system

- Streamlined reconciliation process

- Compliant paperless process

Benefits to providers

- Immediate access to funds through existing POS terminal

- Access to historical EOB records

- Less paperwork

- Less time spent processing multiple checks

- Reduced administrative costs

- Payment security

- Ease of use

Conclusion

The current workers' compensation landscape is shifting. Rising medical payments, increasingly severe injuries, and complex claims are putting traditional payment processes to the test and calling for a more streamlined solution.

A technology-focused partner who is experienced in administering payments will provide the most ideal solution to inefficient, costly, and risky manual processes through a virtual payment solution.

About DataPath:

Little Rock-based DataPath has created flexible financial and administrative solutions since 1984. DataPath's workers' compensation solutions include secure, card-based indemnity payment processing and a provider payment offering that makes it easier to distribute and track payments for workers' compensation medical services. Learn more at www.dpath.com.

About the Author:

Bo Armstrong is the Director of Marketing at DataPath. He holds a bachelor's degree from Texas A&M University and a master's degree from Liberty University and possesses 15 years of marketing leadership experience. Bo's responsibilities include identifying emerging market trends within the payments industry, advocating for customers and their needs within DataPath, and communicating the value of DataPath's solutions.

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