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HEALTHCARE PAYMENTS

POST OAK PERFORMS A PAPER-ECTOMY

The small Houston bank is joining larger institutions like Bank of America in a hard push toward electronic processing

BY JOHN ADAMS

WHILE RESPONSIBILITY for insuring health-care payments has been mired in political debate that's touched all points on the national intellect curve, the virtue of automating those payments should be of little doubt.

"Everybody is looking for ways to cut costs," says Kelly McClelland, vp of treasury services for Post Oak Bank, which is in the midst of a health-care payments automation project that includes adding FIS Healthcare Remittance Manager to its lockbox processing business. "Let's start by eliminating paper and be more efficient with processing."

The obvious relationship between

paper reduction and lower costs and higher efficiency—along with the overall private and public sector focus on shedding health-care costs across the board—is causing institutions to step up efforts to lure health-care payers and providers to 21st century Web-enabled payments and processing.

The Houston area-based Post Oak, which has about 100 physician or medical related customers, is scheduled to go live with Remittance Manager by the end of the year, and will offer electronic payments for both insurance companies and consumers. It will spend the next six months converting users to automated payments via a Web-based file transfer process in

which the bank will work with the health-care providers' IT staff or billing companies to ensure files are transmitted in the correct format.

The bank's goal is to place providers in a position to electronically navigate extensive document flow in payments, which has traditionally been mired in manual processes and hamstrung by delays. "If there's any kind of hiccup in the cycle of payments, the process gets extended," says Kunal Pandya, a senior analyst covering health-care insurance and payments for Aite Group.

Serving as a "data bridge," FIS' remittance manager connects insurers and medical providers to electronically capture, reconcile and process health-care billing information with fewer touchpoints and a standardized collection process. The technology automates explanation of benefit (EOB) statements, and captures electronic versions of Form 835 (Electronic Remittance Advice) and reconciles it with Form 837 (the submitted claim). "There is a standard 835, but a lot of people have a different flavor of how they utilize that standard," says Serena Smith, svp of enterprise health-care and transaction services for FIS.

FIS says it has about five financial users that have signed up for its new product, and it faces plenty of competition from tech firms looking to tap health-care payments automation. Other providers include Fiserv, SMI, Revenue Management Solutions, Alacriti and mPay Gateway—which focuses on consumer payments.

Alacriti, for example, recently developed a suite of electronic information and patient payment products that enable patients to make payments and provide and access data, as well as provider office controls for real-time servicing. "We're looking at information processing, remittances...banks have been printing and mailing this information, but there's the ability to lessen that," says Michael Fontana, health-care

development manager, Alacriti.

mPay Gateway uses a "hotel model," in which a card is authorized to make payments, which are then deducted from the card when the consumer's out of pocket expenses are determined. "You only settle once, so there's no reconciliation," says Brian Beutner, CEO of mPay Gateway, which counts Fifth Third Processing Solutions and Capital One among its clients.

Also active is Bank of America, which recently debuted a new Web site as part of its HealthLogic product (Bank of America purchased health-care IT provider Health Logic in 2006). Among the bank's related offerings are Health-care Revenue Manager, which helps providers post payments from patients—either through lockbox or through collecting ACH and card payments, including health-care and payment cards issued for HSAs and flexible spending accounts (FSAs). Aileen Gleason, core treasury and sales enablement product management executive for Bank of America, says the current ratio of paper to electronic payments is about 2-1, though electronic payments have been expanding.

The savings from automation vary depending on the type of payment or service, but Celent says to process a fully-paper payment is about \$6 per claim, with electronic payments costing about a quarter of that. While poised for expansion, current adoption is relatively low (Aite's Pandya says about 60 percent of health care payments are still paper-based), suggesting vast potential for banks, which can leverage electronic health-care payments to build added relationships with providers. "In this space, the technology is pretty good, and we're moving to a state where the tech is getting commoditized. So you want work with the tech vendor to create a value add," says Red Gillen, a senior analyst in Celent's banking group. ■