



Support HB 3021: Virtual Credit Card Payment Transparency in Medical Practice

What is the issue?

The use of virtual credit cards (VCC) by health plans for provider payment comes at a significant cost. VCCs are subject to transaction and processing fees as high as **5%**, and those fees get deducted from the amount a provider is supposed to be reimbursed for their work. Reimbursement is a contractually negotiated rate between the provider and insurer- any decrease in this amount potentially impacts the provider's ability to be available to both current and new patients of plans that that utilize VCC as their primary payment method.

What is a virtual credit card payment?

In recent years, provider payments from health plans have transitioned from paper checks to electronically submitted payments, including ACH EFT (Automated Clearing House Electronic Funds Transfer), wire transfers, and payer-issued virtual credit cards (VCCs). If a VCC is used, the provider may process the payment with their standard credit card technology, but because the transaction uses a number rather than a physical credit card, much higher interchange fees apply. The provider is stuck paying additional processing fees while some plans may get rebates as high as 1.75% for each transaction.

Why is the issue important to providers?

The use of VCC payments by health plans appears to be occurring with increasing frequency and are being sent without prior acceptance from a clinic. Provider practices are told they can "opt out" of the VCC payment, but when they attempt to do so, they often encounter administrative hassle from not only the health plan but the third party credit card company. Additionally, providers often learn about the processing fees for the first time only after accepting the payment.

**VIRTUAL CREDIT CARD VS. HEALTHCARE
STANDARD ACH EFT**

	ACH EFT	Virtual Credit Card
CONTRACTED FEE AMOUNT	\$5,000.00	\$5,000.00
PROCESSING COSTS	\$0.34	\$250.10
TOTAL PAYMENT TO PROVIDER	\$4,999.66	\$4,749.90

There are other viable electronic payment methods, such as the HIPAA-compliant ACH EFT whose transactional fees are a fixed amount and far less than those of VCCs (approximately \$0.34 per transaction). Notably, as of January 2014, all health plans are required to use ACH EFT for providers who register for and request payment by ACH EFT. The use of VCCs should be made available as a payment option to providers but not at a cost to the provider; the lack of notice, the hidden fees, and the potentially abusive use of this method of payment must be remedied.

"I have tried on many occasions to try and opt out of the current VCC's and they all give me a third party to call and want information I do not have, to identify my provider. They are very difficult to get through to, as you can imagine, and they do not staff these phone lines in hopes of discouraging our calls."
 – Practice Manager, Portland.

Why does the OMA support HB 3021?

The amendments to HB 3021 increase payment method transparency for providers and establish criteria for providers and insurers who choose to use virtual credit card payments.

- **Provider Opt-In** - Providers would elect to be paid by virtual credit card by "opting in" to this type of payment. The health plan would be required to inform the provider of the use of a credit card as

payment and include a detailed schedule of associated fees.

- **Alternate Payment Options** - A health plan or a third party administrator that pays a claim submitted by an in-network or contracted health care provider via a virtual credit card must offer alternate payment options, such as ACH EFT or paper checks. Providers already have the option to register to be paid by ACH EFT and health plans are required to honor this registration.
- **Prompt payment** – If a provider is paid via a VCC payment and requests an alternate type of payment, such as ACH EFT, the health plan may not delay payment to “re-process” a payment. Oregon’s prompt payment law remains in effect and no delay of payment is allowed when an alternate payment method is requested
- **Delegation** - The health care provider can assign a designee, such as their billing manager or other office staff, to work with the third party credit card company. The provider is often removed from the billing process and should not be required to be the sole point of contact for the outside company.

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