Banks Set to Push Use of Electronic Transactions

BY ERIK L. GOLDMAN
Contributing Writer

WASHINGTON — With health savings accounts serving as a point of entry, banks and other financial institutions are rapidly moving into the health care sector, and bankers believe they have much to offer in streamlining health care transactions and bringing greater efficiency to the medical world.

In this era of e-commerce, it is difficult to remember a time when even the simplest personal financial transactions involved paper and required direct interactions with tellers, a time when cash was not available 24/7, and a world where all of one's personal financial information wasn't simply a few mouse-clicks away. It is hard to imagine that at the advent of electronic banking, it was a scary prospect for many people.

In terms of the digitization of health care financing, we are still in that paper-based era, and many people feel distrust for electronic health care management in the same way they felt distrust for electronic banking when it was first introduced.

But bankers engaged in health care believe we're on the cusp of rapid change. Over the next decade, broader adoption of health savings accounts (HSAs) coupled with interoperable personal health records systems on the patient side, and wider use of electronic medical records on the physician side, will bring health care in line with nearly all other industries in terms of maximal use of electronic information exchange.

James S. Gandolfo, senior vice president of PFPC, a division of PNC Financial Services, and chairman of the American Bankers' Association's HSA Council, told attendees at the fifth annual World Health Care Congress that banks' involvement in health care could be profoundly transformational.

For one, banks can provide interoperable and widely accepted technology platforms, something the health care sector has yet to develop on its own. Banks are also very tightly regulated and standardized; they have exhaustive experience conducting rapid and high-volume data exchange in a secure environment; they provide multiple but interrelated services for millions of people. Banking technology has given ordinary people far greater control over their financial lives.

"Banks provide established rules for information exchange, and worldwide standardization. That's why your American ATM card and credit card work when you're traveling in Italy," Mr. Gandolfo said.

PNC Financial Services, which has assets of roughly $90.7 billion and $58.7 billion in total deposits, is the eighth largest treasury management group in the country. It is moving steadily into health care, positioning itself as a health care financial clearinghouse serving 1,200 corporate clients, including Medicare and Medicaid programs, Blue Cross/Blue Shield plans, commercial insurance carriers, and pharmacy benefits managers.

As an industry, health care has lagged far behind other industries in terms of information technology investments. Mr. Gandolfo estimated that about $3,000/worker per year is spent on technology advances in the health care sector, while about $7,000/worker per year is spent by other private sector industries, and about $15,000/worker per year is spent in the banking industry.

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He said that he strongly believes it is time for the health care sector to embrace the technology developed by the banking world, and he anticipates it won't be long before we routinely see card-based health care transactions, real-time information exchange, and real-time financial transaction settlements.

According to Chad Wilkins, CEO of OptumHealth Bank, the growth of health savings accounts is a major driver of change, and a strong magnet for banks and other financial service firms eyeing the health care sector.

Mr. Wilkins estimated that currently, financial services companies hold about $3.2 billion in HSAs, in 2.2 million accounts that cover health care for around 6.5 million Americans. According to a survey by the industry group America's Health Insurance Plans, 27% of individuals who selected HSAs were previously uninsured. "It is still new, but employees are starting to take advantage of HSAs."

Bankers like Mr. Wilkins and Mr. Gandolfo want to see those numbers grow. "The biggest issue is education. We need to educate the market, educate consumers, educate policy makers, and educate employers," Mr. Wilkins said.

"Once employers get on board with HSAs, you need to help them roll out and implement them. You need good decision-support tools. If you do it right, you see a dramatic increase in the number of people choosing HSAs, and the amount of money going in. It should all be as simple as dealing with your 401(k)."

OptumHealth Bank is piloting a new HSA debit card that links to a user's personal health record and facilitates transactions for both patient and physician. The "OptumHealth Bank Mastercard" gives real-time access to benefits information, as well as funds. It essentially eliminates claims forms and the attendant processing. Doctors are paid right away and no longer have to wait 60 days for reimbursement.

Both Mr. Wilkins and Mr. Gandolfo said they and others in the health care banking community vigorously oppose proposed federal legislation that would mandate new HSA expenditure substantiation rules. They contend that new regulations would only add costs, create complications, and slow the widespread adoption of HSAs.

One of the primary virtues of banking technology is its capacity to eliminate paper-based transactions, something health care desperately needs to do, Mr. Wilkins said. "Ninety-five percent of current payments to providers and explanations of benefits are still done on paper. That's crazy! It's a staggering amount of paper, and much of this can be computerized."

He estimated that it costs banks about $1 per paper check or provider remittance advice form, roughly $30 for each voided and reissued paper check, and about $5 per phone call to see what's wrong in a given transaction. Universal electronic claims could save up to $35 billion for health care providers and $1 billion for health care plans.

Mr. Gandolfo said savings on this order are very real. A large health care provider group that implemented PNC's E-Healthcare platform realized $2.9 million in annual cost avoidance, and 64% time savings in its accounts receivables. Electronic funds transfers cut the average time from claims submission to payment by 43%, from 49 days down to 28 days. The average time to make claims adjustments improved by 29%, and automated matching of payments streamlined the accounts-receivable closeout process.

That sounds promising, right? So why aren't electronic health care transactions the rule instead of the exception? Mr. Gandolfo and Mr. Wilkins both stated that as a nation, we're moving in that direction, but there are some hurdles: Most doctors' offices are not yet electronically enabled; HSA adoption is still fairly low; and most of all, there's a lack of interoperability among all the various health IT systems.

"We need a solid, common infrastructure to do this on a wide scale, and we're very, very far from that right now," Mr. Wilkins said. ■

Employers and Employees Are Slow to Start Using HSAs

BY ERIK L. GOLDMAN
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WASHINGTON — Health savings accounts and other forms of tax-deferred, consumer-driven health care financing options have captured the fancy of many policy makers, but such options have met with a lukewarm welcome among American employers and the people who work for them.

According to data from Forrester Research Inc., an independent technology and market research company, between 8 million and 9 million Americans were enrolled in a health savings account (HSA) or other tax-deferred plan as of June 2007, with 4.5 million new enrollees in 2007 alone.

But consumer awareness of these options is still very low. A recent study by the Visa Corporation indicated that only 35% of all Americans have even heard of HSAs, and only 14% expressed any interest in starting one.

That is likely to change as HSAs prove their worth, Elizabeth Bierbower, vice president of product innovation for Humana Inc., said at the fifth annual World Health Care Congress. She pointed out that 5 years after the introduction of health maintenance organizations (HMOs), combined enrollment in all existing plans was only 5.5 million. That changed quickly, once major employers became convinced—for better or for worse—that HMOs would save them money. Ms. Bierbower predicted a similar trajectory for HSAs.

Diamond Management & Technology Consultants, an industry consulting company, projects that by 2010 employees and their employers will have put over $75 billion in assets into HSAs. Last year, employer contributions to HSAs already were up over 50% from the previous year.

Some companies are taking a very proactive role in pushing HSAs, especially for lower and middle-income workers. Ms. Bierbower said Humana has been a strong HSA advocate for its employees. For those making under $50,000 annually, Humana will contribute $6 for every $1 an employee contributes to an HSA. "[The ratio is] lower if your salary is higher, but there's still a big incentive to do this. We try to encourage long-term thinking."

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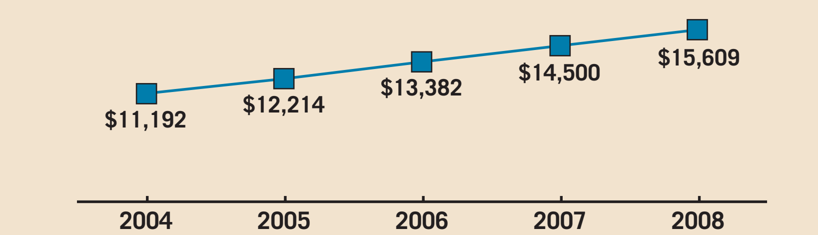
DATA WATCH

Total Health Care Spending for a Family of Four Is Increasing



Note: Based on the Milliman Medical Index, for estimated average costs including employer and employee health insurance premiums, using claims from millions of members.
Source: Milliman

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