The Business Case for Remittance processing by Industry Vertical

Purpose: This document contains interviews from organizations that participated in the E-remittance Exchange pilot representing various industry verticals. These interviews may be used as a starting point for understanding and building the business case for electronic remittance (e-remittance) adoption within your organization.

Contents

BPC

Business Payments Coalition

https://businesspaymentscoalition.org/

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Business Case Profile: Banking

Industry: Banking

Services provided: Banking and Insurance services nationwide

Annual Revenue: $96 million

Employees: 480

Transaction Volume: $12 billion in annual Wires and $12 billion in annual ACH

Who is your typical customer?

- Our largest business in centered in mortgage origination and mortgage loan subservicing. In mortgage loan subservicing we are the back office for over 400 financial institutions. We also serve individuals and small businesses in multiple states nationwide.

What products or services does your company offer?

- Banking and insurance services nationwide including deposits, mortgages, and commercial real estate corporate loans.

What are your customers' main pain points?

- Losses from fraud in mortgage related transactions are rising rapidly.

What is the key value proposition you offer to your clients?

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- Lowering the risk of fraud while engaging in highly secure electronic or internet-based transactions.

What are the main pain points for your business internally as it pertains to remittance specifically?

- Substantial risks exist as criminal organizations try to swap out valid banking information for fraudulent accounts. As a Bank, one of our key roles is to provide the "assurance" of "payment" and its associated remittance information in a secure environment.

Describe your workflow as it pertains to accounts receivable and account payables.

- The current process is highly manual and leverages some basic automation, which provides dual control and approval levels as required. Requests for payment are input into the system, vetted, approved by multiple parties, and then paid. In many cases, a separate email is generated with the remittance information.

Have you standardized on an ERP system? If so, was this internally developed or purchased from a vendor?

- Yes, we are using a third-party vendor platform.

In a perfect world, what capability would you like to offer your customers that you currently don't have?

- To securely offer e-remittance and e-payments to small/medium sized businesses. Sending e-remittance through an exchange framework provides that security and allows us to increase the number of customers for which we can provide automated remittance solutions.

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Business Case Profile: Transportation

Industry: Transportation

Services provided: A full-service, third-party provider of custom logistics solutions

Annual Revenue: $50m - $500m

Employees: 25-250

Transaction Volume: ~50,000/monthly, ~600,000/annually

Who is your typical customer?

- Manufacturing and Construction companies

What products or services does your company offer?

- Third-party logistics services so our customers can focus on their core competencies.
- Better pricing by negotiating bulk loads with shipping companies.
- Lockbox services to receive and process check payments via traditional postal mail.

What are your customers main pain points?

- Managing the shipping and logistics supply chain process for manufacturing companies is complicated and constantly changing.

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- Shipping and logistics costs can be significant and force manufacturers to raise prices, so efficiencies in this process can make a big difference to offer competitive pricing to the end-user customer.

What is the key value proposition you offer to your clients?

- Quarterly performance and business reviews focused on Return on Investment
- Data transparency by using data visualization tools with dashboards for easy analysis.

What are the main pain points for your business internally as it pertains to remittance specifically?

- Specifically in the remittance process, there are many *exceptions* in the standard process of payments and receivables such as short paying invoices that are explained in the body of email messages. This method of *information sharing is very inconsistent* because often the information is incomplete and takes several messages back and forth to finalize a payment.
- This inconsistency of data information exchange requires human interpretation which causes delays in process and increases logistics costs.

Describe your workflow as it pertains to accounts receivable and account payables.

- We receive most of our information directly from our customers systems via Electronic Data Interchange (EDI) or Application Programmers Interfaces (API) into our ERP system.
- However, there are situations especially in the remittance process, where there are many reasons why payments are not a straight-forward process and where applying payment credits to accounts can be complicated.

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Have you standardized on an ERP system? If so, was this internally developed or purchased from a vendor?

- We have standardized on an ERP provided from a vendor. We exchange data from our customers systems via EDI and API, but there is still communication via email messages that is not standardized and requires human interpretation.

In a perfect world, what capability would you like to offer your customers that you currently don't have?

- We would like to take our experience and expertise to expand our services into residential and parcel shipments. Logically, we would expect the transaction volume to increase, and the overall revenue per shipment to decrease. While this is great for business growth, we recognize that better automation is required to handle these anticipated larger volumes of transactions.

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Business Case Profile: Healthcare

Note: The content of this use case was provided by industry experts rather than an interview with a particular company.

Industry: Healthcare

Healthcare is a significant slice of the U.S. economy. In 2022, spending in the industry grew four percent to $4.5 billion and now accounts for 17 percent of the gross domestic product (GDP)[1]. Notably, this rate of growth closely aligns with pre-pandemic trends.

Employees: In 2023,10.8% of people employed in the United States worked in the healthcare sector

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[1] Source: Trends in Healthcare Payments – J.P. Morgan

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Transaction Volume: American healthcare represents 18% of GDP and 28% of US electronic payment transactions[2]. These figures highlight the significant economic impact of the healthcare industry in the United States.

What are the main administrative pain points for stakeholders?

- Administrative spending, including "invoicing and payment," makes up one-quarter of the $4 trillion spent on healthcare annually. The post-COVID-19 cost of healthcare is increasingly unaffordable and eating into American budgets for housing and food. Roughly 20% of U.S. households report that they have medical debt. The Consumer Fraud Protection Bureau (CFPB) found that medical collections tradelines appear on 43 million credit reports. As of the second quarter of 2021, 58% of bills in collections and on people's credit records are medical bills. This is devastating to low- and middle-income Americans.

- The administrative burden of chasing payments; 90-120-day accounts receivables from insurance plans and third-party administrators is cited more often by Providers than the lower allowable paid as the reason for abstaining from insurance networks. The "Provider's" plus small business dentists and opticians are more likely to adopt cash pay or high touch high-tech person-centered concierge self-pay care models with seamless automatic monthly withdrawals.

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[2] Statistics were shared by David S. Wichmann, the former CEO of UnitedHealth Group, during his keynote address at the 2021 HLTH conference.

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What are the main pain points for businesses internally as it pertains to remittance specifically?

- A Council for Affordable Quality Healthcare® (CAQH) report estimated[3] that the healthcare industry could see $426 million in cost savings by transitioning to electronic payments. Switching to electronic payment for claims submissions could save providers around $2 for each claim. Exact savings can vary based on the type of transaction.

- CAQH has urged the healthcare industry to adopt automated and electronic processes for other data and payment transfers.

- For example, the organization supported adopting electronic transferal processes for claims attachments. The senior vice president of the Committee on Operating Rules for Information Exchange (CORE) and explorations at the Council for Affordable Quality Healthcare (CAQH) told *HealthPayerIntelligence* that these attachments may accompany a claim payment or a prior authorization request. When submitted manually, attachments may become disconnected from the appropriate claim or prior authorization.

- "There has been a lot of good progress just around electronic transactions," the SVP of CORE and CAQH said. "Generally speaking, we have been lagging in areas that require a clinical connection and that's related to attachments and prior authorizations. In other areas, we've seen a lot of gradual continued improvement in this space."

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[3] 2020 CAQH INDEX® Closing the Gap: The Industry Continues to Improve, But Opportunities for Automation Remain

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- Electronic processes can also be useful in lowering costs on **prior authorizations** and other forms of **automated data transfer**.

- Payers interested in cutting costs may reevaluate their manual processes to see how transitioning to electronic processes could reduce healthcare spending.

What capabilities might digitized remittance information allow businesses to offer their customers that they might not currently have?

- A new ecosystem that efficiently manages business to business remittances will help to speed payment to health providers and improve the security of health information.

Benefits to providers and payers would include:

- Reducing days in accounts receivable
- Cutting the costs associated with manual processes.
- Lowering the need for making phone calls or accessing various portals to retrieve remittance advice.
- Gaining the ability to locate remittance advice matched up to payments in real-time.
- Simplifying the retrieval of missing remittance advice and streamlining the API integration process.
- Collectively revolutionizing the payment process to improve efficiency