

September 12, 2023

Via electronic submission

CAQH
2020 K Street NW
Washington, DC 20006

Re: CORE EFT & ERA Enrollment Data Task Group – Straw Poll #1

Nacha appreciates the opportunity to participate on the CORE EFT & ERA Enrollment Data Task Group. Nacha is broadly supportive of any healthcare industry rules that would facilitate the adoption of the standard Healthcare EFT. These comments are in response to Straw Poll #1 within this workgroup.

Nacha governs the modern ACH Network, the electronic payment system that moves Direct Deposits and Direct Payments safely and quickly to accounts at all U.S. banks and credit unions. More than 30 billion ACH Network payments were made in 2022, moving a total of \$76.7 trillion, and an estimated 93% of American workers get paid by Direct Deposit. Nacha represents nearly 10,000 financial institutions of all sizes and types throughout the United States, both directly and through 10 Payments Associations.

As a standards organization we are addressing Straw Poll #1 outside of the poll to inform the industry of our work regarding the enhancement of the Nacha Operating Rules to further secure the processing of EFT in the ACH Network, which includes the Healthcare EFT standard transaction. Also, we will address some minor changes to the DEG for EFT and ERA that could help reduce friction in the claims process.

With respect to the Enhancement Data Sets, Nacha notes that most of the data does not actually concern the EFT itself. To make an EFT to a provider, a plan only needs the provider's financial institution routing number and an account number at the financial institution. The rest of the data will come from the plan's own systems. Nacha recommends differentiating between 1) data necessary to establish a business relationship between a provider and a plan that is not EFT-specific; and 2) data necessary to execute an EFT.

The following are our comments about specific data elements.

Section #1: Enhancement to Data Sets

2. Add or Remove Data Elements

In DEG 1 (for both EFT and ERA), 'Provider Address' is listed as optional; however, we see no situation where the address is necessary to execute an EFT. The TIN or EIN in DEG 2 should be sufficient to identify the Provider.

In DEG 7, 'Financial Institution Address' is not necessary and should be removed. The physical location of the Financial Institution is irrelevant for an EFT.

In DEG 7, In the sub-element 'Type of Account at Financial Institution', we aren't certain of the necessity for this field. In the ACH Network, the SEC code for Healthcare payments is a CCD, which is classified as a business-to-business transaction, making "account type" unnecessary.

Section #3: Fraud Prevention and Detection

Nacha continuously works with its members to enhance the Nacha Operating Rules to minimize the opportunity for fraud in the ACH Network. In 2018 the Nacha Rules were amended to include additional data information security requirements. This rule expanded the existing ACH data security rules to explicitly require ACH Originators and their third-parties to protect account numbers by rendering them unreadable when stored electronically. The intent of this rule is to drastically lessen the impact of a data breach by prohibiting banking information used in ACH payments from being stored in the clear. This requirement aligns with current PCI compliance requirements for card data storage. It applies to ACH Originators (e.g., health plans that send claims payments by the standard EFT) and third-parties (e.g., clearinghouses) with annual ACH payment volume of 2 million.

In May 2023, Nacha proposed new Rules to address payment fraud scenarios that make use of credit-push payments, such as ACH credits, wire transfers, and other emerging payment methods. With respect to healthcare claim payments, such scenarios could manifest themselves in standard EFTs being redirected to fraudsters who have impersonated healthcare professionals or organizations and substituted their own banking information for the legitimate banking information of healthcare professionals. The proposed Rules would require ACH Originators (e.g., health plans that send claim payments by the standard EFT) to implement commercially reasonable fraudulent transaction detection systems that are designed to identify instances of such fraud. At the time of this writing, the proposed rules have not yet been adopted by the Nacha membership; but potentially could be before the end of the year.

While Nacha generally would support healthcare industry rules intended to address fraud, we recommend that the healthcare industry wait until the currently proposed fraud rules approval process is completed before considering adopting rules of its own.

Other comments

Account and payee validation

Nacha recommends that the healthcare industry closely monitor developments in consumer payments that provide an alternative to consumers providing routing and account numbers to enroll for ACH payments. Service providers such as Plaid enable consumers to enroll for EFT payments by using their online banking credentials (typically, username and password); the service provider then obtains and transfers the routing and account number to the payer. (Often, this is referred to as "Open Banking".) While Nacha is not aware of this type of enrollment alternative being commonplace for business-to-business payments, we think that industry practices are worth monitoring.

Ongoing education

For the industry to increase adoption of EFT for claim payments, both Medical and Dental plans will need to redouble their efforts to support providers choice to use EFT. There is some hesitancy by some providers that believe that the plans can debit their bank account at any time

without cause; this is not true. Plans should promote the benefits of EFT to providers. Nacha is willing to assist the plans with thoughts on how to accomplish this.

Finally, all plans and their third-party vendors should enable providers to receive claim payments by the standard EFT at no additional cost to the provider. The increasing occurrence of charging providers a fee or a percentage of the payment to receive a claim payment by the standard EFT is akin to an employer charging an employee a fee to get paid by Direct Deposit. At a time when check fraud is resurgent, it is highly ironic and regrettable that some providers insist on receiving payment by check to avoid fees charged by plans and their vendors.

Thank you for considering our comments. If NACHA can be of further assistance, please do not hesitate to contact me at mherd@nacha.org, or Brad Smith at bsmith@nacha.org.

Sincerely,

Michael Herd
Senior Vice President, ACH Network Administration