Virtual Payments: The Cure For What Ails Healthcare Providers and Other Industries

BEN CARSLEY: Welcome. This is Ben Carsley with PYMNTS.com, and with me today, I have Melissa Smith, president of The Americas, and Jim Pratt, vice president of corporate payment solutions, at WEX. Melissa and Jim, thank you for joining us today.

MELISSA SMITH: Thanks, Ben.

JIM PRATT: Thanks, Ben.

BEN CARSLEY: Well we know that WEX has done a lot of work with helping to eliminate the check and other costly traditional payment systems, and has really aimed to create more of I think an efficient process in their place. So with that in mind, we’ve brought you two on today to discuss how a company like WEX helps to take those traditional and sometimes cumbersome payments processes, and really evolve them into a more streamlined process. So Melissa, if you don’t mind, why don’t you start off by telling us the kinds of opportunities that WEX really sees in this market?
MELISSA SMITH: Sure. We are very well known in both the fleet and the travel sectors. But we see opportunities to increase efficiency in payment processing across numerous industries. Companies are eliminating the paper checks and replacing it with electronic payments like direct debit, or a payroll prepaid card, and we’ve seen huge growth since 2009, about 34% growth in payroll cards in the United States alone. So, with the current regulatory environment changing in some industries like medical claims industries, we’re able to actually make changes also around payment processing, and we think that that’s actually well timed in the marketplace.

BEN CARSLEY: All right. Well Melissa, you just brought up the healthcare industry, and Jim if I can direct this next question towards you, tell us what’s going on in the healthcare market that’s causing both payers and payees to look at this a little differently?

JIM PRATT: Sure Ben, thanks. Yeah, it’s no secret that there's been significant focus on the healthcare industry over the past several years. And in fact, the Affordable Care Act, targets in particular a number of areas where both the payers, the insurance companies, as well as the payees, the medical providers around the country, are mandated to move both claims and payments to electronic means. One of the studies
that I looked at said that potentially 30% of all the costs of healthcare in America are administrative costs. So, clearly significant savings for everybody in the system, and money that can go really towards care if we can wring some of those inefficiencies out of the system.

BEN CARSLEY: Well that’s terrific. And thank you for that. And now Melissa, can you tell us a little bit about what’s happening in the payroll industry?

MELISSA SMITH: Yeah, we saw an opportunity to offer an alternative solution to paper paychecks processes. Basically the more efficient way for businesses to administer payroll payments to their employees, particularly the employees that are underbanked. And this is important to us because there was a significant crossover between many of the sectors that we have in our fleet card portfolio who were still issuing paper checks, and so we thought initially that we’d see a benefit for existing customers, and we have certainly found that to be true. The underbanked and unbanked are typically defined as individuals who don’t hold a bank checking account, or don’t fully utilize one. And our solution, which was branded WEX rapid! PayCard, is a win-win for this type of employee, and for the employers. We’re able to eliminate paper checks; we can
provide pay stubs electronically to employees. And we provide electronic access to W-2s. So for the first time, the employer is taking the underbanked or unbanked employee into the electronic economy, which is something that we think is beneficial both for the employer and the employee.

BEN CARSLEY: Right. Well I’m glad you brought that up, because I actually want to talk about your WEX rapid! PayCard solution for a second. I understand that companies can customize your solution based on their needs? So tell us why that’s important, to be able to offer such flexibility.

MELISSA SMITH: Yeah. Every company has different needs, and one of the things we pride ourselves on is just being able to listen and to meet those needs. For example, we’re able to offer seamless branding into their existing brand - or regulatory, or administrative changes. We can configure card holder enrollment sites, so it meets the needs of the end customers. And as always, we are working closely with our clients to understand their business, and what their unique needs are. We always have a focus on customer support and training, and that’s certainly true with our WEX rapid! PayCard product.

BEN CARSLEY: All right Melissa, let’s stick with you for one more question, and why don’t you tell us some of the benefits and savings for
companies who adopt the WEX rapid! PayCard solution that they can expect to see.

MELISSA SMITH: Yeah. In just round dollars, each paper check costs about $2. So versus loading a payroll card, which costs about 20 cents, each check will be saved $1.80, roughly. And what that results in is savings to the employer, and at the same time, it’s providing access to lower cost payments versus a paper check for underbanked employees, so it’s a win-win both for the employer, and for the employee. When you multiply that out times the type of businesses that we’re servicing, which have employees that range from 1,000 employee to 100,000 employees, it’s significant dollar savings. Right now, we have more than 300,000 individuals that are receiving this rapid! PayCard product for more than three billion dollars in payroll through our product.

BEN CARSLEY: Great. Well Jim, let’s get your voice back in here. And you know, we talked earlier about another area of change, and that’s the healthcare sector. And I know WEX has recently partnered with an electronic settlement vendor, for again, payers and providers, Payspan, which you mentioned earlier. So, tell us about the specific challenges that you helped to address in the healthcare industry.
Sure, Ben. As I said earlier, they estimate that about 30% of all healthcare expenditures in the U.S. are on administrative costs, and one big reason for that is 90% of all medical claims are still paid by paper check. And you’ll recall earlier in the broadcast, Melissa talked about the fact that one of our primary objectives at WEX is to eliminate paper checks, and to make those transactions electronic. So, healthcare, and healthcare payments are a particularly good field for us. And a particularly good fit for our virtual payment solutions. As well, medical billing is probably, if not the most, one of the most complex billing and payment processes in any industry here in the U.S., and one issue that really jumps out in particular is reconciliation. That’s a huge issue for the medical providers, and they need solutions that can help them to track dollars easily and efficiently. We talked about the Affordable Care Act, and the objectives, and the mandates in the Affordable Care Act. Many of them go to electronifying manual and paper processes, and that’s terrific. But the deadlines associated with some of the changes are putting payers and providers in a really tight spot, and they need creative, efficient, and innovative solutions, and they need them now.
BEN CARSLEY: Great. Well my final question, I guess then, would be tell us how your solution helps healthcare providers overcome many of the challenges that you just cited.

JIM PRATT: Yeah, great question. So, our virtual payment solutions create a really efficient option for handling claims payment. They’re fast, they’re secure, they’re much more cost efficient than a paper check, for both sides of the transaction, for both the payer and the payee. And they greatly reduce fraud, and fraud is another big issue in that whole medical payments space. As well, the virtual payment solutions are much more flexible than other existing electronic options, like ACH. I mentioned before that reconciliation is a huge issue for medical providers. And it is a huge issue when dealing with ACH payments. Frequently, the provider gets a payment, there’s no remittance data, so it’s difficult for somebody to understand exactly what the payment was made for. And that leads to a lot of manual work, and rework. And virtual payment solutions virtually eliminate that. So you know, as we’ve talked in the past, healthcare is big. We continue to see tremendous application for our virtual payment solutions in other industries as well. The travel industry, for one, insurance in general, and we’re exploring several other markets as well. And it’s a really, really exciting time for us. We see lots
of challenges, and we continue to innovate our virtual payment solutions, and we think we can help our customers meet those challenges.

MELISSA SMITH: Without question, virtual payment solutions offers payers and providers another option to modernize their claim processes, thereby reducing overall administrative costs. So as Jim said, I just echo the fact that we’re very excited about participating in this market right now.

BEN CARSLEY: Right. And I think this is a segment within the payments industry that can sometimes be overlooked when we discuss innovation and change. So it was really great to have you two on to help break this down for us today. And Melissa Smith, president of The Americas, and Jim Pratt, vice president of corporate payment solutions at WEX, thank you for joining us.

MELISSA SMITH: Thanks, Ben.

JIM PRATT: Thank you, Ben.