

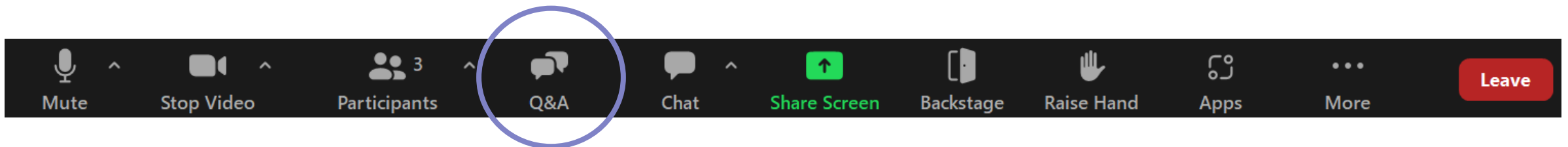
State of the Industry: Trends in Healthcare Payments

Deirdre Ruttle, InstaMed, a J.P. Morgan company
Brad Smith, Nacha
Rachel Goldstein, CORE

July 25, 2024

Webinar Logistics

- Today's session is being recorded.
 - All attendees and registrants will receive a link to the recording after the webinar.
- Your microphones will be muted during the webinar.
- Throughout the session, you may communicate a question via the panel at the bottom of your screen:



Agenda

- Electronic Payment Introduction
- NACHA: Driving Healthcare EFT Payments via ACH
- CORE: Automation of Payment and Remittance Transactions
- J.P. Morgan Healthcare Payments: Trends In Healthcare Payments
- Questions
- Call to Action

Today's Speakers



Deirdre Ruttle
Chief Growth Officer
J.P. Morgan
Healthcare Payments



Brad Smith
Senior Director, Industry
Engagement and Advocacy
Nacha



Rachel Goldstein
Vice President
CORE

Electronic Payment Introduction

Rachel Goldstein
Vice President, CORE

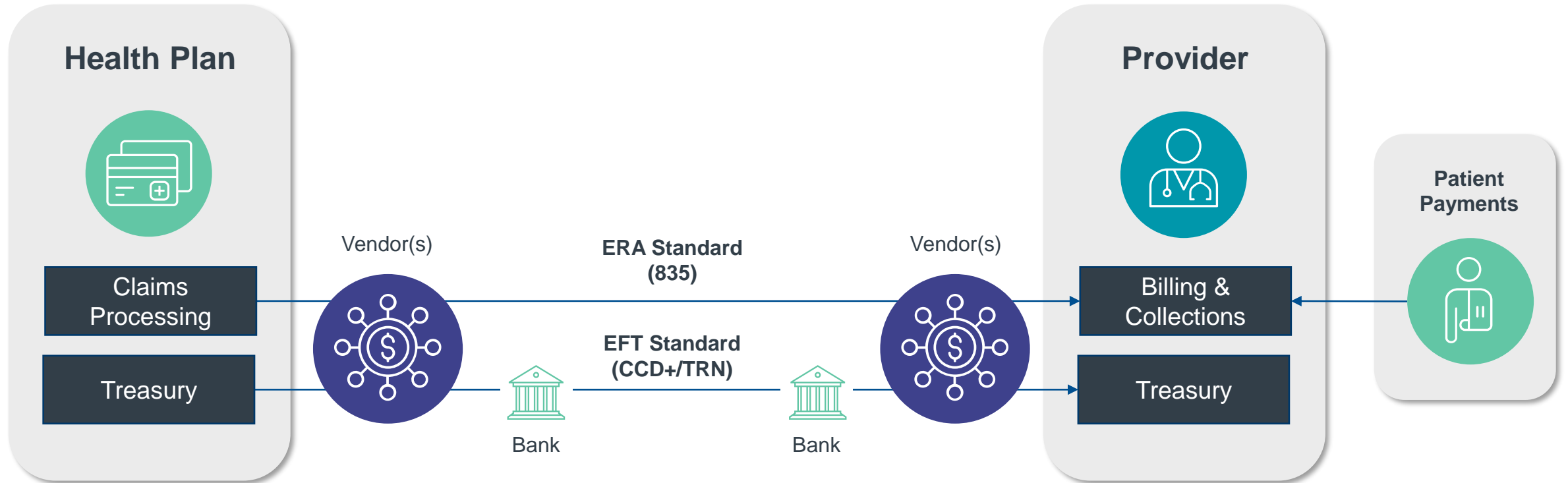
Definitions

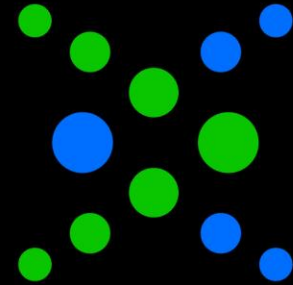
- **Electronic funds transfer (EFT):** an electronic payment from a health plan to a provider.
- **Electronic remittance advice (ERA):** an electronic version of a payment explanation submitted by a health plan to a provider that explains the payment a provider receives for a service claim.
- **Automated Clearing House (ACH) Network:** the payment system that drives Direct Deposits and Direct Payments with the capability to reach all U.S. bank and credit union accounts.

www.nacha.org



Electronic Payments Workflow





Nacha[®]

Driving Healthcare EFT Payments via ACH

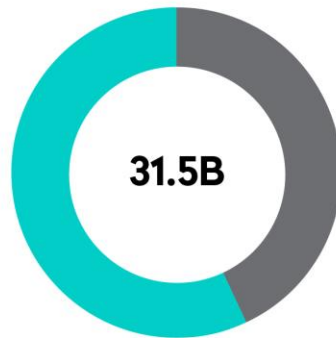
Brad Smith, AAP

Sr. Director, Industry Engagement and Advocacy

2023 ACH NETWORK VOLUME AND VALUE

31.5B Payments Totaling **\$80.1T**

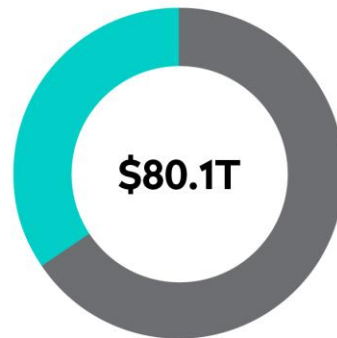
2023 VOLUME



- 17.7* Billion Debits
- 13.7* Billion Credits

*Totals do not add due to rounding

2023 VALUE



- \$27.4 Trillion Debits
- \$52.7 Trillion Credits

VOLUME



From 2022

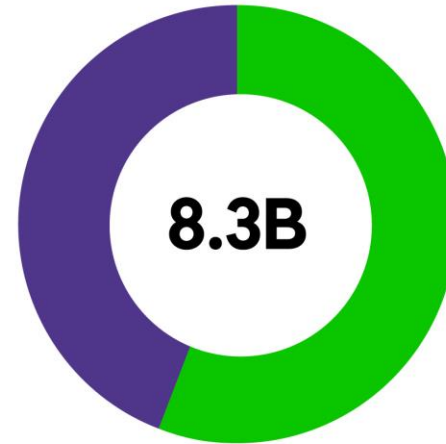
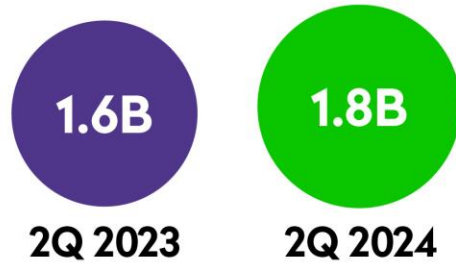
VALUE



From 2022

2Q 2024 ACH NETWORK

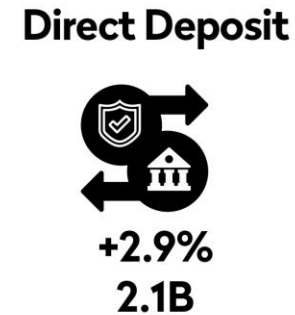
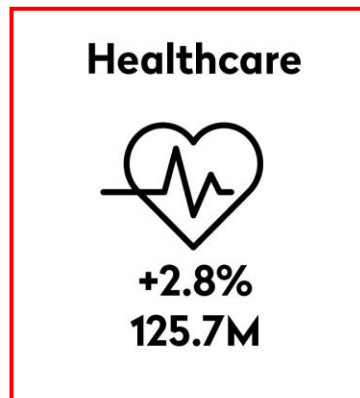
B2B volume increases 10.9%



2Q 2024 Total ACH Network Volume

Totals may not add due to rounding

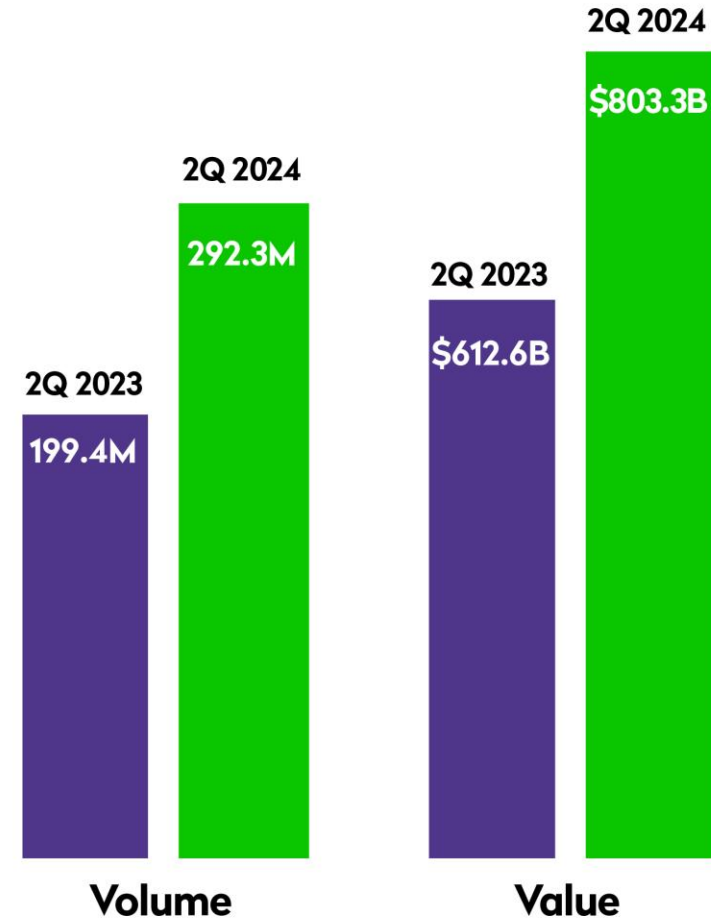
Volume across major transaction types compared to 2Q 2023



Source: [Same Day ACH Reaches New Heights as ACH Network Volume Increases](#) | Nacha

2Q 2024 ACH NETWORK

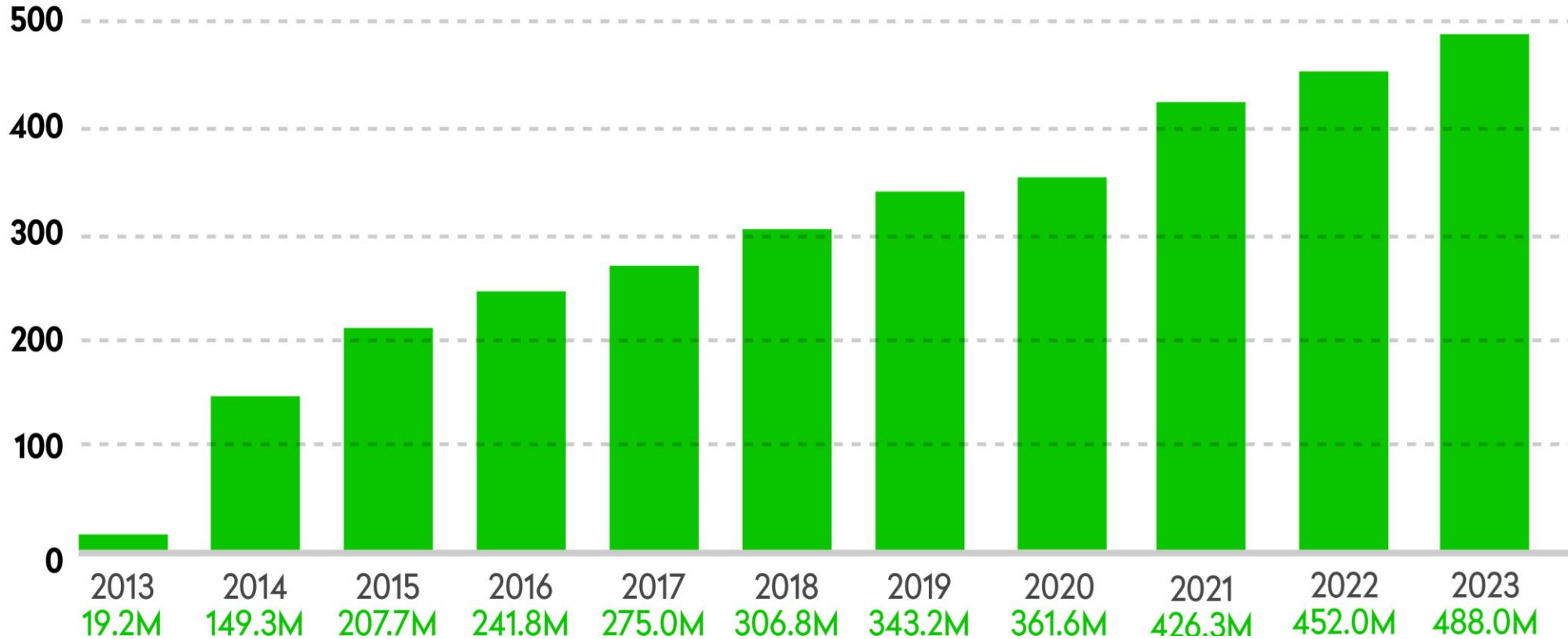
Same Day ACH volume increases 46.6% over 2Q 2023 as value rises 31.1%



Source: [Same Day ACH Reaches New Heights as ACH Network Volume Increases | Nacha](#)

Healthcare EFT increased 6% in 2022 and 8% in 2023*

Millions



* Volume of Healthcare EFT processed through the ACH Network

Source: [Healthcare EFT Payments Soared in the Last Decade | Nacha](#)

Healthcare EFT Trends 1H 2024

- **First quarter 2024, Healthcare EFT volume was down 0.24% vs. 1Q 2023.**
- **However, Healthcare EFT dollar amount was up 9.22% for 1Q 2024 vs. 1Q 2023.**

- **March 2024 - Healthcare EFT volume was down 14.72% vs. March 2023.**
- **June 2024 – Healthcare EFT volume was down 4.49% vs. June 2023.**

- **First Half of 2024, Healthcare EFT volume was up 2.77% and the dollar amount was up 8.5% vs. 1H 2023.**

CORE: Automation of Payment and Remittance Transactions

Rachel Goldstein
Vice President, CORE

Committee on Operating Rules for Information Exchange

FEDERALLY
DESIGNATED BY HHS*

REDUCING BURDEN

ENSURING
REPRESENTATION

10

CORE Operating
Rules Mandated
Under HIPAA

CORE is a **trusted and independent operating rule author**. In addition to mandated operating rules, CORE offers operating rule sets for voluntary adoption.

**Department of Health and Human Services*

\$18.3B

Cost savings
opportunity by
switching to
fully automated
transactions

The 2023 CAQH Index® estimated that 22% of money spent on administrative transactions could be saved by fully transitioning to electronic transactions. **CORE Operating Rules help facilitate and streamline electronic adoption.**

100+

Multi-
stakeholder
Participating
Organizations

From small provider organizations, to national health plans, CORE has the **unique ability to bring diverse industry stakeholders to the table** to tackle complex administrative problems together.

100+ Organizations Participate in CORE to Develop Operating Rule Requirements

Account for 75% of total American covered lives. Government Health Plans

- Arizona Health Care Cost Containment System
- California Department of Health Care Services
- Centers for Medicare and Medicaid Services (CMS)
- Federal Reserve Bank of Atlanta
- Florida Agency for Health Care Administration
- Health Plan of San Joaquin
- Michigan Department of Community Health
- Minnesota Department of Health
- Minnesota Department of Human Services
- Missouri HealthNet Division
- North Dakota Medicaid
- Oregon Department of Human Services
- Oregon Health Authority
- Pennsylvania Department of Public Welfare
- TRICARE
- United States Department of Treasury Financial Management
- United States Department of Veterans Affairs

- Aetna
- Ameritas Life Insurance Corp.
- AultCare
- Blue Cross and Blue Shield Association (BCBSA)
- Blue Cross Blue Shield of Michigan
- Blue Cross Blue Shield of North Carolina
- Blue Cross Blue Shield of Tennessee
- CareFirst BlueCross BlueShield
- Centene Corporation
- CIGNA
- Elevance Health
- Health Care Service Corp
- Horizon Blue Cross Blue Shield of New Jersey
- Humana
- Medical Mutual of Ohio, Inc.
- Point32Health
- UnitedHealthGroup

Integrated Plan/Provider

- Highmark Health (Highmark, Inc.)
- Kaiser Permanente
- Marshfield Clinic/Security Health Plan of Wisconsin, Inc.

Vendors & Clearinghouses

- AIM Specialty Health
- athenahealth
- Availity, LLC
- Cerner/Healthcare Data Exchange
- Change Healthcare
- ClaimMD
- Cloud Software Group
- Cognizant
- Conduent
- CSRA
- DXC Technology
- Edifecs
- Epic
- Experian
- Healthedge Software Inc
- HEALTHeNET
- HMS
- Infocrossing LLC
- InstaMed
- Lassie
- MCG Health
- NantHealth NaviNet
- NextGen Healthcare Information Systems, Inc.
- OptumInsight
- PaySpan
- PNC Bank
- PriorAuthNow
- SS&C Health
- Stedi, Inc.
- Surescripts
- The SSI Group, Inc.
- TriZetto Corporation, A Cognizant Company
- Utah Health Information Network (UHIN)
- Wells Fargo
- Zelis

Providers

- American Dental Association (ADA)
- American Hospital Association (AHA)
- American Medical Association (AMA)
- Aspen Dental Management, Inc.
- Children's Healthcare of Atlanta Inc
- DaVita Inc.
- Greater New York Hospital Association (GNYHA)
- Healthcare Financial Management Association (HFMA)
- Laboratory Corporation of America
- Mayo Clinic
- Medical Group Management Association (MGMA)
- Montefiore Medical Center
- New Mexico Cancer Center
- OhioHealth
- OSF HealthCare
- Peace Health
- St. Joseph's Health
- Virginia Mason Medical Center

Other

- Accenture
- ASC X12
- Cognosante
- Healthcare Business Management Association
- Healthcare Business Association of New York (HCBA)
- HL7
- NACHA The Electronic Payments Association
- National Association of Healthcare Access Management (NAHAM)
- National Association of Health Data Organizations (NAHDO)
- National Committee for Quality Assurance (NCQA)
- National Council for Prescription Drug Programs (NCPDP)
- National Dental EDI Council (NDEDIC)
- New England HealthCare Exchange Network (NEHEN)
- Preferra Insurance Company Risk Retention Group
- Private Sector Technology Group
- Sekhmet Advisors
- Tata Consultancy Services Ltd
- Utilization Review Accreditation Commission (URAC)
- Work Group for Electronic Data Interchange (WEDI)

CORE Payment & Remittance Operating Rules



CORE Payment & Remittance Operating Rules are federally mandated, except for rule requirements pertaining to Acknowledgements.

Infrastructure

- Health Care Claim Payment/Advice (835) Infrastructure Rule
- EFT/ERA Reassociation (CCD+/835) Rule

Data Content

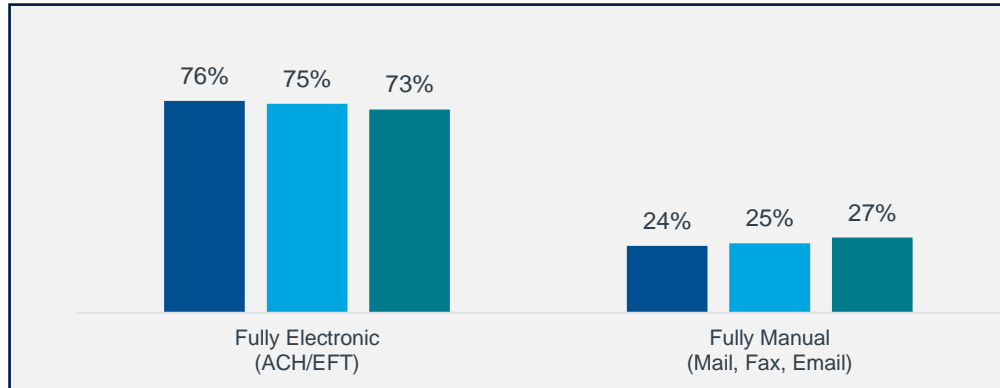
- Uniform Use of CARCs & RARCs (835) Rule
- EFT Enrollment Data Rule
- ERA Enrollment Data Rule

EFT/ERA Electronic Adoption

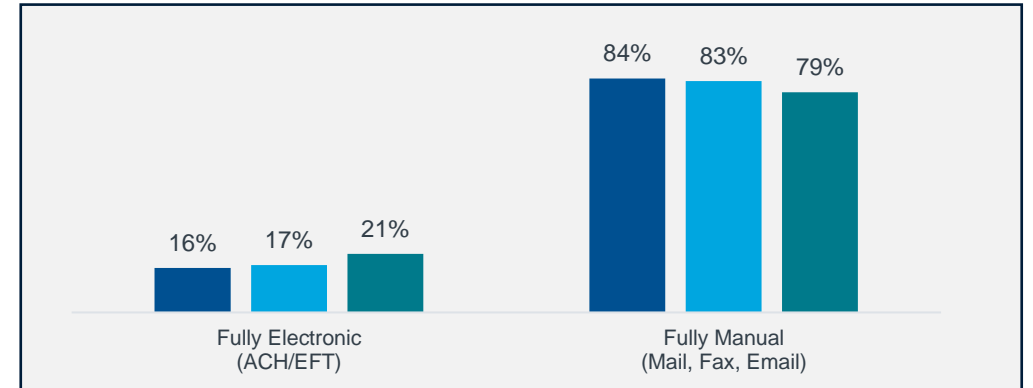
2023 CAQH Index

Claim Payment

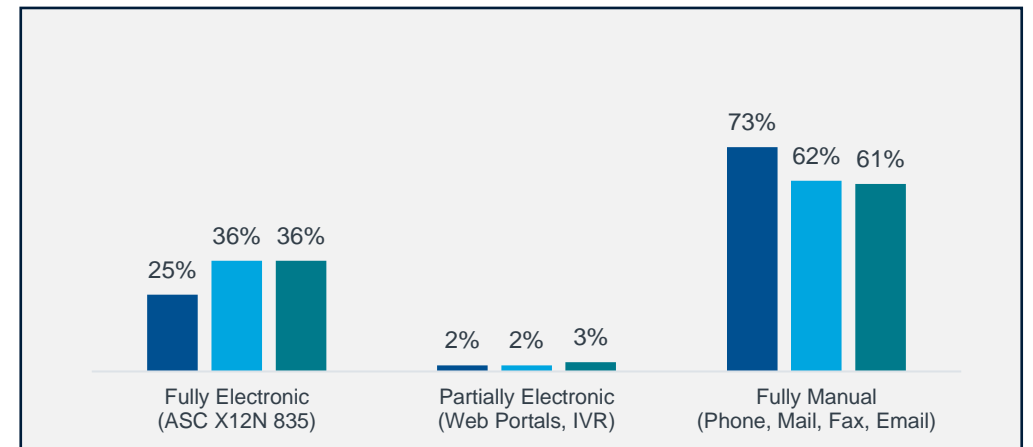
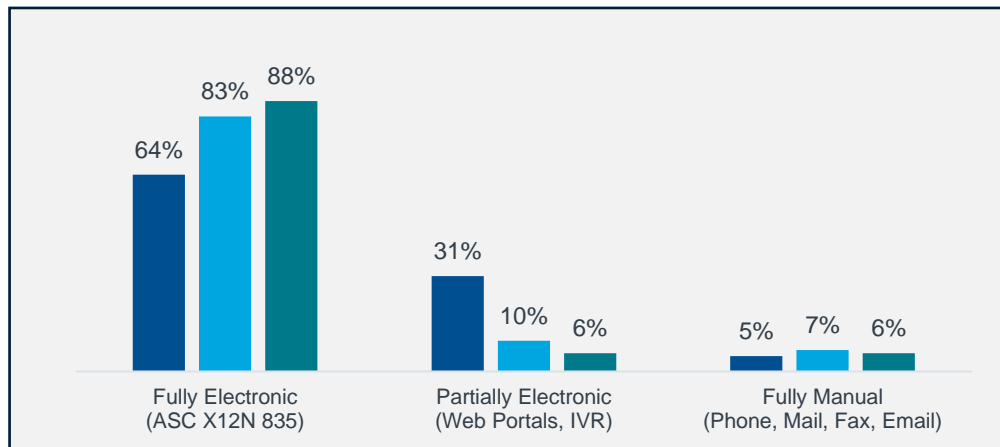
Medical



Dental

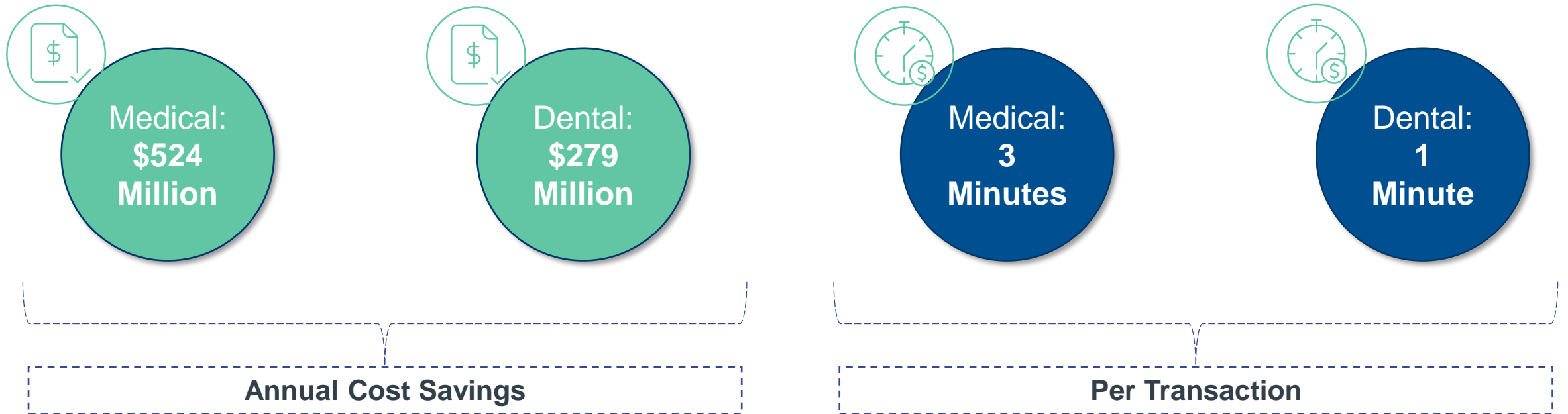


Remittance Advice

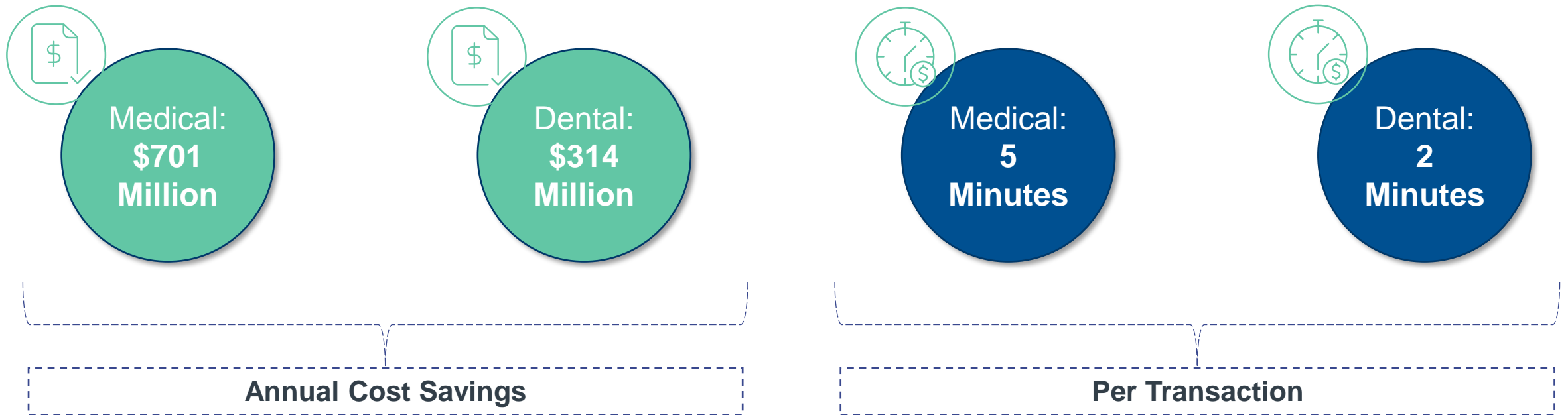


■ 2021 ■ 2022 ■ 2023

By Switching to Fully Electronic Claim Payment Transactions, Industry Could Save \$803 Million Per Year:



By Switching to Fully Electronic Remittance Advice Transactions, Industry Could Save \$1.02 Billion Per Year:



CORE EFT & ERA Enrollment Data Rules

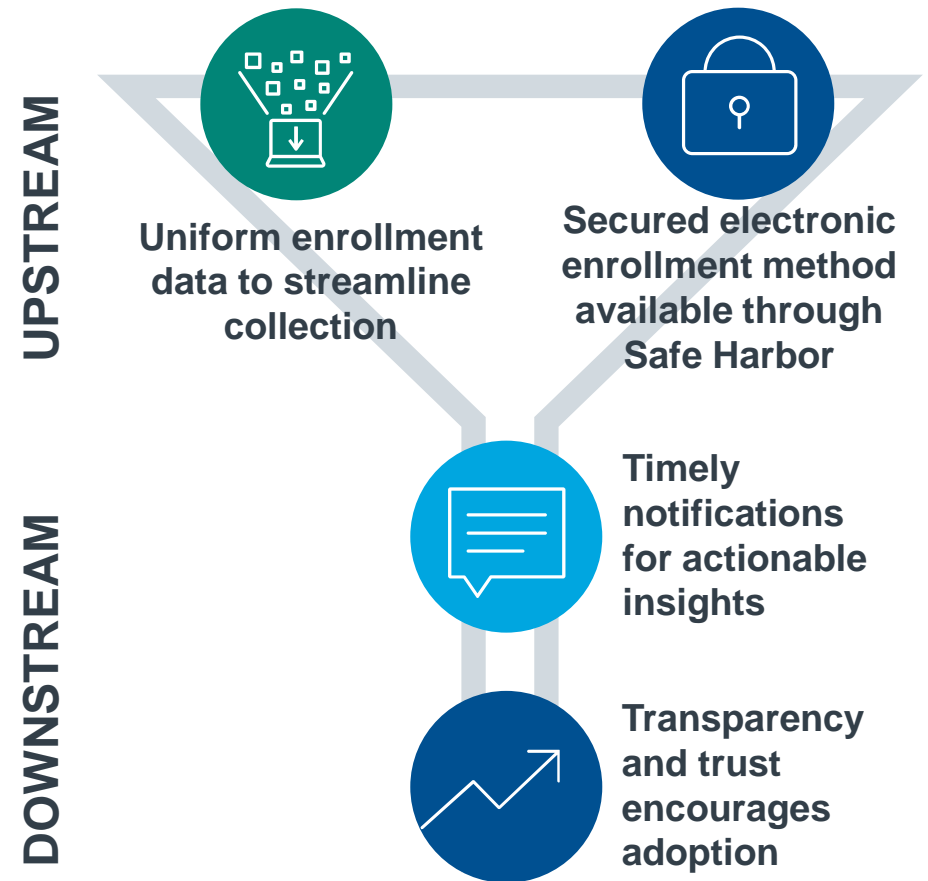
Updated Rule Requirements

Data Set Enhancements:

- Externalization of enrollment data sets for flexibility and alignment with current and emerging business needs.

Updated Rule Requirements:

- Support for bulk enrollment.
- Addition of fraud detection measures to safeguard enrollment data.
- Establishes notification and timeframe requirements.
- Requires disclosure of applicable EFT fees.
- Provision of opt-in/out instructions for alternative payments.



- ✓ **Improves cash flow.**
- ✓ Eliminates the need for manual re-keying of reconciliations of EFTs and ERAs.
- ✓ Increases ability to conduct targeted payment issue follow-ups.
- ✓ **Standardizes** enrollment for EFT/ERA.
- ✓ **Automates** re-association of EFT and ERA.
- ✓ **Streamline the enrollment process** for healthcare providers switching to electronic payments, ensuring a **consistent and efficient experience** across different health plans.
- ✓ **Increases transparency and** keeps providers informed every step of the way during the enrollment process.

HEALTHCARE PAYMENTS

Trends in Healthcare Payments

July 2024

ABOUT THE REPORT

Every year, the report is distributed to start a conversation in healthcare payments to be a catalyst for change.

The data in the report is pulled from:

- Commissioned surveys – consumers, providers and payers
- InstaMed Platform data
- Third-party sources



THE STATE OF HEALTHCARE AND PAYMENTS

Promising Trends Met by Strong Headwinds



Healthcare grew 4% to \$4.5 billion, 17% of the GDP



Healthcare's outlook upgraded from **negative to stable** for 2024



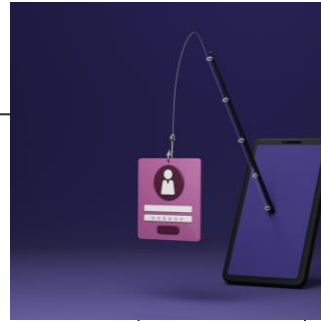
Hospitals dug out from negative operating margins to a **positive threshold**, yet still low



Public Health Emergency (PHE) came to an end in May 2023

THE STATE OF HEALTHCARE AND PAYMENTS

The Industry Is Showing Signs of Much-Needed Recovery



48% of providers were challenged by staffing shortages and increasing labor costs

47% of providers were challenged by operational cost increases

\$5 million is the average total costs of a cyberattack, up 13% from 2022

Generative AI is set to reach **\$22 billion** in growth by 2032 in the healthcare industry

Sources:
 InstaMed Provider Healthcare Payments Survey 2023
 InstaMed Payer Healthcare Payments Survey 2023
 Ponemon, Study on Cyber Insecurity in Healthcare 2023, December 2023
 InstaMed Consumer Healthcare Payments Survey 2023

THE STATE OF HEALTHCARE AND PAYMENTS

Consumers Take Center Stage in Healthcare



\$23,968

\$6,575

\$1,735

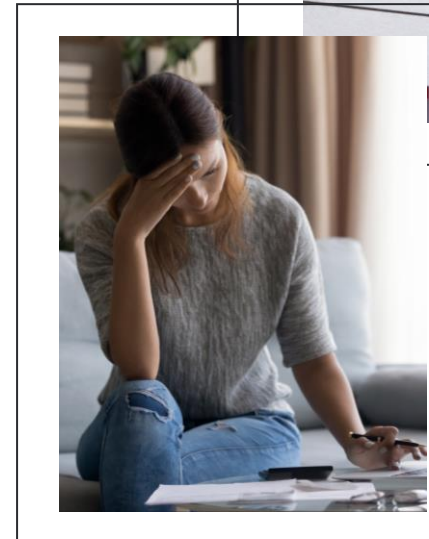
- Premiums for employer-sponsored health plans increased on average 7% to reach **\$23,968**
- **\$6,575** is the average that an individual pays towards their coverage
- **\$1,735** is the average deductible for single coverage, up 53% over the last decade

Source:
KFF, 2023 Employer Health Benefits Survey, October 2023

THE STATE OF HEALTHCARE AND PAYMENTS

Crushing Costs Leave a Mark on Consumers

- **1 in 3 consumers** have medical debt
- **2 in 5 consumers** delayed or skipped care due to costs, including those with insurance
- **73% of consumers** say healthcare is not meeting their needs, and more than half say it's due to costs



Sources:
 The Commonwealth Fund, Paying for It: How Health Care Costs and Medical Debt Are Making Americans Sicker and Poorer, October 2023
 HealthAffairs, National Health Care Spending In 2022: Growth Similar To Prepandemic Rates, December 2023
 American Academy of Physician Associates (AAPA), U.S. Adults Spend Eight Hours Monthly Coordinating Healthcare, Find System Overwhelming, May 2023

THE STATE OF HEALTHCARE AND PAYMENTS

How Much Higher Can Consumer Spending Grow?



37% of payers
were challenged by high
dollar claims

25% of employers
currently offer coverage
of GLP-1 drugs

44% of employers
want to cover GLP-1 drugs
in 2024

Sources:
 InstaMed Payer Healthcare Payments Survey 2023
 J.P. Morgan, The increase in appetite for obesity drugs, November 2023
 Accolade, GLP-1 Coverage in Employer Plans Could Nearly Double in 2024, October 2023

THE RISK OF STATUS QUO

Providers Plagued by Frustrating Collection Practices

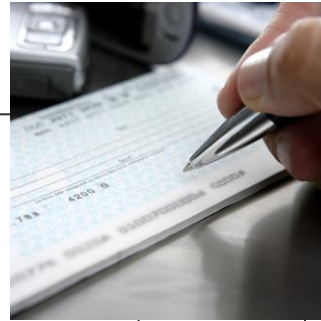
- **72% of providers** take more than 30 days to collect after a patient encounter
- **75% of providers** take more than one statement to collect a patient balance
- **50% of providers** were challenged by large patient balances



Source:
InstaMed Provider Healthcare Payments Survey 2023

THE RISK OF STATUS QUO

Consumers Eclipse Providers With Digital Adoption



Nearly all adults
under the age of 50 use
the internet

2 in 5 consumers
say their purchases are
cashless in any given
week

71% of providers
collect from patients
with paper and manual
processes most often

47% of consumers
pay recurring bills by
setting up automated,
recurring payments

Sources:
Pew Research Center, Share of those 65 and older who are tech users has grown in the past decade, January 2022
Pew Research Center, More Americans are joining the cashless economy, October 2022
InstaMed Provider Healthcare Payments Survey 2023
InstaMed Consumer Healthcare Payments Survey 2023

THE RISK OF STATUS QUO

Patient Refunds Reveal Paper Problem and Consumer Frustration

- **87% of providers** issue refunds to patients for overpayments on medical bills
- **70% of consumers** reported being stressed about personal finances
- **44% of consumers** were frustrated by the slow refund process



Sources:

InstaMed Provider Healthcare Payments Survey 2023

InstaMed Consumer Healthcare Payments Survey 2023

CNBC, 70% of Americans are feeling financially stressed, new CNBC survey finds, April 2023

THE RISK OF STATUS QUO

Change Can't Wait: What Consumers Want Now

40% of providers are prioritizing patient education of collections and healthcare payments

66% of providers are prioritizing the increase of online, automated and self-service payments

90% of consumers say it's important to know how much they will owe before a provider visit

75% of consumers want to pay medical bills online

73% of consumers would pay all of their healthcare expenses in one place



Sources:

InstaMed Provider Healthcare Payments Survey 2023
InstaMed Consumer Healthcare Payments Survey 2023

Chase, Consumers Rely More and More on Mobile Banking, New Chase Study Finds, January 2023

HEALTHCARE IS POISED FOR DISRUPTION

The Push to Modernize Healthcare From New Entrants

- **73% of consumers** preferred the convenience that retail stores offer over traditional healthcare services
- **26% of payers** are challenged by navigating competition from non-healthcare organizations
- **More than two-thirds of consumers** are satisfied with their retail pharmacy and would recommend it



Sources:
InstaMed Payer Healthcare Payments Survey 2023
InstaMed Consumer Healthcare Payments Survey 2023
McKinsey, Meeting changing consumer needs: The US retail pharmacy of the future, March 2023

HEALTHCARE IS POISED FOR DISRUPTION

Are Alternative Payments Models on Target to be Mainstream?

- 83% of payers believe the adoption of Alternative Payment Methods will increase soon
- \$1 trillion could be realized in enterprise value from Value-based Care for the healthcare industry

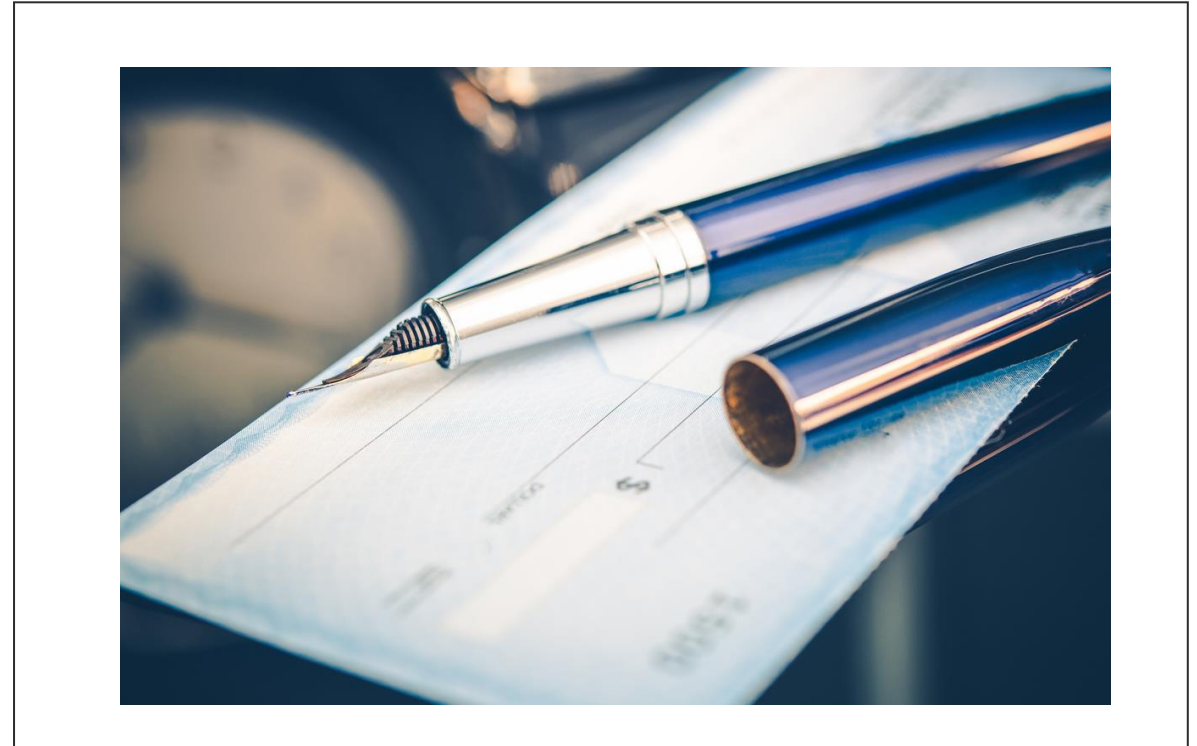


Sources:
Health Care Payment Learning & Action Network (HCPLAN), APM MEASUREMENT EFFORT, 2022
InstaMed Consumer Healthcare Payments Survey 2023
McKinsey, Investing in the new era of value-based care, December 2022

HEALTHCARE IS POISED FOR DISRUPTION

Costly Complexity Blocks Real Progress in Healthcare

- **\$89 billion**, the cost of administrative complexity for healthcare transactions annually
- **70% of providers** receive paper checks from payers
- **24% of providers** were challenged by increases in fees related to remittances and claim payments from payers

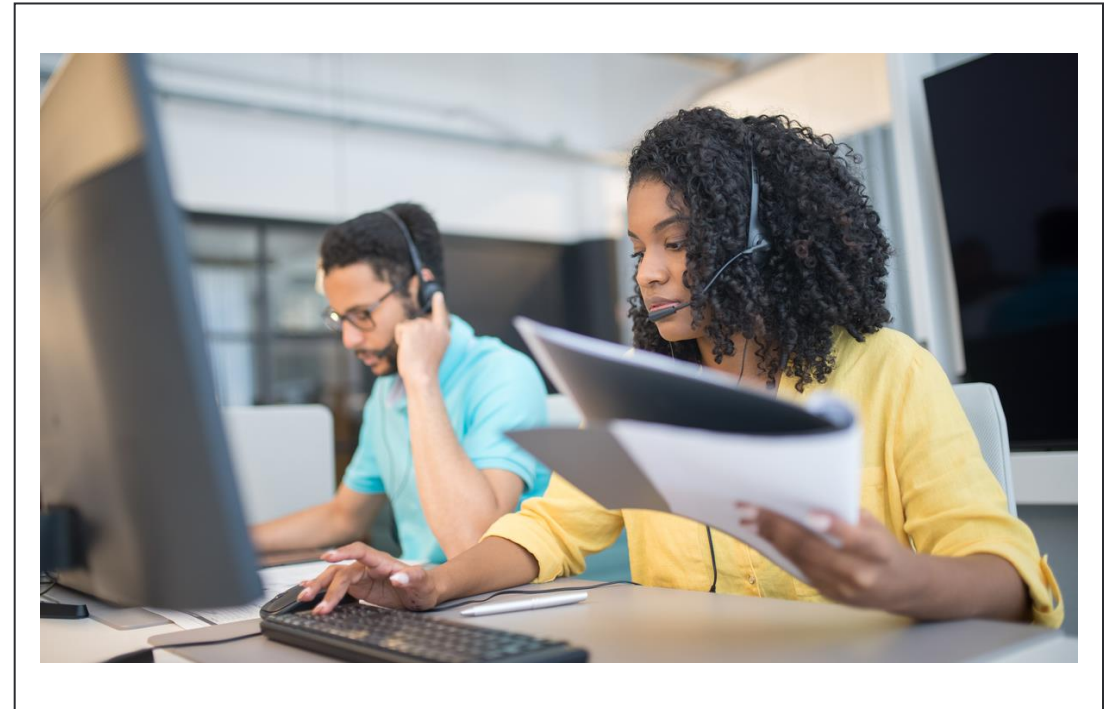


Sources:
Health Care Payment Learning & Action Network (HCPLAN), APM MEASUREMENT EFFORT, 2022
InstaMed Provider Healthcare Payments Survey 2023

HEALTHCARE IS POISED FOR DISRUPTION

The Complex Dynamics of the Employer and Payer Relationship

- **31% of payers** were challenged by call volume due to employer confusion and follow-up questions
- **37% of payers** were challenged by lack of visibility into funds movement for employers
- **56% of payers** are looking for ways to grow business with self-funded employers
- **48% of payers** want to reduce staff-based processes and communications with employers

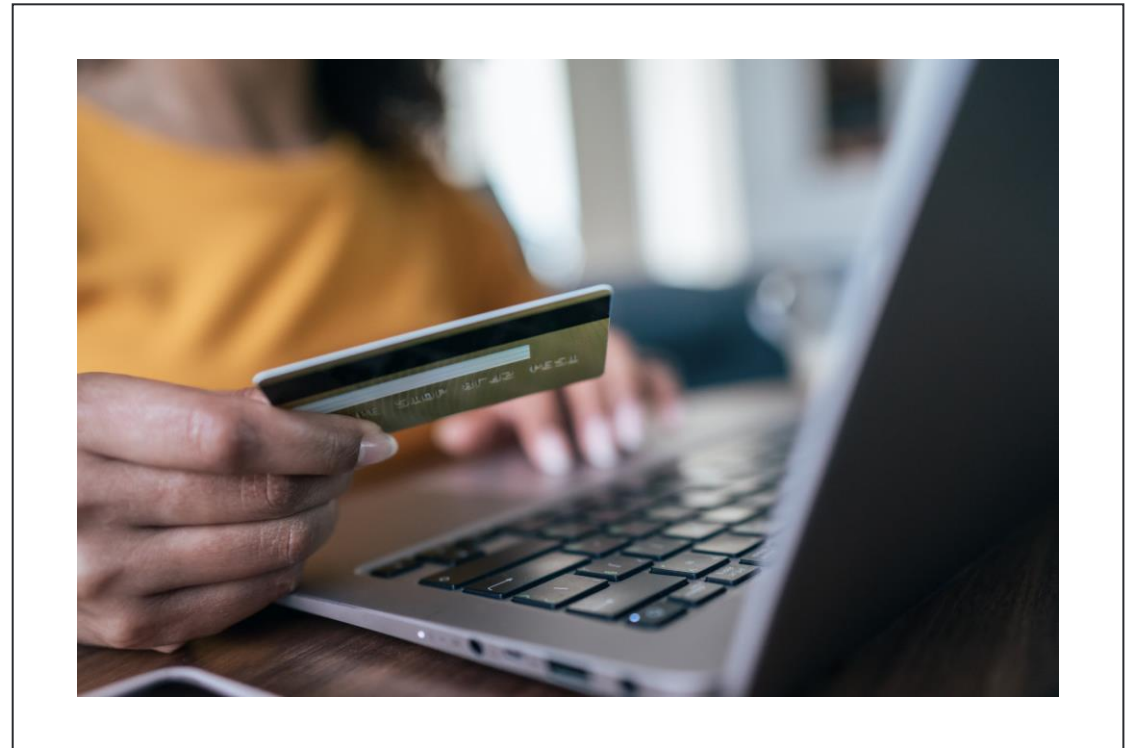


Sources:
Mercer, National Survey of Employer-Sponsored Health Plans, November 2023
InstaMed Payer Healthcare Payments Survey 2023
KFF, 2023 Employer Health Benefits Survey, October 2023

HEALTHCARE IS POISED FOR DISRUPTION

The Five-Year Window (2019-2023) Demonstrates the Hope of Digitization

- **Online patient payment transactions** to the same set of providers on the InstaMed Network increased by 133%, growing by 33% on average each year
- The number of **eStatement transactions** increased by 38%, growing 11% on average each year
- The number of **cards saved on file** increased by 243%, growing by 51% on average each year



Source:
InstaMed Platform Data

Download the Report

Get a copy of the report at

www.instamed.com/trends



Questions

Call to Action



[Nacha Healthcare EFT Resources](#)



To download the Trends report visit: www.instamed.com/trends



Become a CORE Participant: *E-mail* CORE@CAQH.ORG

CORE Participants can join our Code Combinations Task Group to contribute to reviews and adjustments of the CORE Code Combinations as part of its ongoing CAQH CORE Code Combinations Maintenance Process required by the CAQH CORE Payment & Remittance Uniform Use of CARCs and RARCs (835) Rule

2024 Market Based Review (MBR)

Week of August 26th: The MBR gives **any organization** that uses or transmits the CORE Code Combinations the opportunity to request additions, relocations, or removals of code combinations.

Questions? Email us at CAQHConnect@caqh.org



Working Together for a Greater Return on Health

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September 25-27
JW Marriott
Washington, D.C.

[Click here to register!](#)



Provider Data

Streamlining the provider data lifecycle.



Member Data

Enhancing payment integrity and Medicaid services.



Policy & Research

Shaping health standards and insights for optimal care.



Transformation

Smarter solutions for better outcomes.

By pioneering advancements in healthcare, we're not just enhancing systems; we're fundamentally improving lives. Join us as we explore how proactive action in healthcare not only prevents costly setbacks but also propels us toward a healthier future for all.

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