

# New Rules for Funds Transfer, Remittance Advice

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*By Chris Dimick*

The flurry of activity on HIPAA transaction standards continues.

The Department of Health and Human Services published an [interim final rule](#) for standards on electronic funds transfers (EFTs) and electronic remittance advice (ERA) on January 10. Mandated by the Affordable Care Act, the new standards are intended to simplify a currently complex system used by clearinghouses, providers, and payers to send and receive payment and claims remittance advice.

The EFT and ERA standards will significantly decrease administrative burden on covered entities by creating greater uniformity in data exchange and reducing the amount of paper forms needed for transmitting data—two issues that remain “an obstacle to achieving greater health care industry administrative simplification,” HHS writes in the summary of the rule.

HHS is accepting comments on the rule through March 12. The regulations became effective upon publication, and the deadline for compliance is January 1, 2014.

Operating rules that further define how to use the EFT and ERA standards are expected in July, with a compliance date that coincides with that of the standards.

## New Focus on Old Standards

After years of relative quiet, two events jumpstarted the renewed focus on HIPAA’s transaction standards.

The upgrade to version 5010 of the standards, [due January 1](#), was driven by the industry’s conversion to ICD-10-CM/PCS. The new classification system, which goes into effect October 2013, requires the long-overdue upgrade to the transaction standards.

Signed into law in 2010, ACA mandated a series of operating rules and standards in an attempt to rededicate the industry to the administrative simplification that the original HIPAA regulation has never fully achieved.

For more on the development of the first set of operating rules—which describe how eligibility and health claims status transactions must be handled—see the upcoming cover story in the February print issue.

## EFT Carries Claims Payments

The EFT and ERA standards were written by National Automated Clearing House Association, which develops standards and operating rules for the financial industry. The association was chosen by the National Committee on Vital and Health Statistics Subcommittee on Standards, which advises HHS on the transaction standards.

NACHA will partner with CAQH, a nonprofit alliance that develops healthcare operating rules, to develop the EFT and ERA operating rules expected this summer.

EFTs are used to get payments between providers and payers bank accounts once a claim is received and processed. Clearinghouses attached to the Automated Clearing House (ACH) network serve as the pipeline through which many EFTs travel. Consumers also use the ACH network when, for example, their paychecks are directly deposited in their bank accounts or they pay bills electronically, according to the interim rule. In the majority of cases, when an EFT is used by a health plan to pay healthcare claims, it is transmitted through the ACH network.

Providers have faced a number of major obstacles in adopting EFT, as identified in hearings and research conducted by the National Committee on Vital and Health Statistics. Some issues include the administratively difficult enrollment process to accept EFT for healthcare claim payments; the time lag between receipt of the healthcare payment or processing information and the arrival of the ERA to the provider; and problems regarding re-association of the ERA with the EFT.

The newly developed EFT standards dictate how these transactions are processed at all points of their journey, including through the ACH network.

## ERA Explains Payments

Health plans typically adjust provider claim charges based on contract agreements, secondary payers, benefit coverage, expected co-pays, and co-insurance. These adjustments are described in the remittance advice transaction, which is transferred electronically between the payer and the provider.

The remittance advice received by providers is similar to an employee's salary paystub that describes the amount the employee is being paid, the hours worked, and an explanation of any adjustments or deductions that are being made to an employee's salary payment, HHS explains in the interim rule.

The ERA transaction standards provide a single set of rules on how to write and send remittance advice.

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