



Smart Cards and Payers

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1. What is a smart card?

A smart card is a small card or similar device with an embedded integrated circuit chip. What makes the card smart is the embedded chip. The chip is a powerful minicomputer that can be programmed for different applications.

The chip enables a smart card to store and access data and applications securely and exchange data securely with readers and other systems. Smart card technology can provide high levels of security and privacy protection, making smart cards ideal for handling sensitive information such as identity and personal health information.

For additional information on smart card technology, see the “About Smart Cards FAQ.”

2. How can smart healthcare cards help a payer?

Some of the issues faced by providers are also issues for payers: increased administrative costs, aging accounts receivables, and litigation disputes. HfS Research forecasts a 58 percent increase in healthcare insurance payer outsourcing to reduce administrative costs. Faced with a perfect storm of regulation, spiraling costs, and unprecedented demand, healthcare payers need outside innovation to survive.¹

Smart healthcare cards and appropriate identity software can give providers the capability to view a patient’s eligibility for benefits in real time and accurately ascertain how much will be reimbursed by the insurer or employer. The provider can then request immediate payment for the visit while simultaneously submitting an electronic claim to the payer. The payer organization United Health Group estimates that using automated electronic identity cards to validate eligibility and benefits across the healthcare system would result in \$18 billion in administrative savings (fewer key strokes), approximately 50 percent of which would accrue to providers (physicians and hospitals), 20 percent

¹ HfS Research, “The Healthcare Payor BPO Landscape in 2011 - Will Reform Shatter a Complacent Industry?”, August 10, 2011, <http://www.hfsresearch.com/node/287>.

directly to the government in its role as a healthcare payer (through Medicare and Medicaid), and 30 percent to commercial payers simply by eliminating antiquated manual processes, unnecessary paperwork, and redundant intermediaries.²

Fraud alone could be significantly reduced using smart healthcare cards. It is estimated that nearly 1.5 million Americans are victims of medical identity theft.³ Simply replacing current beneficiary cards with smart cards could eliminate an estimated \$30 billion a year in Medicare fraud, according to Kelli Emerick, Executive Director of The Secure ID Coalition.⁴

3. Are any payers using smart cards today?

Using smart cards can have immediate benefits for a payer's bottom line. However, some payers find that there are barriers to adoption of this technology, including lack of consistent data standards, provider reluctance to alter work flows and practices, and lack of development and use of multipayer applications in PMIS systems.⁵

Some payers are using magnetic stripe cards and waiting for healthcare providers to adopt the use of smart card technology in order to replace their magnetic stripe cards with smart cards. The provider market is changing. Some healthcare providers are issuing smart cards to patients; the Federal government and some states are reviewing the technology and issuing requests for proposals for Medicare, Medicaid, and children's health insurance recipients. It may be just a matter of time before insurers start issuing smart cards to patients.

The smart card industry is addressing payers' concerns by providing solutions that integrate with current healthcare systems, using cloud-based applications for maximum standardization. In addition, policy makers are suggesting that smart cards replace current beneficiary cards for Medicare patients, stating that proper patient identity would save billions in fraud.⁶

4. How is an eligibility check performed with payers?

Eligibility is currently verified by the provider executing a series of laborious manual and electronic processes. Most providers still verify eligibility by phone and fax the night before the patient appointment; others use individual software vendors aligned with payers for eligibility verification.

Using a validated smart healthcare card with multifactor authentication that aligns with patient identity software and an eligibility verification allows for accurate patient identity for each visit and procedure.

5. Can smart healthcare cards handle discrepancies in information in practice systems?

Patient identity smart card solutions can store data from multiple sources with a date stamp and an audit trail. This allows a smart card to store a variety of updateable data, allowing the provider to review new and different data and accept or decline such data. Patient identity smart card solutions can interface with various provider registration systems and provider eligibility verification software,

² UnitedHealth Center for Health Reform & Modernization, "Healthcare Cost Containment - How technology Can Cut Red Tape and Simplify Healthcare Administration," Working Paper 2, June 2009, http://www.unitedhealthgroup.com/hrm/UNH_WorkingPaper2.pdf.

³ ProtectMyID™, "Medical Identity Theft: The Growing Cost of Indifference," <http://blog.protectmyid.com/2011/03/16/medical-identity-theft-the-growing-cost-of-indifference>.

⁴ Secure ID Coalition, <http://upgradethecard.com/>

⁵ UnitedHealth Center for Health Reform & Modernization, op cit.

⁶ <http://upgradethecard.com>.

enabling providers to review data from other providers, accept or reject the information, and automatically integrate the new data into their current patient record without additional keystrokes or workflow changes.

6. Do insurance companies pay for the issuance of smart healthcare cards?

The issuer of the health card determines who will ultimately pay for the smart health card deployment. Adopting this technology can add significant value for the insurance provider, delivering improved administrative efficiency and reduced fraud.

It is important to note, however, that while only one entity should pay for the card, all parties involved must accept the solution (i.e., both payers and providers) in order to see the benefits.

7. What are the implications of using smart healthcare cards for copays, deductibles, payments, and billings?

The use of smart healthcare cards by a claims provider can facilitate electronic claims submissions and couple submissions with the payment capabilities of a credit and debit card. Payment can be made in real time. While there is an effort by the Federal government to require that all Medicare and Medicaid claims be filed electronically, there is no similar mandate in the private market. Slightly over 50 percent of insurance claims filed today have an electronic component. Smart cards bridge the gap from paper to pure digital processing in real time, because they have the ability to store relevant information such as CPT and ICD-9 (ICD-10) codes. Smart cards can also act as a payment source, linking to an HSA or supporting credit/debit payment.

8. What are the benefits of using smart healthcare cards for Medicare and Medicaid?

State and federal representatives, as well as government healthcare leaders, are endorsing the use of smart cards as healthcare cards. Policy makers are advocating that smart cards replace existing beneficiary cards to reduce fraud, including the introduction of Senate bill S.1551⁷ to pilot a smart card-based Medicare Common Access Card.

The Office of Management and Budget reported that \$54 billion in "improper payments" were made to Medicare (\$24 billion), Medicaid (\$18 billion), and Medicaid Advantage (\$12 billion) during FY 2009. Medicare fraud accounts for an estimated \$60 billion in Medicare payments each year. The Secure ID Coalition has estimated that over half Medicare's annual fraud (approximately \$30 billion annually) can be cut by a smart Medicare card.⁸ Additional information can be found at <http://upgradethecard.org>

About the Health and Human Services Council

The Smart Card Alliance Health & Human Services Council brings together human services organizations, payers, healthcare providers, and technologists to promote the adoption of smart cards in U.S. health and human services organizations and within the national health IT infrastructure. The Health & Human Services Council provides a forum where all stakeholders can collaborate to educate the market on the how smart cards can be used and to work on issues inhibiting the industry.

⁷ S.1551: Medicare Common Access Card Act of 2011, <http://www.govtrack.us/congress/bills/112/s1551>

⁸ <http://upgradethecard.com/>

About the Smart Card Alliance

The Smart Card Alliance is a not-for-profit, multi-industry association working to stimulate the understanding, adoption, use and widespread application of smart card technology.

Through specific projects such as education programs, market research, advocacy, industry relations and open forums, the Alliance keeps its members connected to industry leaders and innovative thought. The Alliance is the single industry voice for smart cards, leading industry discussion on the impact and value of smart cards in the U.S. and Latin America. For more information please visit <http://www.smartcardalliance.org>.