

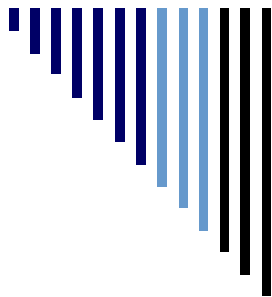
# TREASURY/IHS CONVERSION INITIATIVE

**EFT (Electronic Funds Transfer) and EDI  
(Electronic Data Interchange) Project**

*Presented by Cynthia Larsen, Program Analyst, DBOE/ORAP*

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# Agenda

- SCMA (Strategic Cash Management Agreement)
    - Definition
    - Sub Parts of SCMA
    - Deadlines
  - Current Status of Funds Transfers
  - Future Initiatives
    - Lockbox Conversion
    - New ACH Gateway
    - New Reporting System
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# SCMA

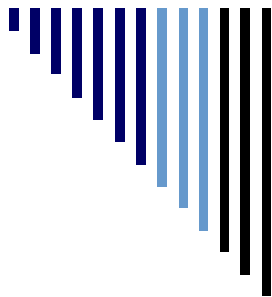


- What is it?
  - Strategic Cash Management Agreement between Treasury/FMS and the Indian Health Service
  - To Improve the agency's overall cash management practices
  - Commits us to implement improvements over the next five years
  - Improvements will enhance the processing of financial transactions, AND expediting the flow of funds into the Treasury General Account (TGA)
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# Cash Flows

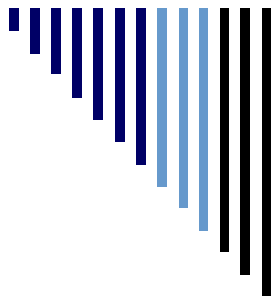


- Credit Card Activity (already Electronic)
- Automated Clearing House (ACH)  
Lockbox Activity (already Electronic)  
(Third Party Resource, mainly Medicare and Medicaid)
- Lockbox Activity (Paper Checks) (Third Party Resource Payments)
- TGA Activity (other banks used to deposit MISCELLANEOUS Collections)



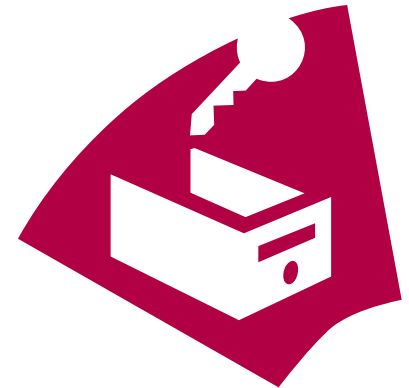
# Current Status

- 49% (based on \$ amounts) is currently processed Electronically
- Remainder is Third Party Collections from Private Insurers
  - Probably in excess of 100+ different payers
- And Miscellaneous Collections (Finance)



# Lockbox Activity (PNC Bank) (Annually) Third Party Resource Checks

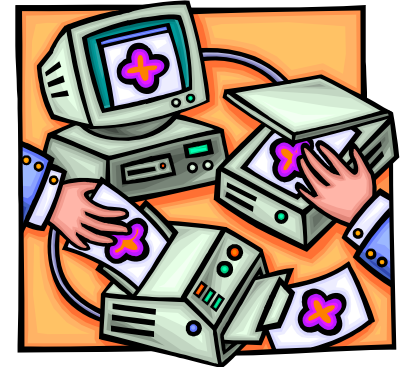
- ❑ Navajo = 86.4 Million
- ❑ Albuquerque = 37.6 Million
- ❑ Oklahoma = 17.2 Million
- ❑ Nashville = 490.2 Thousand
- ❑ Aberdeen/Bemidji = 21.7 Million
- ❑ Billings = 10.1 Million
- ❑ Portland = 10.3 Million
- ❑ Phoenix = 17.3 Million
- ❑ Tucson = ??
- ❑ **TOTAL = \$201 Million Plus**
- ❑ **Need to convert to ACH Lockbox (EFT) (Approx 198,000 checks per year)**





# PCC/OTC (Annually) Miscellaneous Checks

- Navajo = 42.3 Million
- Albuquerque = 1.9 Million
- Oklahoma = 150.3 Million
- Nashville = 4.79 Million
- Aberdeen/Bemidji = 5.8 Million
- Billings = 4.2 Million
- Portland = 2.8 Million
- Phoenix = 10.4 Million
- Tucson = ??
- **TOTAL = \$222 Million Plus**



# ACH (EFT) PNC Bank (Annually) Electronic Format

- Navajo = 127.5 Million
- Albuquerque = 9.2 Million
- Oklahoma = 25.7 Million
- Nashville = 163 Thousand
- Aberdeen/Bemidji = 83.7 Million
- Billings = 35.3 Million
- Portland = 4.3 Million
- Phoenix = 158.1 Million
- Tucson = ??







# Conversion Processes: Lockbox

- Converting Paper Check Payers to Electronic Check (EFT) Payers
  - Established Area Champions
  - Agreements
  - Payers are unique, not all the same
    - Some offer EFT with no EDI
    - Some offer EDI with no EFT
    - Some offer neither EDI nor EFT
  - Paper work, Paper work, Paper work
  - What the end use has to know?
    - No longer get a copy of the check
    - May no longer get the paper remit (depends on payer)
    - Become more familiar with 835/EDI Posting
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# Challenges to Change

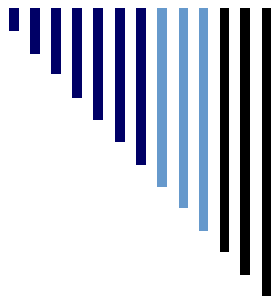
- One Tax ID
    - Phoenix and Billings
    - Will cause problems at a future date in retaining the identity of the money
  - Process changes
  - 835 Posting needs to be more robust
  - Daily tracking of these deposits
  - Championing this process
  - Payers will “shut off” the paper RA
  - Some Payers are not “ready” to send funds electronically.
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# Phase One

- 5 Day Study was done to establish those high volume/dollar payers that would benefit most Areas in converting.
  - Mail Handlers, Humana, Prescription Solutions and Prime Therapeutic are first.
    - Mail handlers agreement has already been sent to each Area Champion
    - Hope to see results in the April Counts
  - Dependent on what the payer can offer
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## Phase Two

### □ THE BLUES

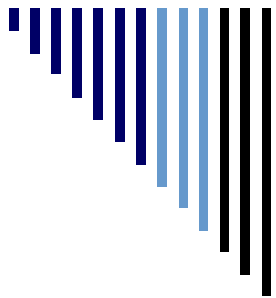
- Will need help from the Champions to determine which Blue is which
- The importance is to show progress in the conversion

## **Phase Three –**

May do another study on the PNC data base to see which ones to convert next.

If you are in the process of getting payers to pay electronically, do not stop, just make sure you communicate with your Area Champion.

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# Lockbox Paper Check – Time Frame

- Lockbox Paper Checks –
  - 90% converted to ACH Lockbox by 12/31/2010
  - 10% Remaining transitioned to a SINGLE USBank Paper Lockbox and ECP (electronic check processing) beginning 12/31/2010
  - 100% of Applicable transactions by 12/31/2011



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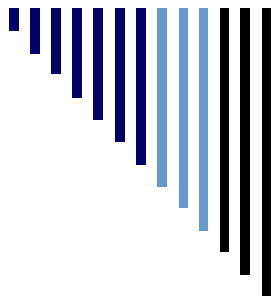
# New Lockbox Entity

- What happens at the Dead Line?
  - PNC Bank will no longer be our Financial Institution for any Lockbox Activity
  - Enter into agreement with new Lockbox
  - Communicate with all Payers that if they are STILL SENDING PAPER, it needs to go to this new Lock Box
  - ***ONLY ONE LOCKBOX PER ALC***
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# Conversion Processes: PCC/OTC

- PCC/OTC = Paper Check Conversion, Over the Counter
- Area Finance will put agreements in place, purchase scanners, and begin converting these checks to EFT.
- Portland and Albuquerque (Tucson and California) are taking the lead and piloting this project.
- There will be a roll out to the other Area Offices throughout the summer months
- TGA.net will be used for those checks that won't convert for some specific reason. This will be implemented after all Areas have implemented PCC/OTC.





# PCC/OTC Timeline



- PCC/OTC Conversion – Miscellaneous Paper Checks to EFT
  - PCC OTC and TGA.net conversion will BEGIN 12/31/2011
  - 90% of applicable transactions by 12/31/2013

(Note: We are way ahead of the game on this one)





# New ACH Gateway



- ❑ Currently, PNC Bank is our ACH Lockbox Gateway. This will change also.
  - ❑ A new Financial Institution will be named as the new ACH Gateway.
  - ❑ We will need to convert ALL our EFT/ACH to this new institution.
  - ❑ New Agreements, paperwork, etc. will need to be accomplished for the transition.
  - ❑ Payers will need to be notified to possibly change their payment system.
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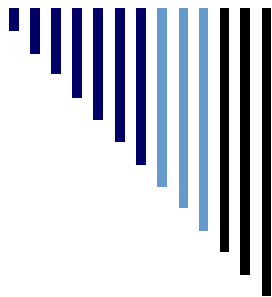
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# ACH Conversion Time Frame

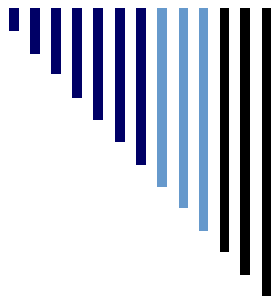
- Conversion of all ACH/EFTs to a New Financial Institution
  - Transition to the New Credit Gateway by 12/31/2011





# TRS

- Transaction Reporting System
  - New Reporting System
  - Will Replace Cashlink
  - Training will be forthcoming
  - Hope to have the same, and more, functionality for sound reporting purposes
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## In Conclusion:

- Currently in discussions with Treasury/FMS to establish more realistic Time Frames
- If we do not meet these deadlines, Treasury COULD impose a monetary penalty on each “paper” transaction
- Want to be Proactive, not Reactive
- End Result is Positive for both Treasury and IHS
  - Quicker turnaround in payment transactions
  - More secure Financial Transactions
  - Etc.

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ANY QUESTIONS

