Vizant
INSIGHT
from the Payments and Treasury Expert

Does your Business have a Plan for the New Same-Day ACH Options?

Back in 2015, NACHA announced its plan to adopt the long awaited Same-Day ACH rules. The first phase of this process was implemented on September 23rd allowing for the functionality to deliver ACH Credits (an ACH Credit is when a Payer instructs their bank to post a credit to the Payee's bank account) of up to $25,000 per transaction on the same business day. While this first phase only enables the ability to handle same day initiated ACH credits (not ACH initiated debits), it does allow for two additional time processing windows each day. Your organization can utilize these new ACH rules to greatly benefit your accounts receivable collection and accounts payable disbursement operations.

Prior to September 23, 2016, there was only one processing window a day for ACH payments. In addition, and most importantly, under the old rules, an ACH took no less than a day and generally two to three days to clear both Payer and Payee bank accounts. These were never same day ACH availability under the old rules. Under the new rules, there are two additional clearing windows from which you can generate these payments: a morning and afternoon (ET) window for same day settlement are now available.

- A morning submission deadline at 10:30 ET, with settlement at 1:00 PM ET
- An afternoon submission deadline at 2:45 PM ET, with settlement at 5:00 PM ET

Approximately 99% of the current available ACH transactions processed daily are eligible for same-day processing.

There are many benefits to taking advantage of the Same Day ACH rules for your Business. They include: Multiple settlement windows which can translate to improved collections and accelerated cash flows.

For example:
B2B Accounts Receivable and Cash Collections

- Offers opportunity for improvement in key operational metrics such as reduction in overall cash flow, days sales outstanding (DSO), average days delinquent (ADD) and your collection effectiveness index (CEI).
- Your organization will likely see an increase in receipt of payables on the exact due date, your finance team will need to have a procedure in place to settle accounts and process invoices that arrive "today".
- Data and Information Enhancements: ACH payments in CTX format can support over 9,000 lines of remittance data, this data can be instrumental in the A/R reconciliation process.
- Same Day ACH can improve reconcilement of delinquent accounts and for receipt of off cycle payments.
- Same Day ACH can remediate a lengthy A/R process, if same-day ACH payments can be matched to receivables due dates.

What does Same-Day ACH mean for your business operations and what are some of the implications to your organization?

A NACHA survey revealed that 95% of financial institutions plan to offer same-day B2B payments.

October 2016

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VIZANT HAPPENINGS

Future Educational Sessions:
St. Louis Treasury Management Association
St. Louis, MO - November 17, 2016

North Carolina Treasury Management Association
Jameson, NC - February 9, 2017

North Carolina Treasury Management Association
On September, 22nd in Greensboro, NC, Vizant was the lead sponsor and headline speaker and presenter at the NCTMA Kick Off Meeting. Aeron Sharp (VP) and Gabe Guererro (Director) of Vizant, presented an interesting new dynamic in corporate America, titled: "The Changing Role of the Treasurer". The educational session focused on the changing world of corporate finance, accounting and financial operations, particularly as it related to how the role of the Treasury function has morphed. A Treasurer must think and act like the CFO and they must integrate themselves into and with senior

One of the key benefits of the new Same-Day ACH rules is the ushering in of the new era of “real time” payments, i.e. real time availability, settlement and processing. This move towards innovation by the Banking Community is in response to both business and consumer demand, that previously had been widely ignored by the ACH network, NACHA and its participating banks.

A primary operational benefit of this rollout is the ability for businesses to change their behavior. Adoption of same-day settlement may initially be very slow but it surely opens up an opportunity for organizations to achieve efficiencies and cost savings in accounts receivable and collection functions. It provides an opportunity to streamline your processes and make them more efficient. As organizations adopt this functionality, they will begin to see the full scope of benefits.

If you would like information on how Same-Day and Real-Time ACH payments can improve your operations, please contact Vizant today!

Author: Allison Flexer, Director, Treasury and Financial Operations

Vizant will participate in the Federal Payment Symposium Oct 12-13, 2016
On October 12th & 13th, Vizant COO Angie Grunte was invited to participate in the prestigious invitation only Chicago Payments Symposium presented by the Federal Reserve Bank of Chicago. The Chicago Payments Symposium uncovers payment trends by bringing together industry experts from around the world to interact with a diverse group of industry participants. This event is regarded as one of the premier industry payment conferences and provides a neutral forum to discuss the most pressing payments issues of the day, including public policy concerns.

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Payments and Treasury Insight

Current Payments and Treasury News

Current Payments and Treasury News

Healthcare Providers Say Primary Challenge Is Difficulty Collecting Payment

BillingTree recently announced the results of its inaugural Healthcare Operations and Technology Survey, which identified key concerns of U.S. healthcare companies ranging from single to multi-location providers. Respondents cited their primary challenge as difficulty collecting payment after a patient leaves the facility, followed closely by the patient's inability to pay and concerns about compliance. The survey also found slow adoption of Web- and automated phone-based payment technologies. Instead, providers are still opting for more traditional payment collection methods such as on-site and mail, as well as agent-assisted phone payments and Web portals. In terms of planned tactics to encourage patient payments, offering payment plans and utilizing third-party collection agencies tied as the most common responses. "By adopting payment technology, including patient payment portals and [interactive voice responses], they can quickly strike a balance

leadership.

About Vizant

Vizant is a business intelligence and thought leadership firm with a specialty expertise in the areas of financial operations, treasury management and inbound and outbound business payments. Vizant partners with its clients to implement actionable and real world solutions that improve efficiencies and reduce the structural costs of financial operations, treasury management and payments functions. Vizant’s business model is truly unique and it stands alone in the world of professional services and advisory firms.We stand behind our solutions with a 100% performance based professional fee model that validates our expertise.

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between the payment preferences of patients and their staffing resources," says BillingTree's Dave Yohe. "The healthcare industry, which leans toward staffing and third parties to tackle payment capacity issues, is beginning to follow their peers in other service industries. This includes embracing a technology approach to help ensure compliance, enhance customer service, and improve their revenue cycle management."

From "BillingTree Survey Finds Healthcare Providers Slow to Adopt Patient Payment Technology"
Business Solutions (09/27/16)

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Efforts Grow to Get Suppliers to Accept Card Payments

Businesses want to pay their suppliers with commercial cards, but only 9 percent of suppliers say commercial cards are their preferred method of payment. The cost of accepting cards and the issues associated with onboarding to a card network can be too burdensome, especially for small vendors. However, a new CardFellow report pushes for card acceptance by suppliers by describing how to reduce the financial burden of card acceptance. The report acts as a guide for vendors to understand how they can process commercial cards for a cost comparable to consumer cards. The best way to reduce the cost of commercial card acceptance is by upgrading processing levels, according to the report. Suppliers need to require level 2 or level 3 processing, or collect more information about the corporate payer at the time of the transaction. "The greater the data level of a transaction, the lower the interchange cost associated with the transaction," the report says. Each credit card issuer has a different set of requirements for the type of data companies need to collect to qualify for each level. Still, the market must convince suppliers that accepting commercial cards does not have to be such a heavy financial burden and can help grow business by supporting the payment preferences of more potential customers.

From "Efforts Grow to Get Suppliers On Board With Cards"
Pymnts.com (10/06/16)

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5 Ways to Get Paid Faster

Timely payments are the key to maintaining a healthy cash flow, but many business owners are having trouble streamlining their invoicing process. Faster payments can be facilitated by following five approaches, starting with employing the right tools. Sending, receiving, and managing invoices online save time and money. A good online invoicing platform offers an online invoice, time tracking, project management, and a credit card payments system that offers scalability for organizations of all sizes.

A second recommendation is to find the right contact to send invoices to, so businesses should make sure to set up a relationship with the right contact at the start of the job, in order to cut out any intermediaries and receive on-time payments. A third strategy is to clearly set payment intervals and deadlines in the contract with the client, while there should be no hesitancy in requesting expedited payment when setting deadlines. The business owner should ask to be paid within 10 days or even seven for quicker payment.

Clients will be more likely to pay the company faster if it gives them less work to do when invoicing them. With new clients, the company should bear in mind the advantages of fully discussing payment terms before getting started, maintaining detailed time/inventory records, and maximizing invoice simplicity. Following up invoices also is vital, especially with multiple clients. In the event a client misses their payment deadline, the company should first resend the invoice with a friendly email reminder, call the client if non-payment continues, and then litigate if the client is still dodging attempts at contact.

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From "Invoice Intelligently: 5 Ways to Get Paid Faster"
Business.com (09/26/16) Costarella, Renzo

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51 Percent of B2B Payments Still Made by Check

Fifty-one percent of U.S. business-to-business (B2B) payments were made by paper check last year, a 1 percent increase from 2013, according to the Association for Financial Professionals' (AFP) Electronic Payments Survey. Still, the push for same-day ACH payments is gaining momentum, with 57 percent of organizations planning to use same-day transactions for last-minute bill payments, while about 38 percent intend to use same-day ACH for emergency payroll. Most surveyed treasury and finance professionals are optimistic about same-day ACH payments, with 94 percent citing their intelligence and retention of extensive remittance data. "Treasury and finance professionals are indicating their support for same-day ACH because they see the value that it brings to last-minute payments," says AFP CEO Jim Kaitz. "This should serve as a wake-up call for electronic payments vendors: how can you better serve and assist organizations to shift from checks to electronic payments?" NACHA President Jan Estep notes same-day ACH is complementary to the real-time payments initiative. Earlier this year, NACHA cited estimates U.S.-based B2B payments are accelerating, with corporate trade exchange volume rising 7.2 percent and cash compensation and disbursement up 8.2 percent year over year in 2015.

From "51 Percent of B2B Payments Still Made by Check"
Bobsguide.com (09/21/16) Gill, Sarah

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The Differences Between Bad Debt Expense and Write-Offs

Conventional accounting principles require companies to calculate how much of the money owed by customers will never get remunerated and account for that amount in their financial statements by taking bad debt expenses and performing write-offs. Whereas a bad debt expense projects future losses, a write-off is a bookkeeping tool that simply acknowledges the occurrence of a loss. Corporate managers should have a general notion of how much accounts receivable will go unpaid, as accounting standards dictate companies maintain an "allowance" for their estimate of those uncollectible bills. A company that needs to add to its allowance records a bad debt expense for the required amount—although no debts have at this point gone bad—in keeping with the accounting precept of conservatism. When a debt eventually goes bad, it is written off by the company by reducing both accounts receivable and the allowance by the amount of the bad debt. Net accounts receivable remains consistent, and the write-off does not directly impact profitability as the bad debt has already been expensed. Still, the company may have to incur a new bad debt expense to replenish its allowance. In the event the allowance needed for uncollectible accounts is underestimated or overtaken, the company may have to write off an amount greater than the current balance of the allowance, in which case a bad debt expense must be immediately recorded.

From "Bad Debt Expense Vs. Write Offs"
Houston Chronicle (10/10/16) Merritt, Cam

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4 Best Practices for Managing Patient Billing Complaints

McKesson's Beth Prince discusses how hospitals are adjusting to managing mounting patient billing complaints, and notes the leading grievance from consumers is hospital employees' failure to explain how much their medical care would cost. She says many patients complain about the duration between services rendered and when they receive a bill in the mail. "Hospitals forecast receiving patient payments within a certain timeframe," Prince points out. She says when patients do not get bills on time, hospitals likely will not get paid on time. Recently, hospital revenue cycles have had trouble maintaining efficiency due to the Affordable Care Act's rules and reporting measures, with Prince noting ICD-10 is forcing physicians to conduct clinical and time-consuming administrative duties with no rise in compensation. She says this can slow the claims submission and billing process, causing patients to receive bills later than expected. Prince also says hospitals are outsourcing financial operations to experts as a result of underinvestment in revenue cycle capabilities, training, and infrastructure. She recommends four best practices for patient billing complaint management, including implementing better front-end registration processes to reduce errors, investing in financial and insurance education services to improve patient experience, deploying and supporting revenue cycle benchmarks, and documenting all billing complaints to identify causes of negative financial interactions and converting that data into actionable process improvements.

From "4 Best Practices for Managing Patient Billing Complaints"
Becker's Hospital Review (09/14/16) Murphy, Brooke

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Turning Accounts Receivable Into a Revenue-Enhancing Opportunity

A law firm's accounts receivable (A/R) program can either be a problem or a revenue-enhancing opportunity, and a more optimistic, forward-thinking perception is necessary to turn the program into a proactive benefit for the bottom line. Law firms require a strong A/R management program early in the aging process to avoid a self-inflicted "domino effect" caused by allowing receivables to age without effective, results-oriented processes in place for timely receivables collection. The management program therefore has to begin at 30 days, which ensures a solid and consistent stream of cash for the firm, and a guarantee that attorneys' work is remunerated. When firms give lawyers too much bill collection autonomy, the question arises as to whether they have a collections and A/R management issue or whether lawyers are not taking responsibility for collecting their accounts. Firms should weigh their size, culture, practice areas, and management goals when planning an A/R program, while older receivables must be resolved, as letting them linger only adds up to lost revenue. Dealing with these difficult accounts could give the firm an impetus to assess its A/R needs and devise an approach to avoid bad habits that lead to aging receivables.

From "Accounts Receivable: Problem or Opportunity?"
New Jersey Law Journal (08/12/16) Krocheski, Jake

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Pros and Cons of Accounts Receivable Factoring

Slow customer invoice payments are a challenge for business-to-business (B2B) business owners, because they can add up to missed payments to their own vendors, according to Fundera editor-in-chief Meredith Wood. She says accounts receivable (AR) factoring or invoice factoring is a helpful option for business owners faced with this problem, and it "can be a great solution for small business owners who have incoming revenue on their balance sheets, but who need to bridge the gap to getting timely payments." AR factoring is the act of businesses selling their outstanding invoices, with Wood noting a factoring firm will purchase receivables by advancing the seller 50 to 90 percent of the amount of their total invoice, with the remainder held in reserve. When the company's customer pays in full, the factoring firm pays it back the amount of the reserve, with their fees subtracted.

"Typically lenders will charge a 3-percent processing fee on the invoice amount, plus a 1-percent 'factor fee' for each week the invoice remains outstanding," Wood says. "Some factoring companies will even assume your debt and manage collections on your behalf for an additional fee." Wood says a factoring firm takes several variables into account when considering the sum to advance or loan the company. For the most part, the bigger the invoice amount, the more value it carries and the better the deal the company will be able to make. "Since older invoices are harder to collect on, they are also less likely to qualify for accounts receivables factoring, or may come with a higher factor rate," Wood notes. "Because of this, you're best off reaching out to the factoring company as soon as possible after the account becomes delinquent."

Wood says AR factoring may be the right option for a company that has current, outstanding invoices, follows a B2B model, offers payment windows between 30 and 120 days, and sells products or services on a "final sale" basis. The upside of AR factoring is it provides the business fast access to cash, even when customer payments are sluggish. One downside is it is one of the more costly ways to finance a business in comparison with more traditional small business loan options. In addition, although AR factoring is simple, it demands the company cede some of its profits, as it will not receive the full amount the customer owes it.

From "Step-by-Step Guide to Accounts Receivable Factoring"
AllBusiness (10/01/16) Wood, Meredith

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