

EXAMINING CA SB386/VCC
REGULATIONS FROM THE PAYMENT
INDUSTRY PERSPECTIVE

AN EDUCATIONAL DISCUSSION FOR CALIFORNIA DENTAL PLAN LEADERS



HEALTHCARE ELECTRONIC PAYMENTS: FEDERAL PERSPECTIVE

- HIPAA Healthcare Electronic Funds Transfers (EFT) and Remittance Advice Standards Interim Final Rule – effective January 1, 2014.
 - Requires health plans to offer EFT in the ACH standard (direct deposit):
“If an entity requests a health plan to conduct a transaction as a standard transaction, the health plan must do so.” 45 CFR §162.925(a)(1)
 - Allows providers and health plans to agree to use alternative payment methods:
“Health plans are not required to send health care EFT through the ACH Network. They may decide, for instance, to transmit a health care EFT via Fedwire or [via a payment card network](#).” (77 FR 1567)
- Guidance Letter 2022-04 [EFT/ERA/VCCs]
 - VCC: “[...]he adopted HIPAA EFT and ERA standards [permit health plans to pay claims by VCC](#).”
 - ACH: “If a provider requests that a health plan make payments for health care through the ACH Network using the adopted EFT standards, 45 CFR § 162.925(a)(1) requires the health plan to comply with the request.”
 - Fees: ... “[W]hile there may be circumstances in which a health plan... charging fees could be considered adversely affecting a transaction or entity..., the guidance letter does not speak to whether charging fees to conduct standard transactions is, in and of itself, a violation of the HIPAA requirements.”

CA SB 386: OPT-IN TO VIRTUAL CREDIT CARDS (VCC)

(b)

- (1) A health insurer that provides payment directly, or through a contracted vendor, to a dental provider shall have a non-fee-based default method of payment.
- (2) The health insurer shall remit or associate with each payment the claims and claim details associated with payment.

(c)

- (1) A health insurer or its contracted vendor shall obtain affirmative consent ...

Definition: "Affirmative consent" means a dental provider's express consent to opt in or opt out of receiving fee-based payment. Affirmative consent requires a dental provider's signature. The terms of the affirmative consent shall be clear and readily understandable. (B) Affirmative consent may be given through email. (C) A provider accessing funds does not constitute affirmative consent to receive a fee-based payment.

Definition: "Signature" includes an electronic or digital signature if the form of the signature is recognized as a valid signature under applicable federal or state law, including, but not limited to, checking a box indicating affirmative consent.

...from a dental provider who opts in to a fee-based payment method before the insurer or vendor provides a fee-based payment method to the provider.

(2) At the time a dental provider opts in to a fee-based payment method, the health insurer or its contracted vendor shall provide information on the payment method, including a notice of the fees charged by the health insurer or contracted vendor, alternative methods of payment, instructions on how to opt out of the fee-based payment method, and a notice of the dental provider's ability to opt out of the fee-based payment method at any time.

(3) Upon receipt of the dental provider's affirmative consent, the health insurer or its contracted vendor subsequently may issue payments to the dental provider using a fee-based payment method.

(4) The health insurer also shall notify the dental provider if its contracted vendor is sharing a part of the profit, fee arrangement, or board composition with the health insurer.

CA SB 386: OPT-OUT TO VIRTUAL CREDIT CARDS

(d)

(1) A dental provider may opt out of a fee-based payment method and opt in to a non-fee-based payment method at any time **by providing affirmative consent** to the health insurer or its contracted vendor.

(2) **If a dental provider opts in or opts out** of a method of payment pursuant to this subdivision, **the provider's payment method decision shall remain in effect until the provider informs the health insurer** or contracted vendor of another preferred method of payment, including fee-based or non-fee-based methods.

(e) A health insurer or its contracted vendor that obtains a dental provider's affirmative consent to opt in or opt out of a fee-based payment method shall apply the decision to include both of the following:

(1) The dental provider's entire practice.

(2) To all products or services covered by the health insurer pursuant to a contract with the dental provider, including network provider contracts, as described in Section 10120.4.

(f) This section does not apply if a health insurer has a direct contract with a provider that allows the provider to choose payment methods, including a non-fee-based payment method for services rendered.

CALIFORNIA SB 386- LANDING PAGE: ECHO

California has introduced legislation under CA SB386 that required that Dental providers give affirmative consent to receive certain electronic payments. Please provide the details located on your notification to retrieve your payment.

Draft Number *
 i

Payment Amount *
 i

Tax Identification Number *
 i

Email *
 i

Zip Code *
 i

[Retrieve Payment Details](#)

Please provide your information below in order to proceed

Contact Name *

Title *

[Continue](#)

CONSENT/PAYMENT SELECTION: ECHO

Please review the following before accessing your payment:

- Virtual card payments may include fees charged by the payment vendor.
 - You may choose the no-fee default payment method at any time.
 - You may opt out of the virtual card option at any time.
- Your choice will apply to your entire practice for all covered services.

I provide affirmative consent to receive this and future payments via virtual card. I understand that fees may apply and that I may opt out at any time.

Show other Payment methods

Confirm Consent & Release Payment

ALTERNATE PAYMENT METHODS: ECHO

Please select one of the payment preferences below to proceed.



Electronic Payments

Receive your payments quickly by choosing the suitable option

[Click to Proceed](#)



Paper-Based Payments

Receive paper checks by mail within 7-10 days of payment.

[Click to Proceed](#)

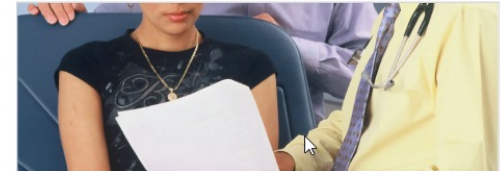
Please select one of the payment preferences below to proceed.



Virtual Card

Receive your payments quickly via Virtual Credit Card.

[Click to Proceed](#)



EFT/ERA

Receive your payments quickly by setting up EFT payment with your bank account.

[Click to Proceed](#)

EFT/ERA PAYMENTS: ECHO



Provider EFT/ERA Enrollment

ECHO Health inc offers providers the convenience of a single enrollment, allowing providers the convenience of connecting with over 250 TPAs, property and casualty and medical and dental plans.

Providers who enroll for the All Payer Network enjoy the convenience of managing all of their ACH enrollment and EDI needs through a dedicated customer service team, and never need to sign up as new payers are added.

This service does carry a small administrative fee, with flexible billing options to suit your individual needs.

[Click here to begin your All Payer enrollment](#)

In order to enroll in ACH Payment for this payer directly, please use the download link below, and complete the form.

Your submission will be processed with in 7-10 Business Days.

[Please click here to download the form](#)

IMPLEMENTING CALIFORNIA REQUIREMENTS: ZELIS

Marketing



Online enrollment



Review Your Information
Please ensure everything is correct and make any edits, if needed. Before submitting your enrollment, make sure to agree to the Zelis Terms of Use.

Payment notification and delivery [info](#)

Payment method

Payment delivery

Delivery method

Business contact and information [info](#)

Business information

Business name

Tax ID (TIN or EIN)

Business address

Principal contact

First name

Last name

Phone number

Email address

Site delivery [info](#)

Delivery method

Name

Email address

Acknowledge and submit

I agree with the [Zelis Payments Terms of Use](#) and to receive claim payments by single use virtual credit card (VCC) and acknowledge that interchange and other third party fees will apply as set forth in the agreement with my merchant processor. I may contact Zelis at any time to change my payment preferences to ACH or to receive a check at no cost.

Please contact Zelis at 1-877-632-2277 and/or 658.

Acknowledge and submit

- I agree with [Zelis Payments Terms of Use](#). I am enrolling to receive claim payments by single use virtual credit card (VCC) and acknowledge that interchange and other third-party fees will apply as set forth in the agreement with my merchant processor. I may contact Zelis at any time to change my payment preferences to ACH or to receive a check at no cost.

DELIVERY OF ERA/REMITTANCE: ZELIS

zelis | VIRTUAL CREDIT CARD ENROLLMENT

Step 2: Business Information

Business Contact and Information[®]

Please provide the following information about your business.

***Required fields**

Business information

Business name [Ⓢ] ACEEHNNORTTY Tax ID (TIN or EIN) [Ⓢ] 825216460 NPI [Ⓢ] 0

Street* 4500 TEST PENN HWY

Street [continued] Enter street address

City* EASTON State/Province* Pennsylvania Zip Code/Postal Code* 18045

Principal contact[Ⓢ]

First name* TEST

Title* TEST

Email address* TEST@ZELIS.COM

Phone number* 7271231122



zelis | VIRTUAL CREDIT CARD ENROLLMENT

Step 3: Selection of data delivery

ERA Delivery

Please select your preferred electronic remittance advice (ERA) delivery method and format below.
Note: you can also download claim payment information from the provider portal

Contact Information

Full name* TEST Email address* TEST@TEST.COM Telephone number* 9999999999

Delivery options

Your **electronic remittance advice (ERA) delivery method** is how you can obtain a copy of your search results or payments from our **Provider Portal**.

Download Clearinghouse **FTPS** Fax

ERA will be accessible from the **Provider Portal**.

THE LANDSCAPE TODAY

Current state of electronic payments in dental

- Electronic payments offer tangible benefits — speed, security, and simplified reconciliation
- Healthcare providers operate in a uniquely complex financial environment
- Dental practices — especially smaller ones — face distinct operational challenges
- Adoption of electronic payments remains uneven across the dental market
- Paper checks persist despite being costly (~\$10 per transaction for manual claims)
- Modernization requires understanding the provider's perspective

"Choice — not mandates — drives adoption of electronic payments in healthcare."

When providers can select from a range of options, they choose what works best — and adoption increases organically.

Platforms that emphasize choice-based models have achieved significantly higher rates of digital payment adoption than those relying on a single mandated approach.

DENTAL PROVIDER REALITY

Understanding the operational environment

Small, Independent Practices

The dental market is dominated by small practices with limited resources and lean operational structures.

Limited Administrative Staff

Most practices rely on minimal staff who manage billing, patient care, and administrative tasks simultaneously.

Workflows Built on Predictability

Providers build processes around stability and minimal disruption. Change must be low-friction.

Complex Onboarding = Barriers

Enrollment, integration, management and maintenance add up to a sizeable headache for smaller practices.

Benefits of Electronic Payments

What digital solutions offer — when they work

Faster Access to Funds

Electronic payments deliver faster access compared to paper checks, which are vulnerable to delays.

Simplified Reconciliation

Integration of payment and remittance data reduces manual processing and improves accuracy.

Enhanced Security

Electronic methods reduce vulnerability to loss, theft, and fraud inherent in paper-based processes.

Reduced Admin Burden

Automation of payment workflows frees staff to focus on patient care rather than manual processing.

The Adoption Gap

Where dental payment digitization stands today

~30%

of dental providers have adopted
ACH for claim payments

~39%

have implemented electronic
remittance advice

Source: 2024 CAQH Index | Paper checks remain common despite costing ~\$10 per transaction

Why Adoption Stalls

Barriers that push providers back to paper

Complex Enrollment

- Clearinghouse registration
- Software vendor onboarding
- Credential verification
- Multiple payer sign-ups

Ongoing Maintenance

- System updates and patches
- Troubleshooting connectivity
- Managing vendor relationships
- Staff turnover & retraining

Workflow Disruption

- Process redesign required
- Staff learning curves
- Reconciliation changes
- Risk of payment delays

"If an alternative solution creates excessive friction, providers will not use it — even if it is cheaper in the long run."

The Role of Virtual Cards

A low-friction pathway to digital adoption

Low-Friction Entry Point

Virtual cards align with existing card-processing workflows already familiar from patient payments.

They require minimal upfront changes and no complex enrollment or integration.

Simplified Operations


VCCs deliver payment and remittance information together, simplifying reconciliation and providing significant security benefits. Single-use numbers reduce fraud exposure.

Bridge to Digital

Virtual cards lower barriers to entry and serve as a bridge between manual processes and fully integrated systems. They enable incremental progress toward greater digitization.

PAYMENT FRAUD ON THE RISE

1




76%

of U.S. organizations experienced attempted or actual payments fraud in 2025.

Source: 2026 AFP Payments Fraud and Control Survey Report

Payments fraud is a widespread and persistent risk.

2




74%

of organizations were affected by Business Email Compromise (BEC) in 2025—up significantly from prior years.

Source: 2026 AFP Payments Fraud and Control Survey Report

Impersonation via email remains a leading and growing threat.

3



~2 in 3
(≈66%)


Medicare & Medicaid payors reported being targeted by electronic funds transfer (EFT) diversion schemes in 2025.

Often on a recurring basis.

Source: 2025 HHS-OIG Audit (A-02-23-02023)

Recurring EFT attacks continue to escalate.

4



Fraudsters impersonate legitimate providers to submit false EFT authorizations, redirecting federal and state payments away from intended recipients.

Source: 2025 HHS-OIG Audit (A-02-23-02023)

Millions in payments can be diverted before detection.

How Payments Diversion Happens



Key Takeaway

Payments diversion fraud is:

 Persistent

 Driven by Impersonation

 Growing Across Industries

Vigilance, strong controls, and verification are essential.