

# Determining Your True Cost of Payments

March 10, 2022 2-3pm EST

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# Survey Information



- Previous editions in 2015
- The report is based on responses from 347 treasury professionals, primarily based in the USA, across all industries and organization size.
- AFP Thanks Corpay for underwriting and helping make this survey available.

Corpay<sup>^</sup>

# Agenda

- Survey Highlights
- Payments Costs Breakdowns
- Conversion to Electronic/Digital
- Q&A



# Survey Highlights



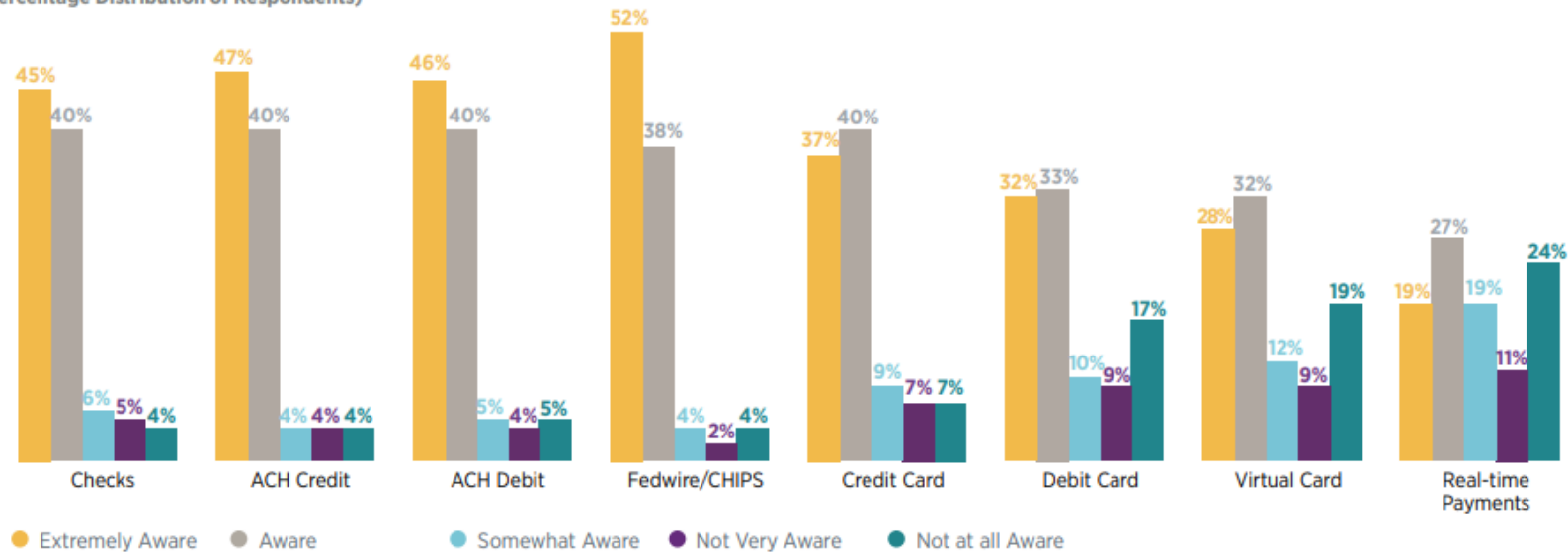
# How Aware are you of your Payment Costs?

- 1) Extremely Aware
- 2) Aware
- 3) Somewhat Aware
- 4) Not very Aware
- 5) Not at all Aware



# Cost Awareness

**Awareness of Cost for Different Payment Methods**  
(Percentage Distribution of Respondents)



Respondents:

- 46-95% are Aware/Extremely Aware
- Volume is an indicator



# Incoming Payments Handled Monthly

## (Percentage Distribution of Transaction Volumes by Payment Types)

	CHECKS	ACH CREDIT	ACH DEBIT	WIRE	CREDIT CARD	DEBIT CARD	REAL-TIME PAYMENTS	VIRTUAL CARD
<b>Less than 100</b>	25%	21%	38%	45%	33%	44%	76%	72%
<b>100-499</b>	19%	19%	15%	22%	14%	6%	6%	9%
<b>500-999</b>	14%	14%	7%	10%	7%	7%	5%	5%
<b>1,000-1,999</b>	10%	11%	9%	8%	11%	9%	3%	4%
<b>2,000-4,999</b>	9%	7%	4%	3%	3%	4%	2%	--
<b>5,000-9,999</b>	4%	7%	6%	3%	4%	4%	1%	1%
<b>10,000-19,999</b>	3%	4%	2%	1%	4%	6%	1%	1%
<b>GREATER THAN 20,000</b>	16%	18%	19%	8%	23%	20%	6%	8%
<b>MEDIAN</b>	500-999	500-999	100-499	100-499	500-999	Between 100-499 and 500-999	Less than 100	Less than 100

# Outgoing Payments Handled Monthly

(Percentage Distribution of Transaction Volumes by Payment Types)

	CHECKS	ACH CREDIT	ACH DEBIT	WIRE	CREDIT CARD	DEBIT CARD	REAL-TIME PAYMENTS	VIRTUAL CARD
Less than 100	21%	20%	39%	44%	39%	74%	70%	55%
100-499	19%	14%	20%	22%	22%	7%	10%	20%
500-999	11%	12%	10%	10%	12%	5%	6%	9%
1,000-1,999	15%	13%	7%	8%	9%	2%	3%	5%
2,000-4,999	10%	9%	3%	4%	5%	--	--	2%
5,000-9,999	4%	9%	5%	3%	3%	2%	2%	1%
10,000-19,999	4%	5%	4%	1%	1%	--	1%	2%
GREATER THAN 20,000	16%	18%	12%	8%	10%	10%	8%	6%
MEDIAN	500-999	1,000-1,999	100-499	100-499	100-499	Less than 100	Less than 100	Less than 100



# Issuing Paper Check

Calculated Total Cost for Issuing a Paper Check  
on a Per Item Basis (In-house or Outsourced)  
(Percentage Distribution of Cost of Issuing a  
Paper Check)

Range	All
\$0.00	2%
\$0.01 - \$0.50	12%
\$0.51-\$1.00	10%
\$1.01 - \$2.00	18%
\$2.01 - \$4.00	25%
\$4.01 - \$6.00	10%
\$6.01 - \$10.00	8%
Greater than \$10.00	15%
<b>Median</b>	<b>\$2.01 - \$4.00</b>

## Estimated Costs for Issuing a Check (\$)

	Internal Costs	External Costs	Total Cost for Issuing a Check Outsourced
Valid (N)	84	82	74
Mean	2.98	1.74	2.89
Median	1.78	1.00	1.98
Minimum	0.00	0.00	0.00
Maximum	20.00	15.00	20.00

# Receiving Paper Check

Calculated Total Cost for Receiving a Paper Check on a Per Item  
(Percentage Distribution of Cost of Receiving a Paper Check)

	All
\$0.00	9%
\$0.01 - \$0.50	22%
\$0.51-\$1.00	14%
\$1.01 - \$2.00	21%
\$2.01 - \$4.00	16%
\$4.01 - \$6.00	10%
\$6.01 - \$10.00	2%
Greater than \$10.00	6%
<b>Median</b>	\$1.01 - \$2.00

Best Estimated Total Cost for Receiving a Paper Check (\$):

	Total Cost
Valid (N)	84
Mean	1.99
Median	1.00
Minimum	0.00
Maximum	15.00

# Initiating and Receiving ACH Transaction

Calculated EXTERNAL costs and INTERNAL costs for INITIATING and RECEIVING ACH transactions on a per item basis  
(Percentage Distribution of ACH Credit and ACH Debit (External and Internal Costs))

## ACH Costs, by Type

	All
\$0.00	3%
\$0.01 - \$0.10	15%
\$0.11-\$0.25	26%
\$0.26 - \$0.50	17%
\$0.51 - \$0.75	13%
\$0.76 - \$1.00	7%
Greater than \$1.00	19%
Median	<b>\$0.26 - \$0.50</b>

	ACH Credit – External (\$):	ACH Debit – External (\$):	ACH Credit – Internal (\$):	ACH Debit – Internal (\$):	ACH Same Day Debit (\$):	ACH Same Day Credit (\$):
Valid (N)	63	58	61	59	48	51
Mean	<b>1.24</b>	<b>0.50</b>	<b>0.39</b>	<b>0.54</b>	<b>0.58</b>	<b>1.01</b>
Median	0.25	0.15	0.15	0.15	0.25	0.25
Minimum	0.00	0.00	0.00	0.00	0.00	0.00
Maximum	20.00	7.00	5.00	5.00	5.00	20.00

# Initiating Wire Payments

Calculated Total Transaction Cost for Initiating Wire Payments  
on a Per Item Basis  
(Percentage Distribution of Total Costs for Initiating Wire  
Payments)

	All
\$0.00	2%
\$0.01 - \$2.50	9%
\$2.51-\$5.00	4%
\$5.01 - \$7.50	15%
\$7.51 - \$10.00	12%
\$10.01 - \$15.00	18%
\$15.01 - \$20.00	16%
\$20.01 - \$25.00	14%
Greater than \$25.00	11%
Median	\$10.01 - \$15.00

## Best Estimated Costs for Initiating a Wire Transaction (\$)

	External (\$):	Internal (\$):
Valid (N)	84	73
Mean	8.56	7.36
Median	7.00	5.00
Minimum	0.00	0.00
Maximum	40.00	65.00



# Receiving Wire Payments

Calculated Cost for Receiving Wire Payments on a Per Item Basis (Percentage Distribution of Total Costs for Receiving Wire Payments)

	All
\$0.00	6%
\$0.01 - \$2.50	10%
\$2.51-\$5.00	16%
\$5.01 - \$7.50	12%
\$7.51 - \$10.00	16%
\$10.01 - \$15.00	18%
\$15.01 - \$20.00	10%
\$20.01 - \$25.00	7%
Greater than \$25.00	5%
Median	<b>\$10.01 - \$15.00</b>

## Best Estimated Costs for Receiving a Wire Transaction (\$)

	Wire External	Wire Internal
Valid (N)	69	68
Mean	<b>8.17</b>	<b>4.56</b>
Median	7.00	3.00
Minimum	0.00	0.00
Maximum	25.00	25.00

# Total Calculated Costs for Outgoing Payments Made – Via Card

Total Calculated Cost for OUTGOING Payments Made (including personnel, IT Technology, Compliance, Audit, etc.) via a Card (Procurement, T&E and Virtual) Per Transaction  
(Percentage Distribution of Outgoing Purchasing Card Payments)

	All
Less than \$1	32%
\$1-\$1.99	33%
\$1-\$3.99	15%
\$4-\$5.99	12%
\$6-\$10	7%
Median	\$1-\$1.99

Best Estimated Total Calculated Costs for Outgoing Payments Made (\$):

Valid (N)	33
Mean	2.58
Median	1.50
Minimum	0.00
Maximum	10.00

# Total Transaction Cost (personnel, bank fees, IT support, etc.) for INITIATING and RECEIVING RTP Payments on a Per Item Basis

(Percentage Distribution for Initiating and Receiving RTP Payments on Per Item Basis)

	All
\$0.00	30%
\$0.01 - \$2.50	30%
\$2.51-\$5.00	13%
\$5.01 - \$7.50	8%
\$7.51 - \$10.00	7%
\$10.01 - \$15.00	3%
\$15.01 - \$20.00	6%
\$20.01 - \$25.00	1%
Greater than \$25.00	3%
Median	<b>\$0.01 - \$2.50</b>



## Have you tried calculating cost for payments using bank data?

- 1) No, too time consuming
- 2) No, don't have time
- 3) Yes, but only for some payments
- 4) Yes, for all payments





# External Payments Costs



# Calculating External Costs

- The Formula and the Logic
- How AFP Codes Help
- Product Focus



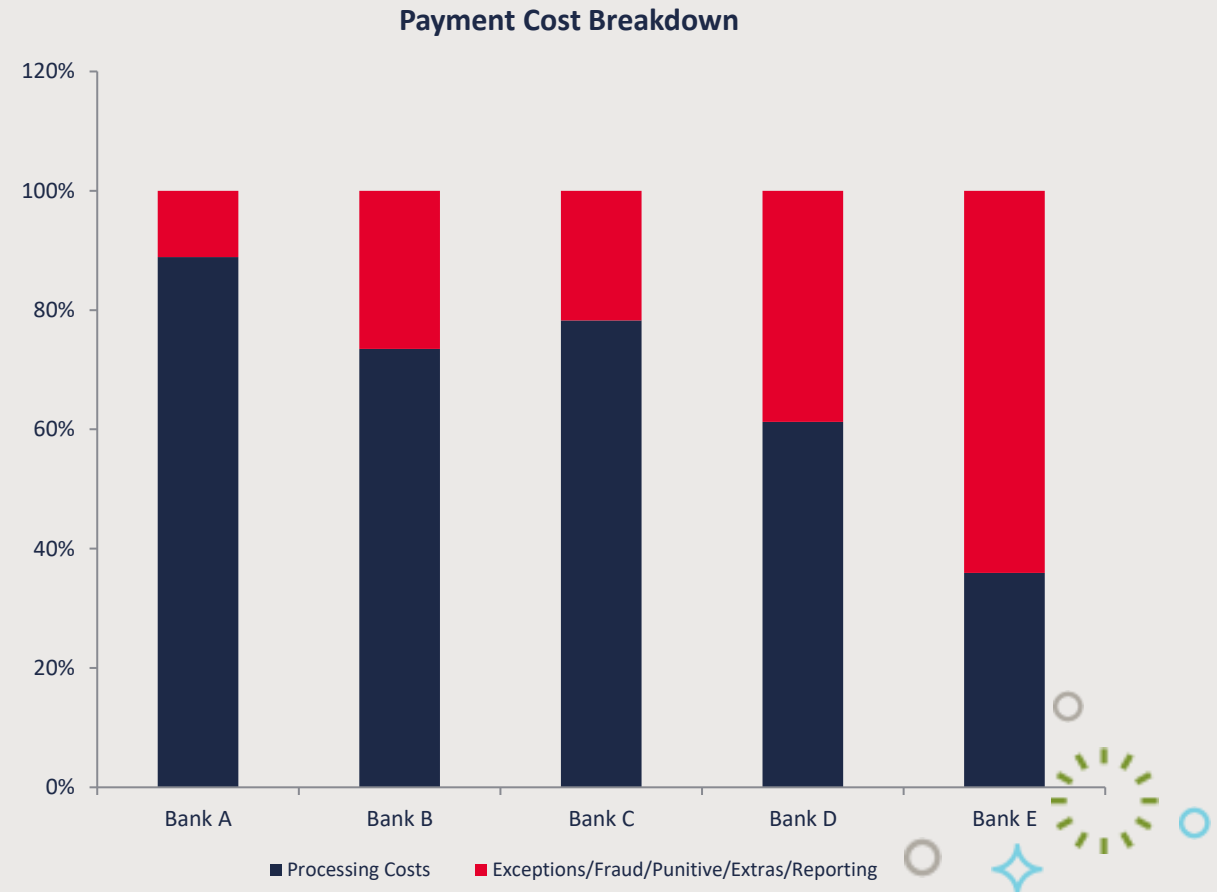
# How to Calculate External Costs Per Item

1. Isolate all charges related to payment type (including those hiding in other product families)
2. Remove one-time setup fees
3. Decide to keep or remove all hard charges, exceptions, reporting, extras, etc
4. Separate payments versus collections
5. Sum Total Charges based on above
6. Identify and Sum all Divisor volumes
7.  $\text{Total Charges} / \text{Sum of Divisor Volume} = \text{Cost Per Item}$



# One Service Line Doesn't tell the whole story

**Including ancillary costs in your analysis can help you identify areas for improvements in processing and ask the right questions to your banks.**



# How AFP Codes can help

**Correct AFP Code Assignments allow easy filtering of prices and volumes**

The first 2 digits of any AFP Code will help you classify charges by payment type

## Divisor Volumes to use for Lockbox Analysis

AFP Code	AFP US Descriptor
050100	Wholesale Lockbox Remittance Processing
050101	Wholesale Lockbox Remittance - Scannable
050102	Wholesale Lockbox Remittance - Unmatched
050103	Wholesale Lockbox Remittance - Multiples
050105	Wholesale Lockbox Remittance - Foreign Item
050107	Wholesale Lockbox Remittance - Remote Deposit Capture Merged Item
05010Z	Wholesale Lockbox Summary Processing - Bundled
050200	Retail Lockbox Remittance - Machine-Readable Item - Matched
050201	Retail Lockbox Remittance - Machine-Readable Item - Unmatched
050202	Retail Lockbox Remittance - Machine-Readable Item - Multiples
050204	Retail Lockbox Remittance - Remote Deposit Capture Merged Item
05020Z	Retail Lockbox Summary Processing - Bundled
050700	International Lockbox - Remittance Processing

# Product Focus: ACH Payments

ACH Payments can be the most difficult to calculate correctly.

- **Banks do not differentiate between Debits and Credits**
- **Additional fees for credit posting found in General Services**
- **Significant maintenance charges can swing results**

## Divisor Volumes to use for ACH Analysis

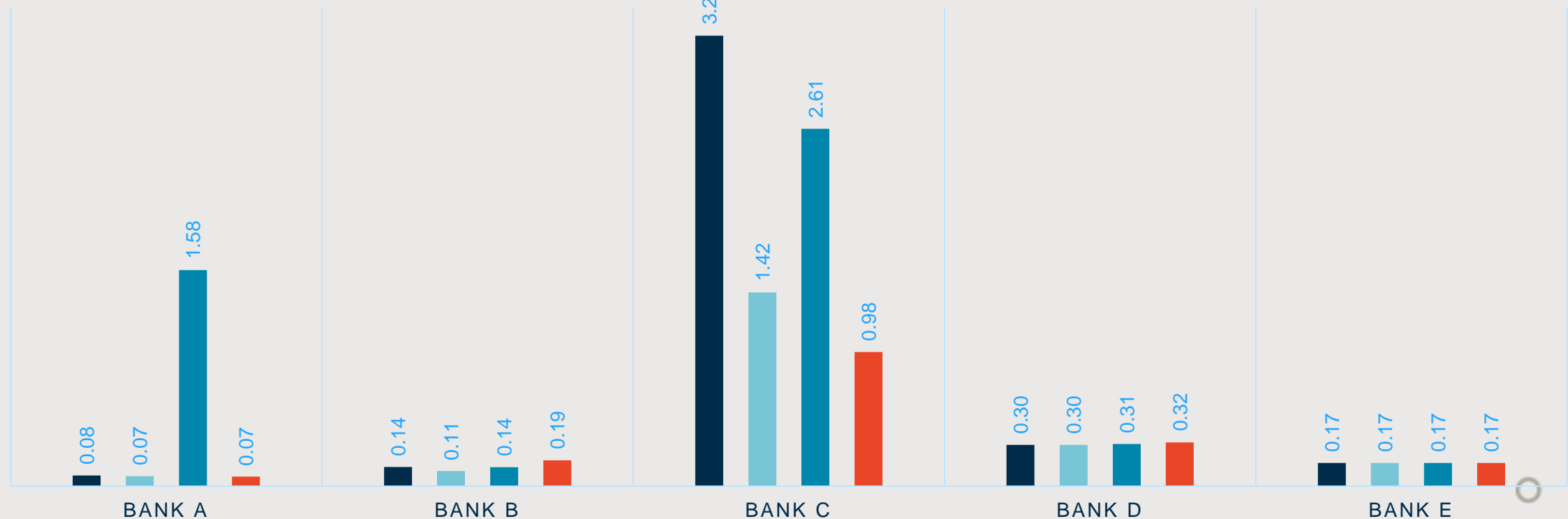
250100	ACH Originated-Debit
250101	ACH Originated-Credit
250102	ACH Originated-Debit/Credit
25010B	ACH Originated - Tax Payment (TXP)
25010E	ACH Originated - Depository Transfer Check/Preauthorized Check (DTC/PAC)
25010F	ACH Originated - Accounts Receivable (ARC)
25010P	ACH Origination - International ACH Transaction (IAT)
250141	ACH Originated - Same Day ACH Surcharge
250161	ACH Originated - Standing Instruction
250200	ACH Received - Debit
250201	ACH Received - Credit
250202	ACH Received - Debit/Credit
25020C	ACH Received - Accounts Receivable (ARC)
25020M	ACH Received - International ACH Transaction (IAT)

# Choices in your model matter!

## IMPACT OF DIVING DEEPER

Quick and Dirty = All ACH +  
010101+010102 / All Trigger Volumes

■ Quick and Dirty ■ Ancillary Costs Removed ■ Payments Only ■ Collections Only



# Product Focus: Check Payments

Banks continue to make the cost per check more expensive.

- **Multiple Product Families to consider (15s and 20s)**
- **Additional fees for debit posting found in General Services**
- **Fraud and reconciliation costs should be included**

## Divisor Volumes to use for Checks Paid Analysis

150100	CHECKS PAID - REGULAR
150110	CHECKS PAID - CONTROLLED DISBURSEMENT
150120	CHECKS PAID - POSITIVE PAY
200100	Paper Disbursement Reconciliation Processing - Standard
200110	Paper Disbursement Reconciliation Processing - Full
200111	Paper Disbursement Reconciliation Processing - Full/Positive Pay
200112	Paper Disbursement Reconciliation Processing - Full/Positive Pay/Payee Verification
200120	Paper Disbursement Reconciliation Processing - Partial
200121	Paper Disbursement Reconciliation Processing - Partial/Positive Pay
200122	Paper Disbursement Reconciliation Processing - Partial/Positive Pay/Payee Verification
200130	Paper Disbursement Reconciliation Processing - Range
150100	CHECKS PAID - REGULAR
150110	CHECKS PAID - CONTROLLED DISBURSEMENT
150120	CHECKS PAID - POSITIVE PAY



# Product Focus: Wire Payments

Wires are the most visible with the least complexity

- **Separate international from domestic?**
- **Include books or separate?**
- **Additional fees for debit posting found in General Services**
- **Maintenance costs typically small but punitive charges can be significant (repairs)**

## Divisor Volumes to use for Wire Analysis

350100	Outgoing Domestic Wire Transfer
350102	Outgoing Domestic Wire Transfer - Repair
350103	Outgoing Domestic Wire Transfer - Straight Through Processing
35010Z	Outgoing Domestic Wire Transfer - Bundled
350110	Outgoing International Wire Transfer
350112	Outgoing International Wire Transfer - Repair
350113	Outgoing International Wire Transfer - Straight Through Processing
350115	Outgoing International Wire Transfer - with FX
35011Z	Outgoing International Wire Transfer - Bundled
350200	Outgoing Domestic Wire Transfer - Manual
350210	Outgoing International Wire Transfer - Manual
350213	Outgoing International Wire Transfer - Manual with FX
35021Z	Outgoing International Wire Transfer - Manual - Bundled
350510	Outgoing Domestic Wire Transfer - Standing Instruction
350511	Outgoing International Wire Transfer - Standing Instruction
350521	Drawdown Request - Domestic Wire Transfer
350522	Drawdown Request - International Wire Transfer

# Product Focus: Instant Payments

Realtime/Instant Payments have greater transparency due to the new AFP2020 Service Codes.

- **New AFP Codes for RTP/Instant Payments published in the latest AFP Service Codes**
  - Banks are charging for RTP, Zelle, Paypal transactions through account analysis.

Divisor Volumes to use for Instant Payments Analysis

350130	Outgoing Instant Payment Transaction
350340	Incoming Instant Payment



# Product Focus: Debit/Credit Card Payments

Calculating a cost per transaction for card payments received or paid is challenging for multiple reasons but can be done!

- **Bundled/Unbundled pricing makes the analysis difficult**
- **Non-standard statements without AFP Codes provided**
- **Impact of Net vs Gross Sales can be significant**
- **Should you include network/flat fees? The impact is growing!**

Determining the Volumes to use for Debit/Credit Card Analysis – Choose Per \$ or Per #

**Formula:**

**‘All in cost by card brand’/  
\$Gross Sales or \$Net Sales  
or # Transactions**

# About HCSC



**BlueCross BlueShield**  
Illinois • Montana • New Mexico  
Oklahoma • Texas



ASSOCIATION FOR  
FINANCIAL  
PROFESSIONALS



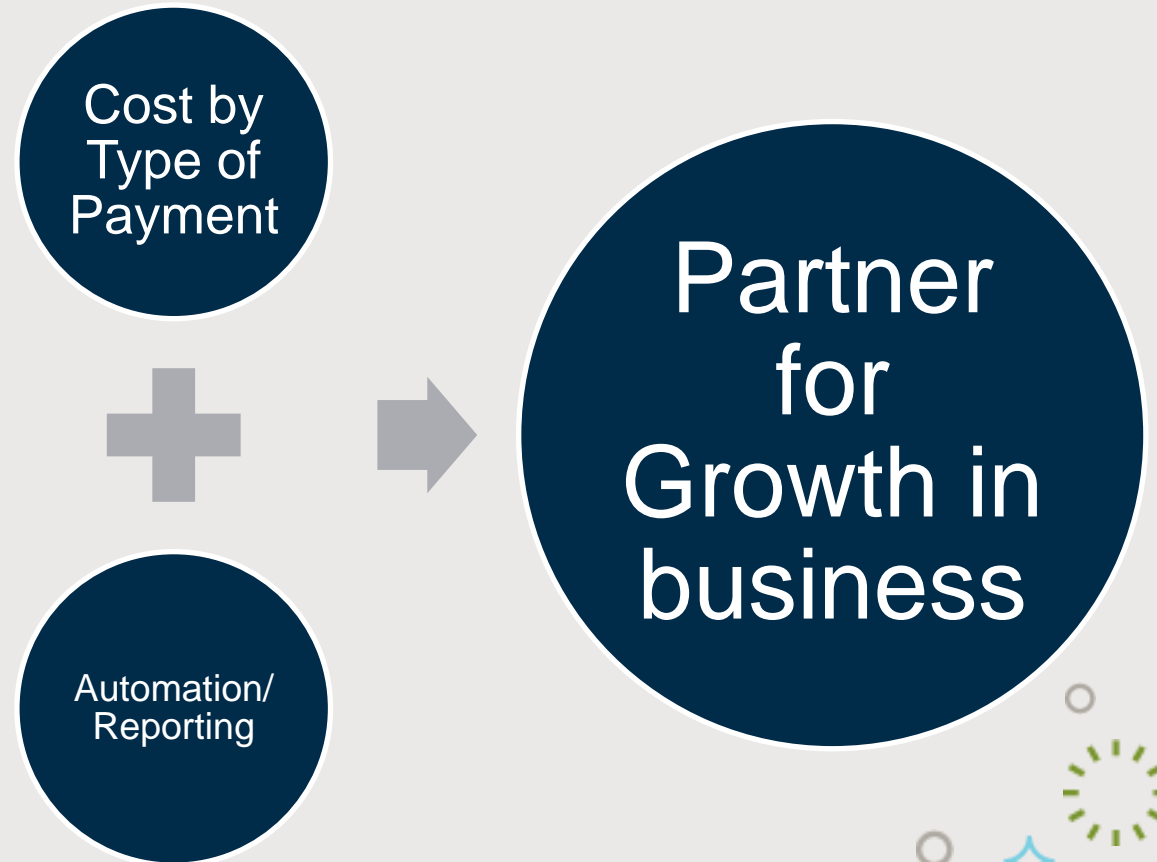
- HCSC is the 5th largest healthcare insurer in the U.S. generating \$64 Billion in Annual Revenue
- Operates Blue Cross Blue Shield in Illinois, Texas, Montana, Oklahoma, and New Mexico in addition to 30+ operating subsidiaries
- With 17 million health plan members and 24,000 employees, Health Care Service Corporation often flies below the radar as a mutually-owned company it's not publicly traded



# HCSC Case Study

## Payment Modernization Strategy

- Standardization of data
- 14 Bank Partners
- 200+ Bank Accounts
- 3 Treasury Systems
- 16 Staff



# Do you plan to move paper to digital ?

- 1) Yes, in process
- 2) Yes, still researching
- 3) Yes, project identified
- 4) No, already payments efficient
- 5) No, no plans right now

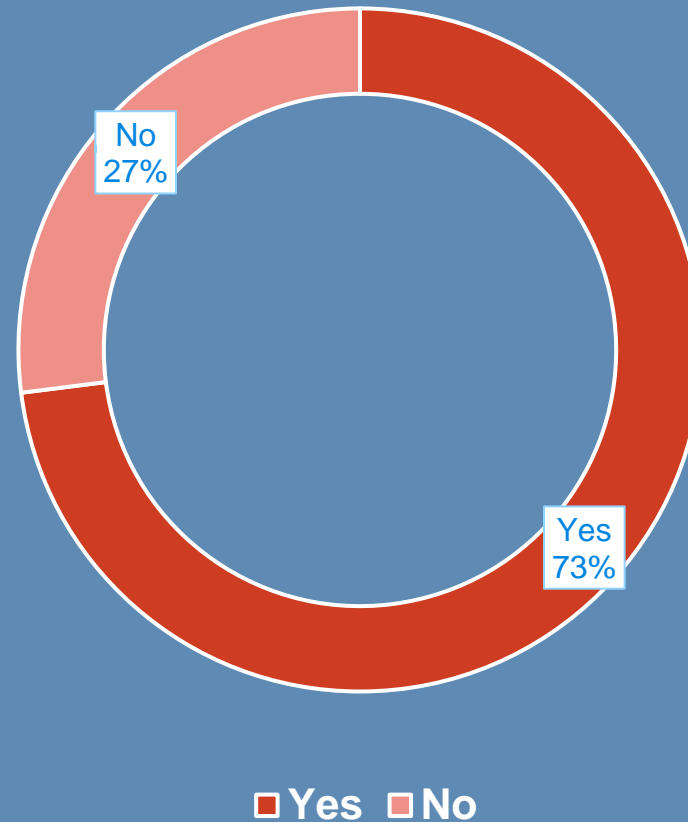


# Internal Costs: Conversion to Electronic/Digital with Payables Automation



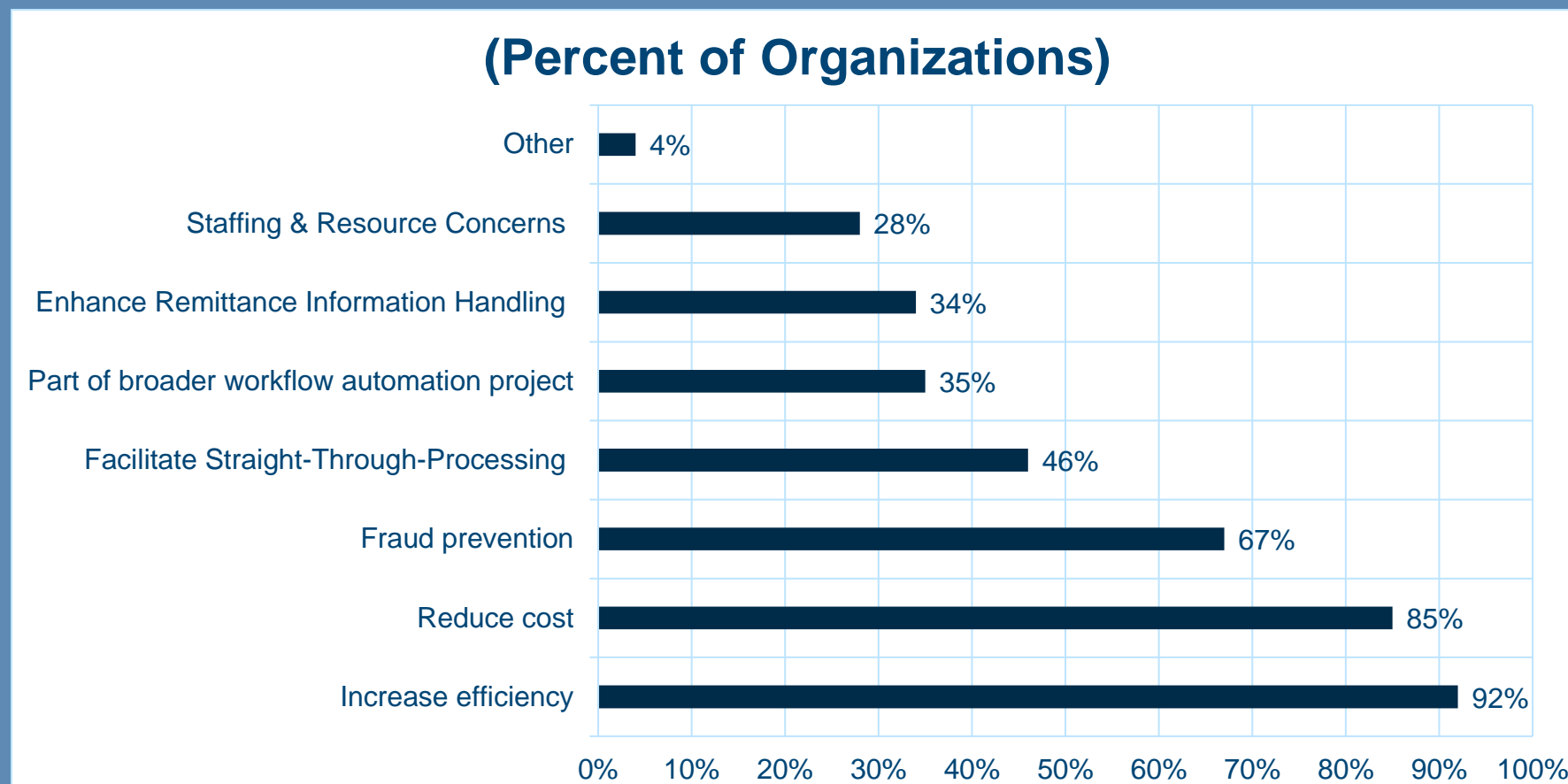
# Currently Moving Business to Business (B2B) Payments Away from Paper Checks to Electronic Payments

(Percentage Distribution of Organizations)



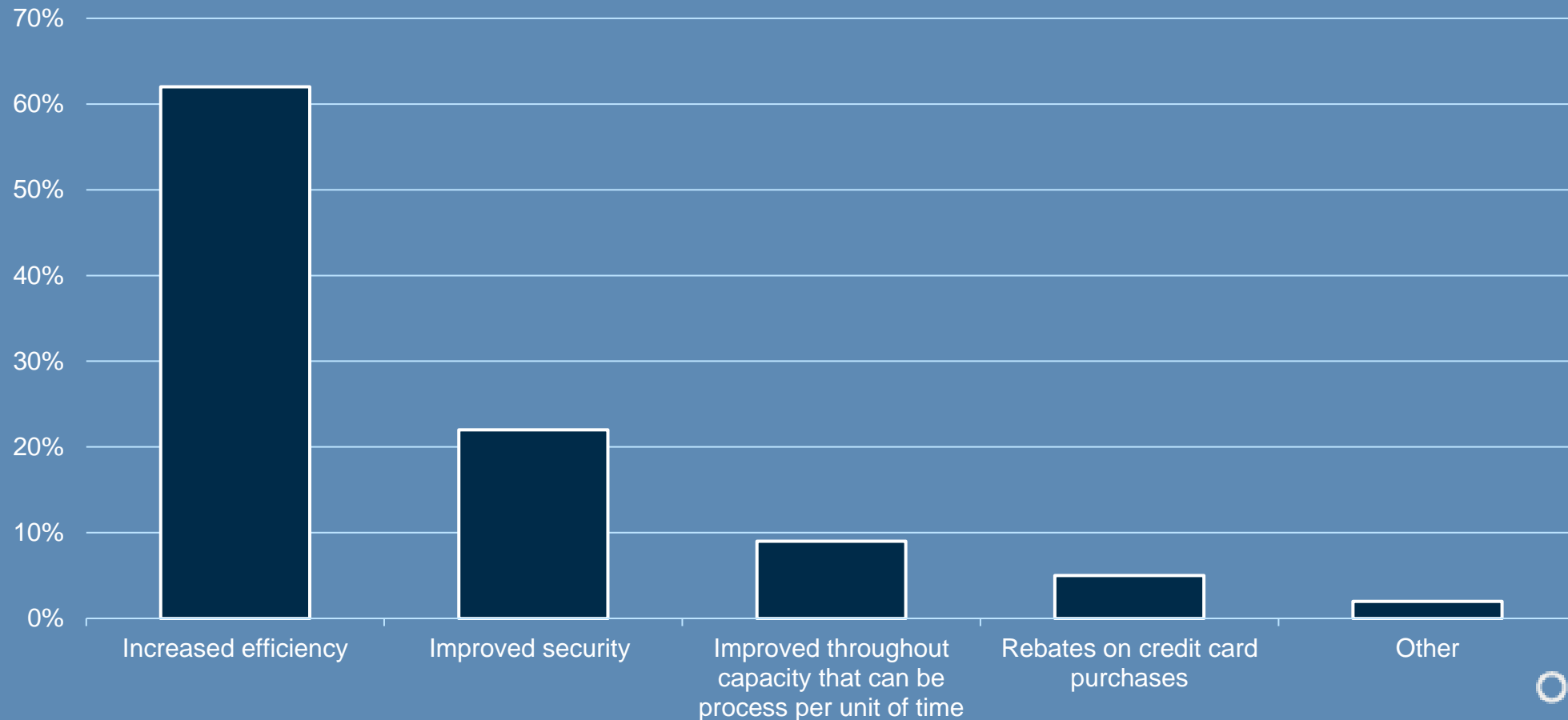


# Primary Reason for Moving Away from Paper Checks to Electronic Payments



# Top Priorities in Payment Automation and Electronic Payments

(Percentage Distribution of Organizations)



# Heightened Challenges in Accounts Payable



Risk, fraud  
& compliance



Control &  
visibility



Exception  
handling



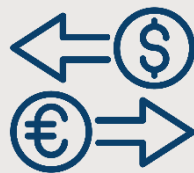
Growth  
management



Vendor data  
management



Remote  
workforce



International  
payment  
requirements



**Inefficiency:  
workflows &  
process**



Supplier  
demands



Decentralized AP



# Key Operational Efficiencies in AP



SUPPLIER ENABLEMENT FOR ELECTRONIC PAYMENT



ACH ERRORS PREVENTED/RESOLVED



STOPPED PAYMENTS, REFUNDS & RE-ISSUES



SUPPLIER FOLLOW-UP/OUTREACH RECORDS  
UPDATES/VERIFIED



ERRONEOUS PAYMENTS PREVENTED/RESOLVED &  
NOT RECOVERED



# AP Departments Rely on Checks

Checks are the most used payment in the U.S. – even more than ACH



1. Time Consuming



2. Expensive

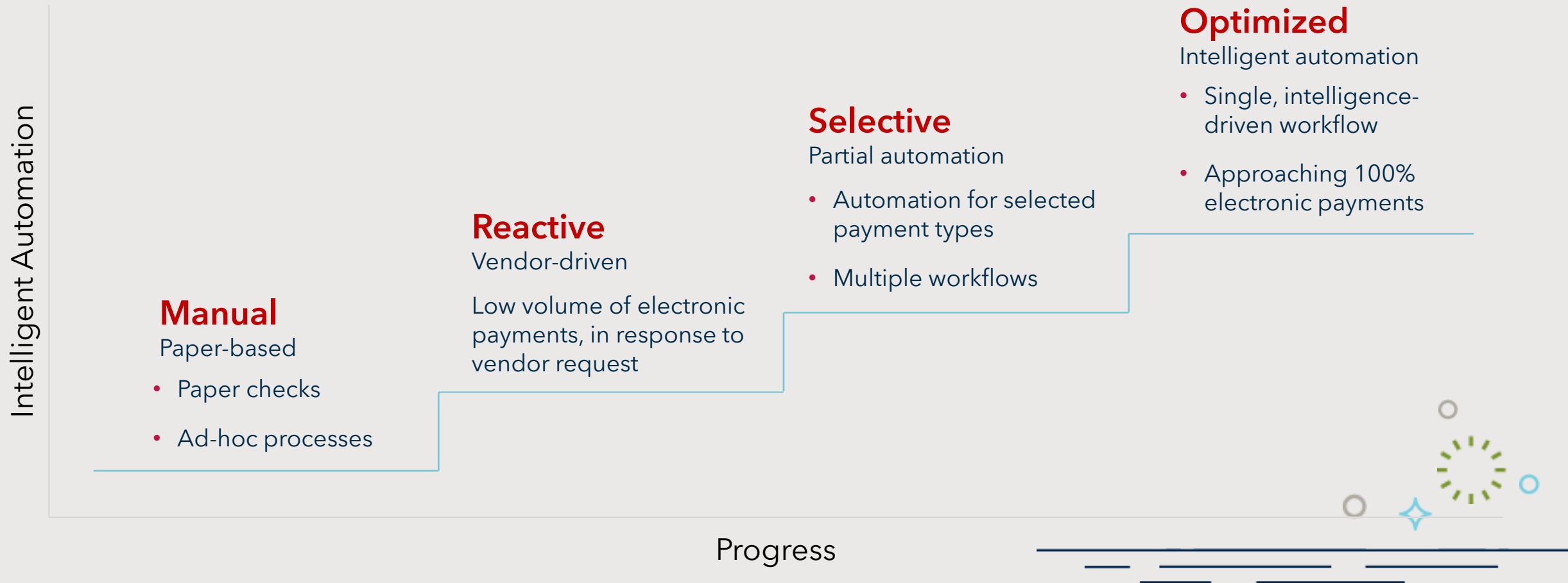


3. Susceptible to Fraud

Businesses want to make electronic payments, but there are barriers



# Payment Automation Journey



# Pain Points for Adopting Electronic Payments

## Pain Point

### IT Resources

- Customers have limited IT resources to format the files banks require

### Supplier Relationships






- Electronic payments require AP teams to coordinate with vendors on how to pay
- Major effort to manually update vendor data in ERP

### Multiple Workflows

- Customers don't want a different payment process for each payment type



# How to determine your true costs per payment

	SUPPLIER ENABLEMENT FOR ELECTRONIC PAYMENT	60 % of total payments x 30 min. x hourly
	ACH ERRORS PREVENTED/RESOLVED	1% of total payments x 45 min. x hourly
	STOPPED PAYMENTS, REFUNDS & RE-ISSUES	0.5 % of total payments x 30 min. x hourly
	SUPPLIER FOLLOW-UP/OUTREACH RECORDS UPDATES/VERIFIED	20 % of total payments x 15 min. x hourly
	ERRONEOUS PAYMENTS PREVENTED/RESOLVED & NOT RECOVERED	1% of total payments x 30 min. x hourly





# Case Study



**Industry: Manufacturing**  
**Payment Volume: \$62M**  
**Revenue: \$145M**  
**AP Staff: 3**



## Challenges:



Small staff could not keep up with increasing payments



Limited IT resources to assist



Transitioning to 100% remote office

## Full payment automation:



AP team saved 20 hrs./week



60-day Implementation



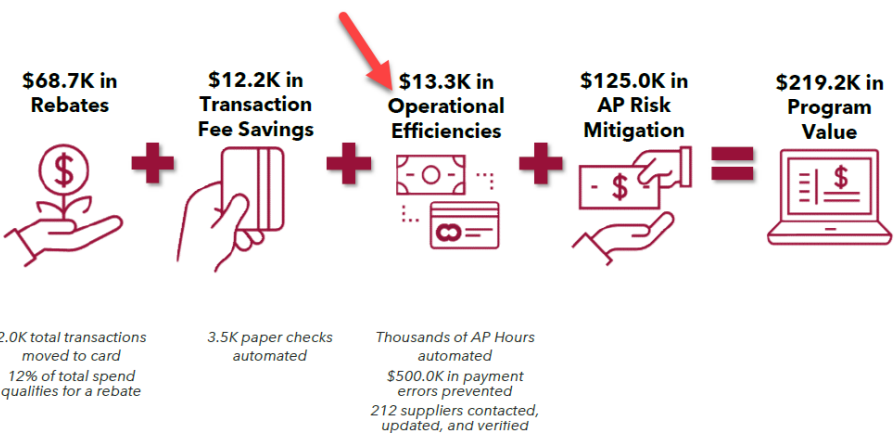
\$1,400 monthly savings & rebates

# Case Study



## Program Value

Corpay<sup>^</sup>



## Financial Impact

### Current Payments Program

Payment Type	Annual Payments	Mix %	Cost Per Payment	Total Costs
Customer Checks	5,051	98%	\$3.00	\$15,153
ACH	101	2%	\$0.43	\$43
VCARD	0	0%	\$0.00	\$0
Offsite Checks	0	0%	\$0.00	\$0
<b>TOTAL</b>	<b>5,152</b>			<b>\$15,196</b>

### Payments by Corpay

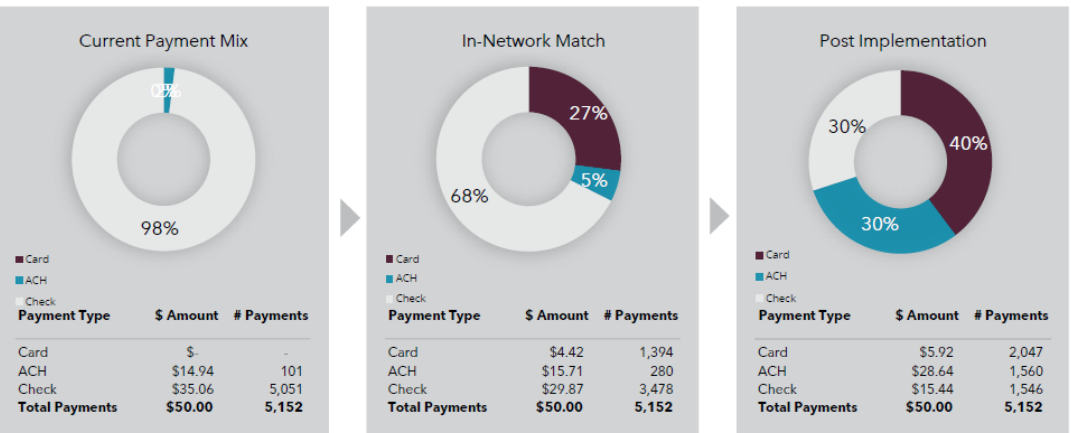
Payment Type	Annual Payments	Mix %	Cost Per Payment	Total Costs
Customer Checks	0	0%	\$0.00	\$0
ACH	1,560	30%	\$0.43	\$671
VCARD	2,047	40%	\$0.00	\$0
Offsite Checks	1,546	30%	\$1.48	\$2,287
<b>TOTAL</b>	<b>5,152</b>			<b>\$2,958</b>

Transaction Savings.....	\$	12,238
Process Efficiencies.....	\$	13,308
Vcard Rebate.....	\$	68,656
Annual Subscription (\$300/month).....	\$	3,600
<b>Net Rebate &amp; Savings on Optimized Program.....</b>	<b>\$</b>	<b>90,602</b>

## Payment Summary

Corpay<sup>^</sup>

All amounts shown are annual, payment amounts shown in millions, & charts indicate count %



\*Excludes International & excluded categories  
The estimate shown here is subject to change. Pre-established payment terms and other supplier agreements along with special classes of vendors could cause the estimated card amount to significantly change. Additional payment and supplier information would be necessary to calculate a more reliable estimate.

Process Efficiencies..... \$ 13,308

- In-depth Executive Report
- Communicates ROI

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