



Rhode Island DENTAL ASSOCIATION

April 1, 2025

Re: S3156/Support

Dear Committee members,

Several dental insurance companies are utilizing what are referred to as “**virtual credit cards**”. Rather than sending dentists a check or fund transfer as payment for treatment, dental insurers fax or e-mail claim payments as a prepaid credit card number. Dentists must manually enter this number to receive payment. **Manually entering a card number (KEYING) raises merchant fees** because networks and issuers treat keyed sales as higher-risk “*card not present*” transactions, so interchange rates and processor markups are higher to cover fraud, chargeback, and verification costs and those **higher interchange fees are passed to the merchant (dentist)**.

The following is how credit card processing works from the merchant standpoint. Specifically, why the merchant does not receive 100% of the charged amount and where those deductions go.

Credit card payments flow through several parties, so merchants receive the sale amount minus a set of fees: the largest fee (interchange) goes to the cardholder’s bank, small assessment fees go to the card networks, and the remainder is the processor/acquirer’s markup and service charges — together these typically total about **1.5%–3.5%** per transaction for most U.S. merchants.

Where the money goes (fee breakdown)

Fee component	Who receives it	Typical size
Interchange	Issuing bank (cardholder’s bank)	~ 0.05%–3.15% + fixed cents ; largest portion.
Assessment (network) fees	Card networks (Visa/Mastercard)	~ 0.13%–0.15% of transaction.
Processor / Acquirer markup	Merchant services provider / payment processor	Negotiable; often 0.2%–0.5% + per-txn cents.
Other fees	Gateway, chargeback fees, PCI, monthly fees	Varies; flat per-txn or monthly.

Important: Interchange fee is set by card issuers and is typically non-negotiable

Why Keying a Card Costs More Than Swiping

“Keying” a card converts the sale into a higher-risk category, and the extra fees compensate issuers, networks, and processors for that added risk and the services that mitigate it.

Keyed entry (manually typing the card number) is treated as a **card not present** transaction. Networks and issuing banks charge higher **interchange** for CNP sales because they carry more fraud and chargeback risk. Those higher interchange rates, plus extra processor surcharges and potential reserves, are why merchants receive less of the charged amount when a card is keyed versus swiped, dipped, or tapped.

Recommendation from card issuers and banks

- **Avoid keying when possible** – BUT VIRTUAL CARDS HAVE NO OTHER OPTION

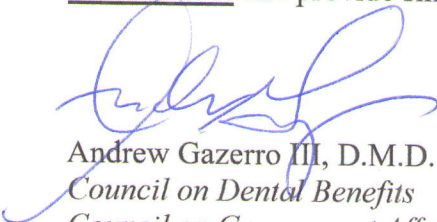
How the money actually moves

1. **Authorization:** Merchant sends transaction to processor; processor routes to network then issuer.
2. **Issuing bank approves/declines.**
3. **Settlement:** Issuer sends funds to acquirer via network; interchange and assessments are deducted.
4. **Processor takes its markup and all keyed surcharges; merchant receives the net deposit.**

WHY THIS BILL MATTERS

This bill protects dentists from fees they should not need to pay. Dentists should not need to pay to be paid. When dentists are in-network they have already agreed to discount their usual and customary fees. Needing to pay an additional fee to access their reimbursement is essentially discounting the discount.

This bill will mandate that dental insurers offer dentists options such as checks, ACH and EFT **without cost** and provide simple methods to elect their specific option.



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Council on Dental Benefits

Council on Government Affairs

Rhode Island Dental Association