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Administrative savings through common claims processing

A concept developed by the Office of Insurance Commissioner for discussion by the *Blue Ribbon Commission on Health Care Costs and Access*

Small provider groups find it challenging to implement Washington Healthcare Forum simplifications

Doctors and hospitals consistently describe the paperwork burden and staff time it takes to get paid, and claims processing accounts for at least one-quarter of a Washington carrier's administrative expenses. Yet, attempts to significantly decrease administrative costs have frustrated providers and carriers. In part, this is because most small provider groups cannot implement the claim payment simplifications developed by the Washington Healthcare Forum -- a coalition of carriers, providers, and purchasers who joined to simplify Washington's health care industry.

Small provider groups in Washington usually purchase off-the-shelf practice management systems from a software vendor. Small provider groups do not employ information technology experts who can upgrade their products. Furthermore, they do not have the money to pay for revisions specified by The Forum and cannot leverage their size to insist upon vendor upgrades. Small provider groups, consequently, often miss out on electronically simplifying administrative tasks that save time and money.

Significant time and money needed to pay health care claims

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) did not standardize claims payment. The federal government did, however, provide an electronic format for claims payment transactions. Every carrier, however, communicates claims payment information differently through HIPAA's format. To receive payment for health care services, doctors and hospitals must commit significant staff time and money toward interpreting coded claims payment information from carriers.

Doctors and hospitals need claims payment codes to have the same definition from every carrier in the state. Common definitions would allow the computer to interpret claims payment codes and reserve human interaction for truly thorny cases. Setting and implementing common codes and definitions, consequently, holds the potential to save money by streamlining claims processing for small provider groups.

Potential claims processing savings

Since 1994, the Utah Health Information Network (UHIN), a not-for-profit organization of insurers, providers, and government, has operated a centralized clearinghouse that transports commonly coded claims between providers and carriers. UHIN established common definitions for claims payment codes to ensure that each code had the same meaning on every claim.

HIPAA allows carriers to use hundreds of codes to describe the reason for accepting or rejecting a payment. Although the federal government assigns the codes, it does not

define them or how they can be used. UHIN boiled those payment codes down to 97 common codes (that can be read by a computer) with unique definitions. This vastly simplified claims payment in Utah. In Washington, the same code can have different meanings on different claims and this often leads to additional human intervention before a doctor or hospital can be paid.

UHIN's uniform claims processing system represents the greatest possible savings that a state could achieve through simplifying claims processing. Intermountain Health Care, UHIN's largest provider, pays *one-tenth of one cent* per claims transaction. Without UHIN, Intermountain Health Care would pay *three cents* per transaction. In total dollars, Intermountain Health Care (22 hospitals, 800 doctors) paid UHIN just \$26,000 for claims processing in 2005. By comparison, a single MRI clinic in Utah paid \$6,000 to another clearinghouse to electronically transport its claims between carriers.

Carriers also save money in Utah. UHIN charges carriers *17 cents* per claims transaction. The average clearinghouse charge can be *twice* the transaction cost of UHIN.

Washington's progress toward common coding

The Washington Healthcare Forum has stepped up to provide common coding for Washington's providers and carriers. Carriers, hospitals, and large clinics usually adopt The Forum's common coding and realize the administrative savings.

Since three-quarters of Washington's nearly 20,000 doctors practice in small provider groups, *the potential for savings in Washington lies in implementing electronic claims payment through The Forum's common coding within smaller clinical settings.*

A public / private partnership to support common coding for small provider groups

A public / private partnership can extend administrative savings to thousands of doctors in small provider groups by assisting the electronic implementation of The Forum's common coding. The partnership would pattern financial and consulting support after the Department of Health's successful Diabetes Collaboratives: for a state-subsidized fee, small provider groups would receive assistance in implementing The Forum's common coding into their practice management systems. It is important that state-purchased health care agencies implement the common coding developed by The Forum. Consequently, Washington State will need to be at the table when common coding is developed and a version of the standards should be adopted into rule.

The partnership would not develop computer systems. The partnership, however, would act as a purchasing cooperative for those practice management systems willing to implement The Forum's common coding. Spokane, Bellingham, and other communities have local health information technology organizations that could provide the partnership's services to small provider groups. Furthermore, a small provider group would still have the option to implement The Forum's common coding through any practice management system it purchased.

Similar to the Department of Health's Diabetes Collaboratives, the partnership could operate from a state agency and showcase the small provider groups that achieve administrative savings through participating in the partnership. Once Washington's carriers and providers implement common coding they might need only one clearinghouse or possibly could transport claims without any clearinghouses.

A public / private partnership committed to simplifying claims processing provides the Blue Ribbon Commission with a conceptual option to begin discussing administrative efficiencies. By including this option in its final report, the Blue Ribbon Commission could ensure that the partnership's policy, technical, and cost and savings implications are further examined among Washington's health care policy-makers.