

Electronic Health Care Payments

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Outline

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1. What do transaction definitions tell us?
2. Payment & remittance: send separately as two transaction or together as one?
3. What is the simplest payment model?
4. What are potential value-added services?
5. What are the benefits to:
 - A health plan
 - A health care provider
 - A clearinghouse
 - A bank

Remittance Advice Definition

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§162.1601(b) The transmission of either of the following from a health plan to a health care provider:

- (1) Explanation of benefits.**
- (2) Remittance advice.**

- Remittance advice is an ordinary HIPAA transaction.
- If the provider wants to conduct it as a standard transaction, the plan must do so.

Electronic Payment Definition 3

§162.1601(a) The transmission of any of the following from a health plan to a health care provider's financial institution:

- (1) Payment.**
- (2) Information about the transfer of funds.**
- (3) Payment processing information.**

• Payment is defined as to provider's bank, not to the provider.

Electronic Payment Definition ⁴

- HIPAA does not create a relationship or liability to conduct business with another entity; so a health plan is not required to send EFT to provider's bank.
- Provider's bank, for purposes of the payment, is not a covered entity; so an EFT payment need not be standard.
- What do these two conclusions mean? They mean the plan has a lot of say about EFT. It's a negotiation issue.

Payment & Remittance Advice 5

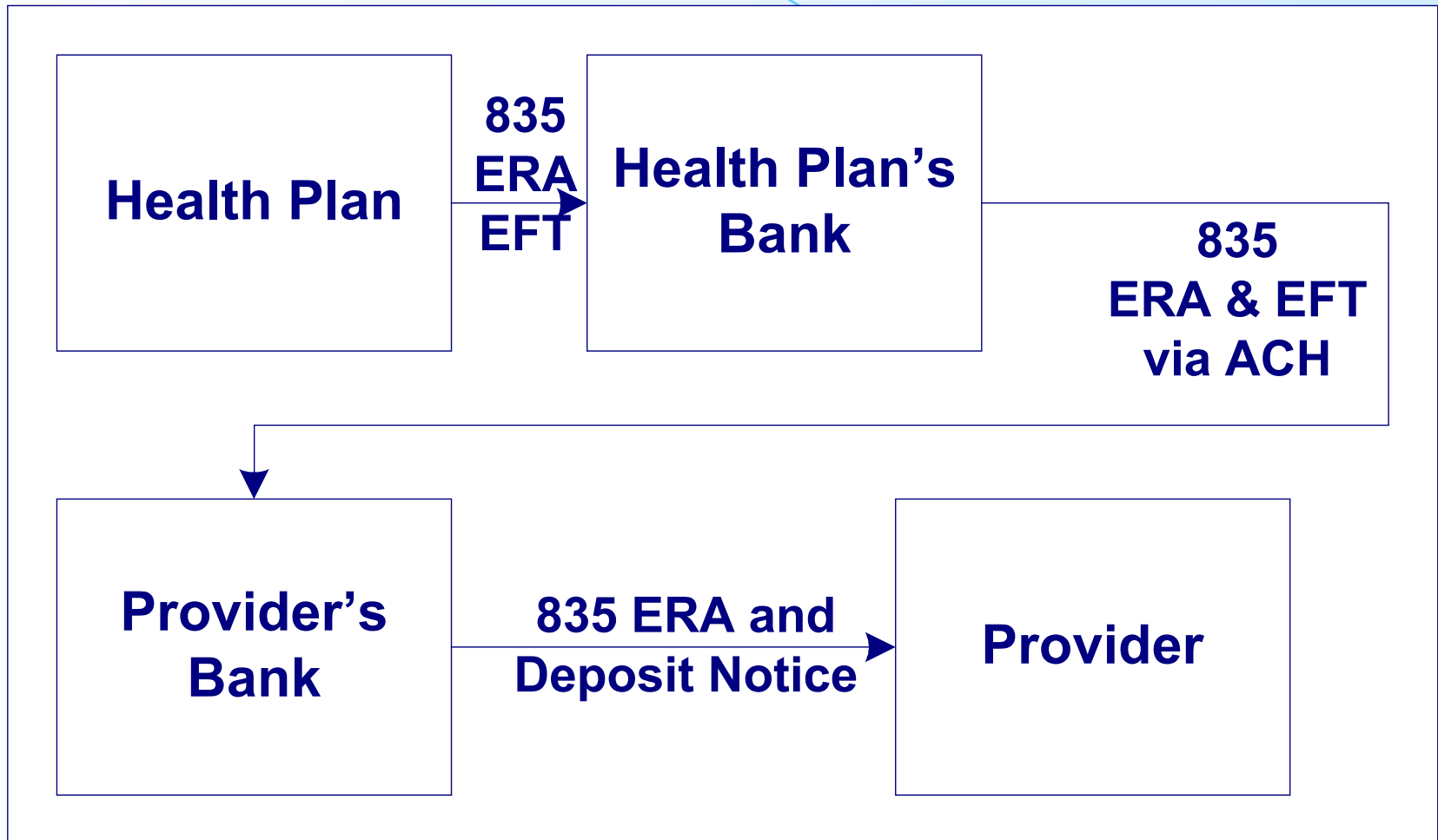
Two transactions or One?

- The 835 is the standard for both a payment and a remittance advice.
- One 835 transaction set can convey both transactions together.
- Or the payment and remittance advice can be split into two transactions that must balance to each other and are linked by a trace reference number.

From the perspective of the plan **6**

- The primary benefit to a plan from electronic payment and remittance advice is efficiency.
- A plan gains little by automating remittance advices while still printing checks. The benefit is greatest from both.
- A plan cannot demand EFT; it has to sell providers on the idea.
- But if a provider wants EFT, the plan may insist on doing both EFT and ERA.

The simplest model



The simplest model: the plan

- Perfect from standpoint of the health plan
- Except if provider doesn't want EFT: it's awkward to send a remittance advice through a bank without a payment; so plan would still need a separate channel for remittance advices and for printing paper.
- Detail is in the costs

The simplest model: the provider

- Not so perfect from standpoint of provider.
- The provider will still get checks because plans are not required to send EFT.
- Will the provider's favorite bank be able to send remittance advice with deposit notice?
- Will the provider end up with multiple systems?

Potential value-add services that will benefit providers 10

- Denial prevention
- Automatic claim status inquiry and exception reporting
- Verification that claim paid accurately; audit repricing against contract
- Accounts receivable management
- Automatic secondary payer claims
- Manage health savings accounts

Who will do value-add service?

The big market questions are

- what types of organizations will perform potential value-add services
- at what cost?

The players in competition include:

- Vendors
- Clearinghouses
- Banks

Benefits

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- For plans, benefit is efficiency; plans will tend toward their easiest solution and away from added cost.
- For clearinghouses and banks, benefit is revenue from increased service to plans and providers
- Providers stand to gain the most. Some estimates are that 2/3rds of business office cost in hospitals occurs after they receive the payment. Automated remittance should cut more than half of this cost.