

2009 EDI Administrative Transaction Review



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EDI Overview

The health care industry began using electronic data interchange (EDI) more than 20 years ago as a way to create efficiencies in third party payer billing. The *Health Insurance Portability Act of 1996* (HIPAA) Administrative Simplification provisions created standard transactions to enable the electronic exchange of administrative information between payers and providers.¹ HIPAA requires payers to accept electronic transactions but does not mandate its use by providers. Beyond the cost-savings associated with using electronic transactions, EDI offers many other advantages over paper, including that the transactions are portable, re-usable, and interchangeable between payers and providers. By comparison, paper is inefficient, slow, and requires a greater human resource investment to complete most processes.²

COMAR 10.25.09, *Requirements for Payers to Designate Electronic Health Networks*, requires that private payers operating in Maryland and whose premium volume exceeds \$1 million annually report administrative transaction data to the Maryland Health Care Commission (MHCC). Each year, this information is used to develop the *EDI Administrative Transaction Review* report. A total of 46 payers submitted information for 2008, which includes the six large private payers (Aetna, CareFirst, CIGNA, Kaiser, MAMSI, and United Healthcare), the government payers (Medicare and Medicaid), and the seven Medicaid Health Choice Managed Care Organizations (MCOs). Contributing payers are listed at the end of the report (Table 5) and are also available on the MHCC website at: <http://mhcc.maryland.gov/edi/2009AdministrativeTransactionReviewReportingPayers.pdf>. Payers and providers use the information in this report to develop programs aimed at increasing the use of administrative technology. The reporting process also enables the MHCC to identify electronic health networks operating in the state.

EDI activity, as determined by electronic claim transactions, increased last year by approximately 2.3 percent to 85.1 percent among practitioners and hospitals, and when combined with dental EDI activity, increased by 2.2 percent to 82.4 percent. EDI growth is expected to increase, although at a slower pace, as payers continue to make modifications in their business rules to support electronic transactions. Hospital EDI was reported at about 87.6 percent, which exceeds practitioners by nearly 2.8 percent (Table 1). However, the share of practitioner EDI exceeded hospitals by 78 percent and was reported at around 89 percent (Figure 3). Practitioners submit claims on a per visit basis and accounted for the largest portion of electronic claim transactions as opposed to hospitals that submit claims on an encounter basis. All combined, the six large payers reported the highest share of claims at roughly 45 percent, which is nearly double the shares reported by either Medicare or Medicaid. The EDI shares for the MCOs and other private payers accounted for around 6 percent and 5 percent, respectively (Figure 4).

EDI activity among private payers continued to increase during this reporting period for both the large and other private payers. Practitioner EDI for private payers was reported at around 81 percent (Figure 8), with hospital EDI exceeding this amount by almost 3 percent (Figure 9). Overall, the private payers report the share for both practitioners and hospitals increased by about 4 percent over the previous year (Figure 10). The other payers exceeded large payers by about 2 percent for practitioner EDI (Figure 8) and, conversely, large payers exceeded other payers by approximately 8 percent for hospitals (Figure 9). Both CareFirst and United Healthcare continue to report the highest EDI activity among the large payers at about 86 and 85 percent, respectively. However, United Healthcare reported its EDI share for hospitals at nearly 17 percent, which exceeds CareFirst by nearly 9 percent, while CareFirst reported practitioner EDI at about 78 percent, which exceeds United Healthcare by roughly 10 percent. Kaiser and MAMSI both reported the smallest share of EDI at roughly 56 percent and 60 percent (Figure 13).

Electronic claims adjudication enables payers to process claims more efficiently. These transactions typically do not require human intervention and are generally processed in less time. All payers reported a slight increase in their practitioner auto adjudication rates (Figure 14), and the majority of large

payers also reported an increase in their hospital auto adjudication rates (Figure 15). CareFirst and United Healthcare led the large payers in their auto adjudication for both provider types with practitioners at approximately 71 and 74 percent (Figure 14), and hospitals at 74 and 69 percent (Figure 15). Kaiser reported the lowest percentages of auto adjudication with practitioners at roughly 30 percent (Figure 14) and hospitals at 41 percent (Figure 15); however, they reported the largest increase of all the large payers with about a 12 percent increase for practitioners and roughly a 20 percent increase for hospitals.

Government payers reported the largest percentage of practitioner electronic transactions at about 90 percent, exceeding private payers by almost 9 percent (Figure 7). These payers usually do not require hard copy support documentation to accompany the claim, which makes it easier for providers to submit claims electronically. Government payer EDI exceeded private payers by around 7 percent for hospitals (Figure 6) and 9 percent for practitioners (Figure 5). Overall, private and government payers report EDI at around 85 percent for both hospitals and practitioners (Figure 7). Government payers routinely report the largest percent of electronic transactions, which is a result of less onerous business rules and fairly ambitious outreach programs. EDI activity for Medicare was reported at about 97 percent and exceeded Medicaid by roughly 5 percent. Medicaid practitioner EDI share at 86 percent exceeded Medicare by almost 4 percent, while Medicare at nearly 15 percent exceeded Medicaid by roughly 9 percent for hospital EDI share (Figure 16).

MCO EDI activity was reported at around 69 percent, with nearly 56 percent for practitioners and roughly 13 percent for hospitals. For the most part, fairly stringent business requirements among the MCOs limit a provider's ability to send claims electronically. AMERIGROUP reported the largest share of EDI among the MCOs at nearly 77 percent and Jai Medical the lowest at roughly 6 percent (Figure 17). Practitioners account for the majority of electronic transactions reported by the MCOs. The MCOs consistently lag behind the other payers in implementing technology to support EDI.

HIPAA's standard transactions promote administrative simplification by providing very strict format rules to ensure the integrity and maintain the efficiency of the interchange.³ Electronic transactions originate from the providers information system and are sent to the payer, or vice versa. HIPAA transactions are used for billing and other support activities and provide administrative efficiency as certain information can be obtained electronically. Payers reported an increase of almost 10 percent in the electronic eligibility transaction for 2008. Verifying eligibility prior to care delivery ensures that providers collect the appropriate co-payment at the time of care and that they have the correct billing information. The electronic claim transaction continues to exceed all the other administrative transactions (Table 2). The leading benefits of electronic claims are fairly consistent for both payers and providers; they are easier to track and require less manual effort to process. A key benefit for providers is that electronic claims are processed in approximately 14 days as opposed to 28 days for paper claims. Aetna is the only large payer that reported not being able to support the batch claim payment and remittance advice (Table 3).

Payers that are not able to support batch electronic transactions rely on web-based applications in order to meet the HIPAA requirements. Both batch transactions and web-based applications have unique advantages. The web-based application is generally viewed by providers as easier to use when performing a single transaction. Conversely, batch transactions enable providers to submit transactions on more than one individual directly from their information system.

Dental EDI decreased by roughly 4 percent over the last year to about 41 percent (Table 4). Medicaid dental EDI was reported at nearly 51 percent last year, which was as a result of an intense claim cleanup effort; this year it decreased by roughly 22 percent (Figure 18). Dental EDI trails medical payers largely because most payers have not invested in the technology to support electronic dental claims and, in some instances, the business rules of dental payers require radiographs to accompany the claim.

Maryland EDI Activity Overview (%)

Table 1

| Provider Type | Government | | Variance | Private | | Variance | Total Payers | | Variance |
|---------------|------------|------|-------------|---------|------|-------------|--------------|------|-------------|
| | 2007 | 2008 | Gain/(Loss) | 2007 | 2008 | Gain/(Loss) | 2007 | 2008 | Gain/(Loss) |
| Practitioner | 89.3 | 89.8 | 0.5 | 77.0 | 80.5 | 3.5 | 82.3 | 84.8 | 2.5 |
| Hospital | 92.2 | 90.9 | (1.3) | 83.1 | 84.2 | 1.1 | 87.3 | 87.6 | 0.3 |
| Subtotal | 89.6 | 89.9 | 0.3 | 77.6 | 80.9 | 3.3 | 82.8 | 85.1 | 2.3 |
| Dental | 44.8 | 51.4 | 6.6 | 36.6 | 38.7 | 2.1 | 37.3 | 40.7 | 3.4 |
| Total | 89.0 | 89.1 | 0.1 | 73.9 | 76.9 | 3.0 | 80.2 | 82.4 | 2.2 |

Distribution of 2008 Transaction Shares

Figure 1

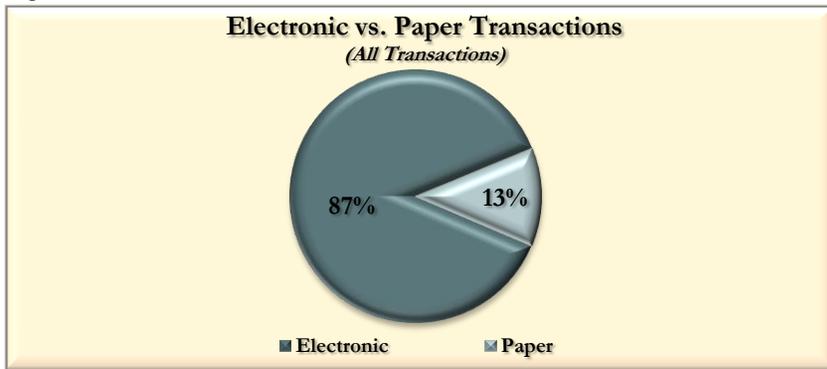


Figure 2

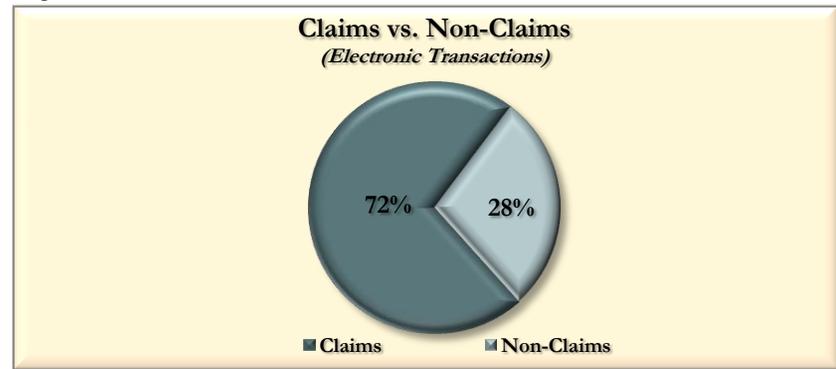


Figure 3

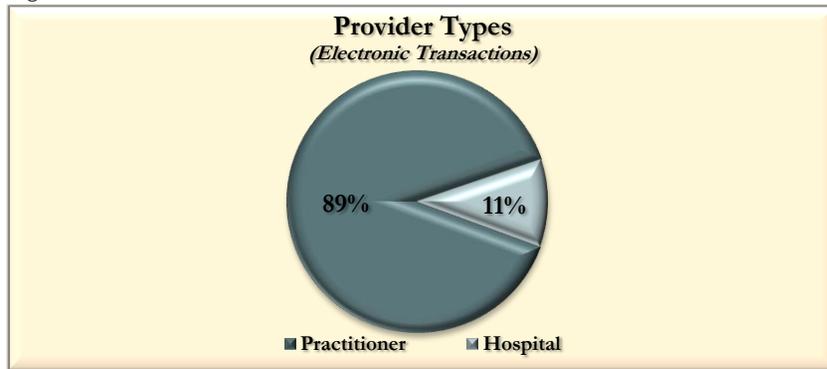
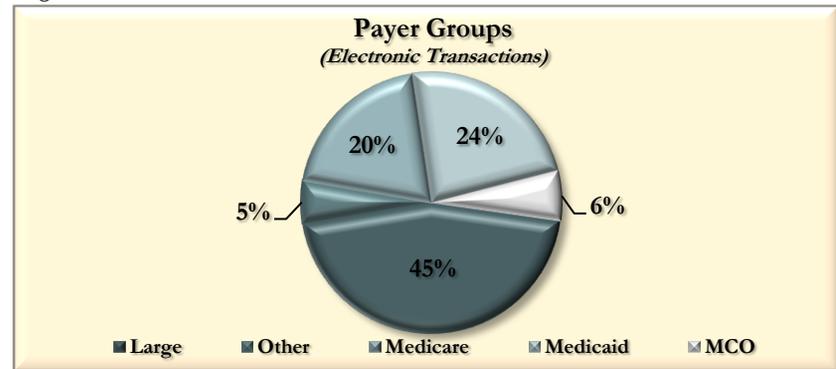


Figure 4



Private and Government Payer EDI

Figure 5

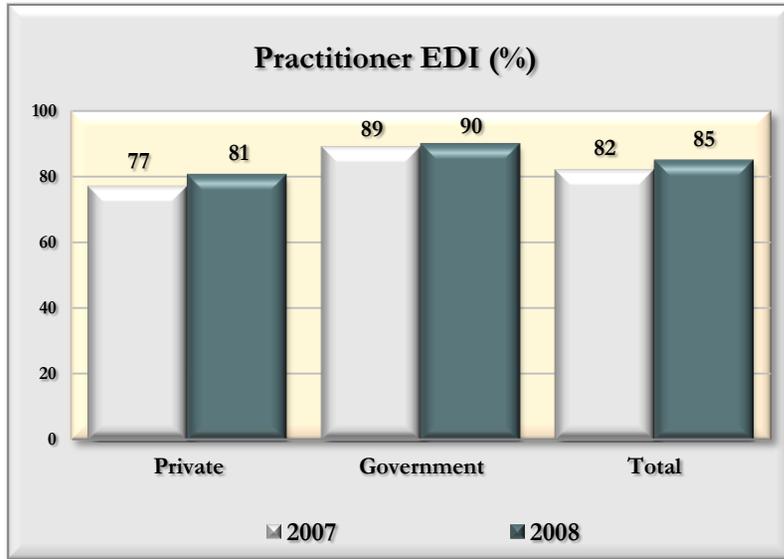


Figure 6

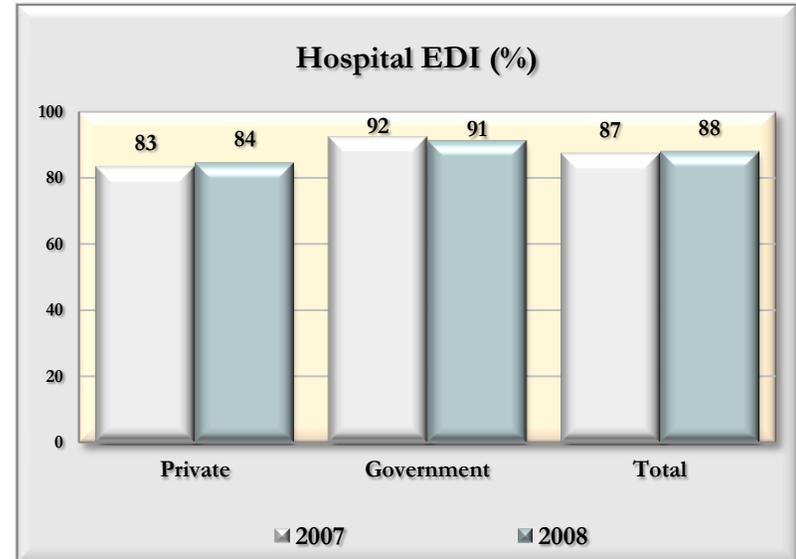
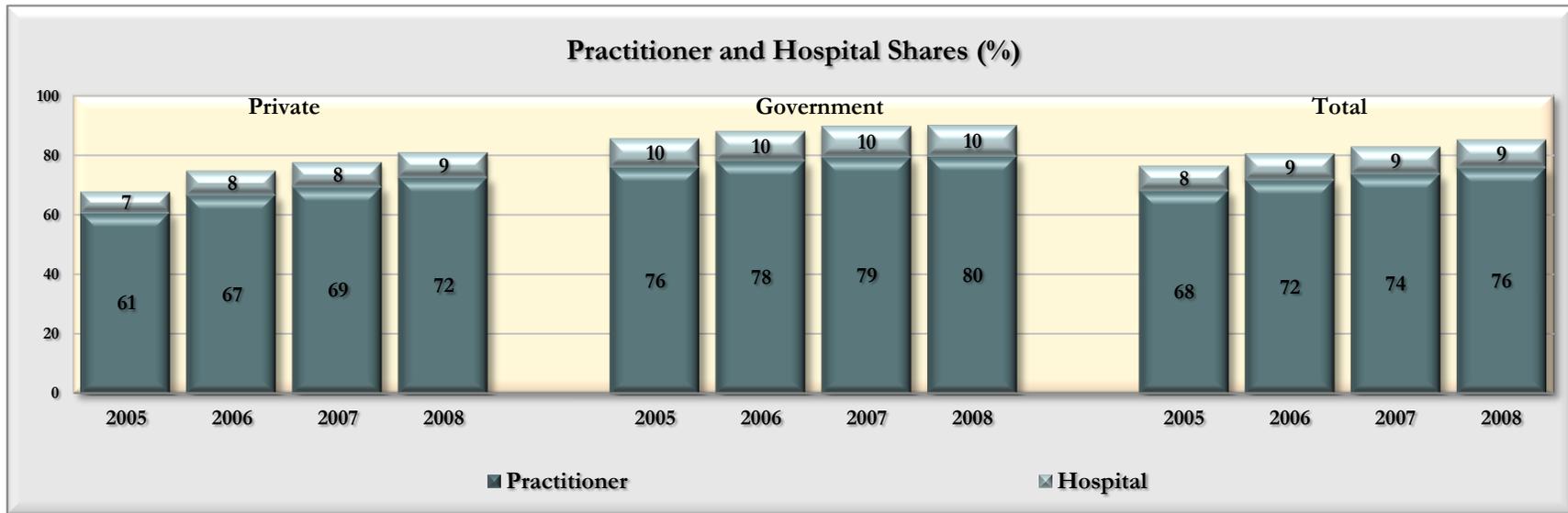


Figure 7



Private Payer EDI

Figure 8

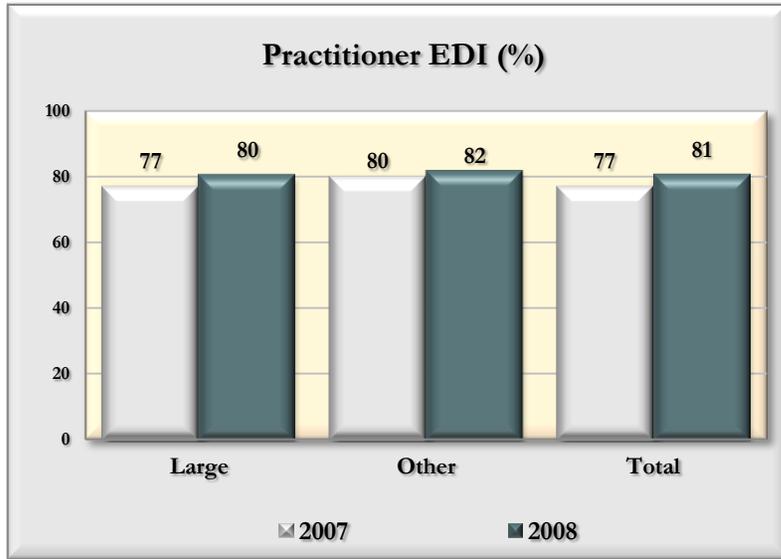


Figure 9

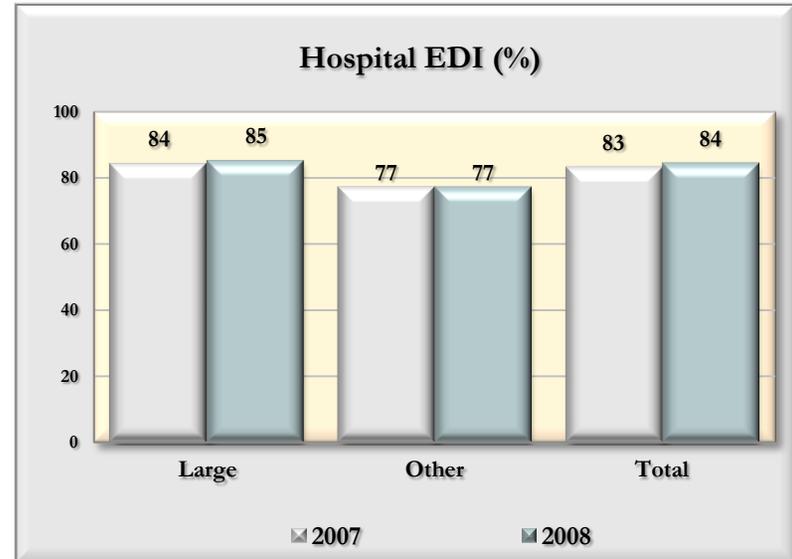
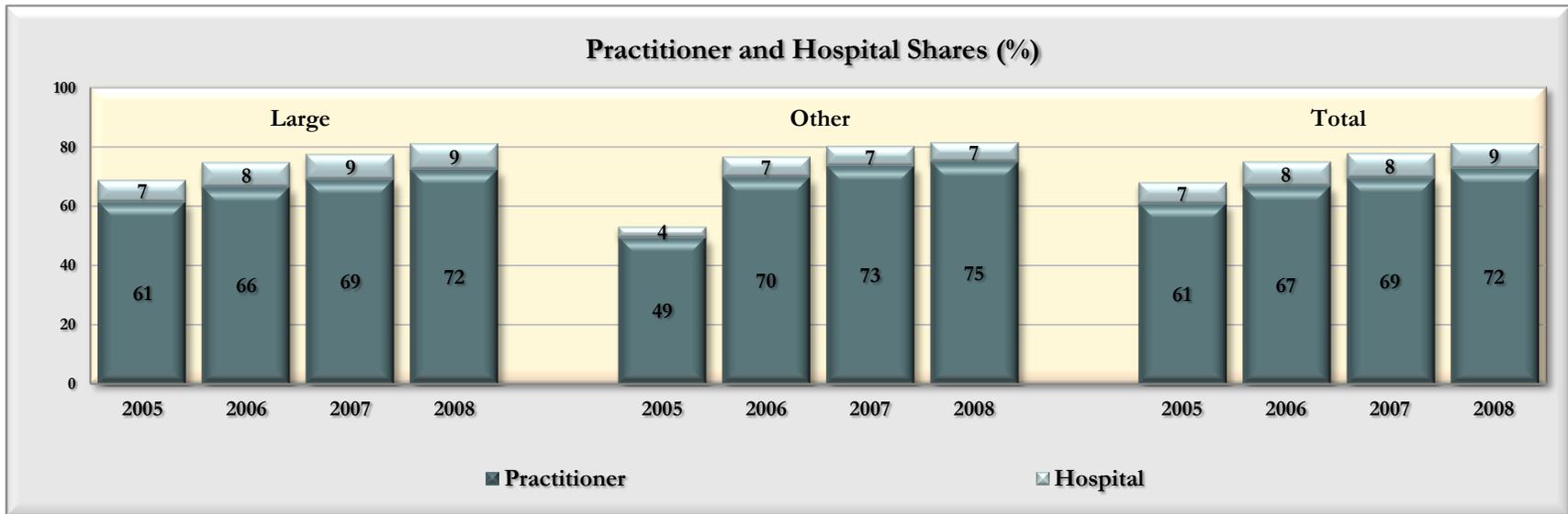


Figure 10



Large Private Payer EDI

Figure 11

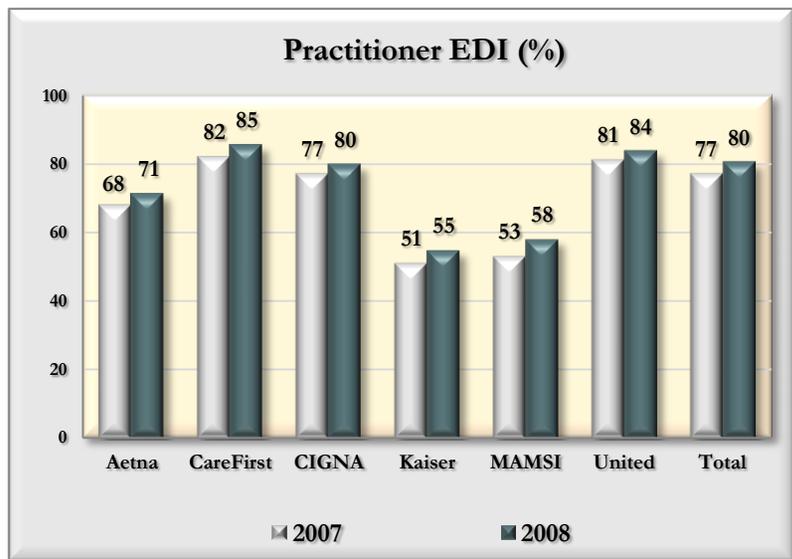


Figure 12

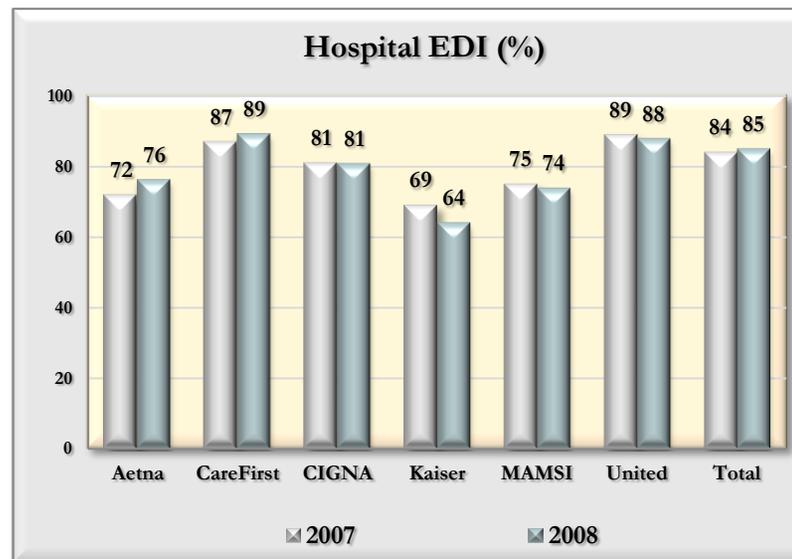
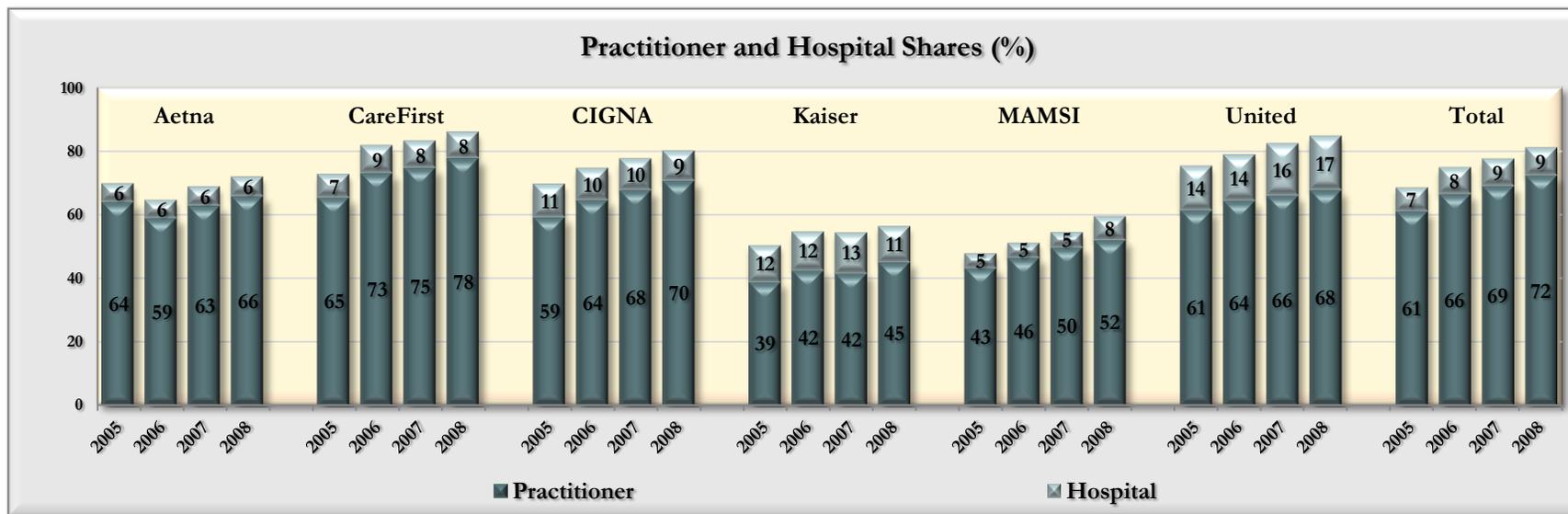


Figure 13



Auto Adjudication

Figure 14

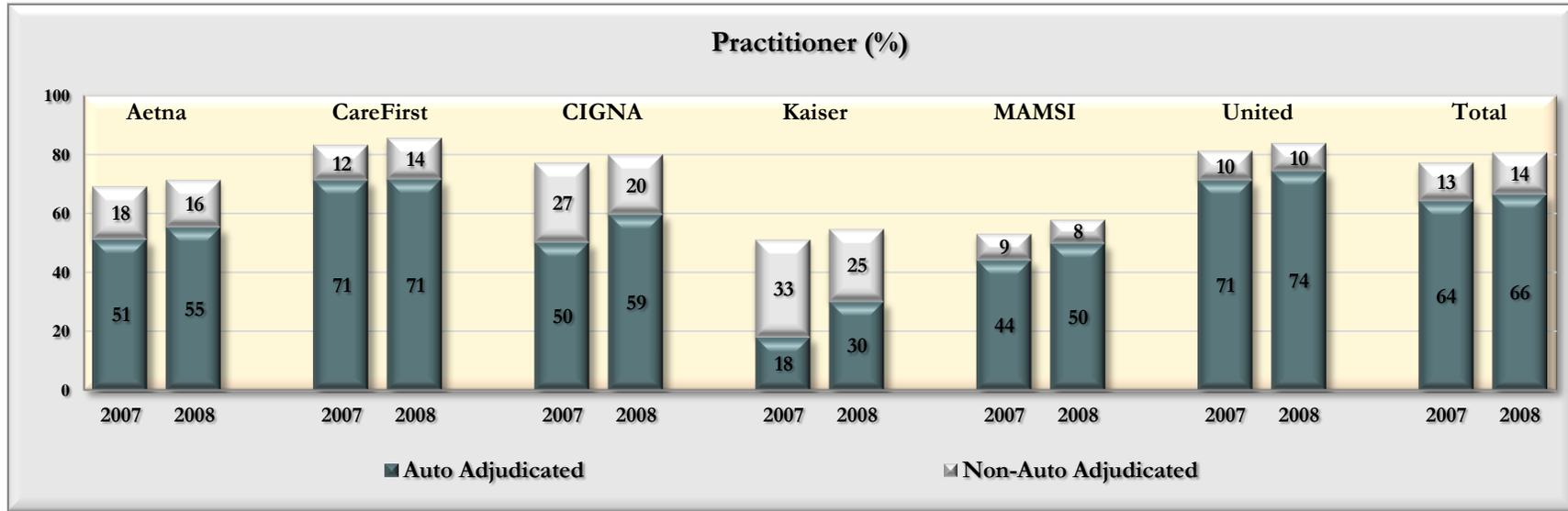
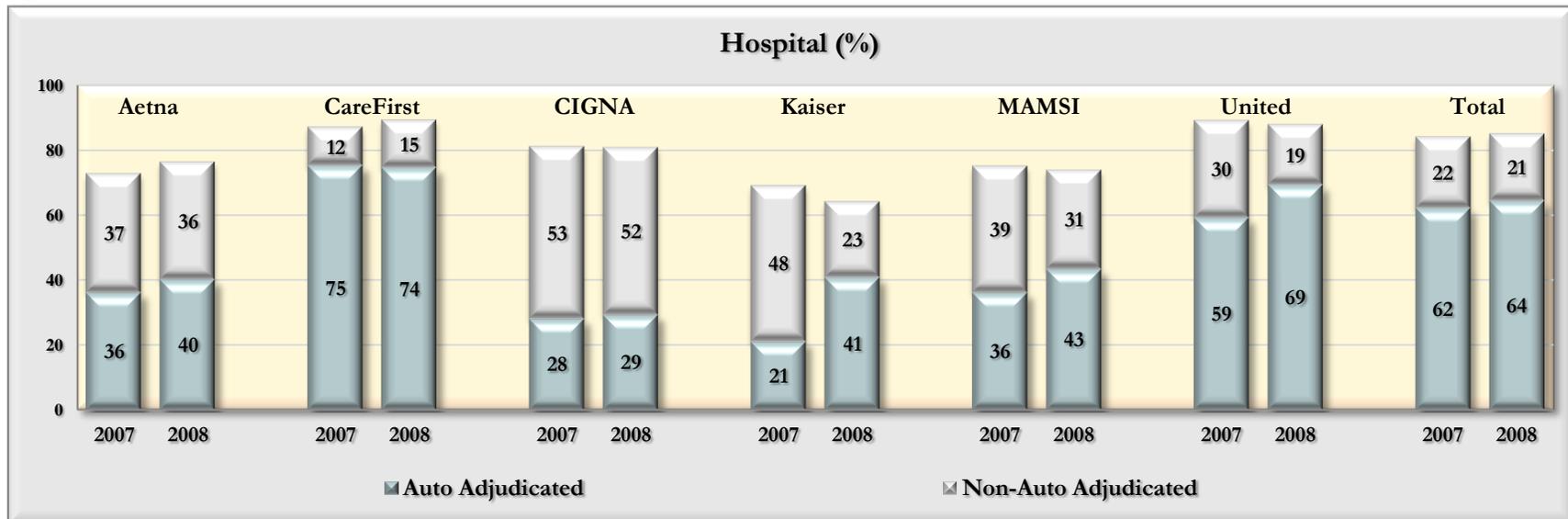


Figure 15



Government & MCO Payers

Figure 16

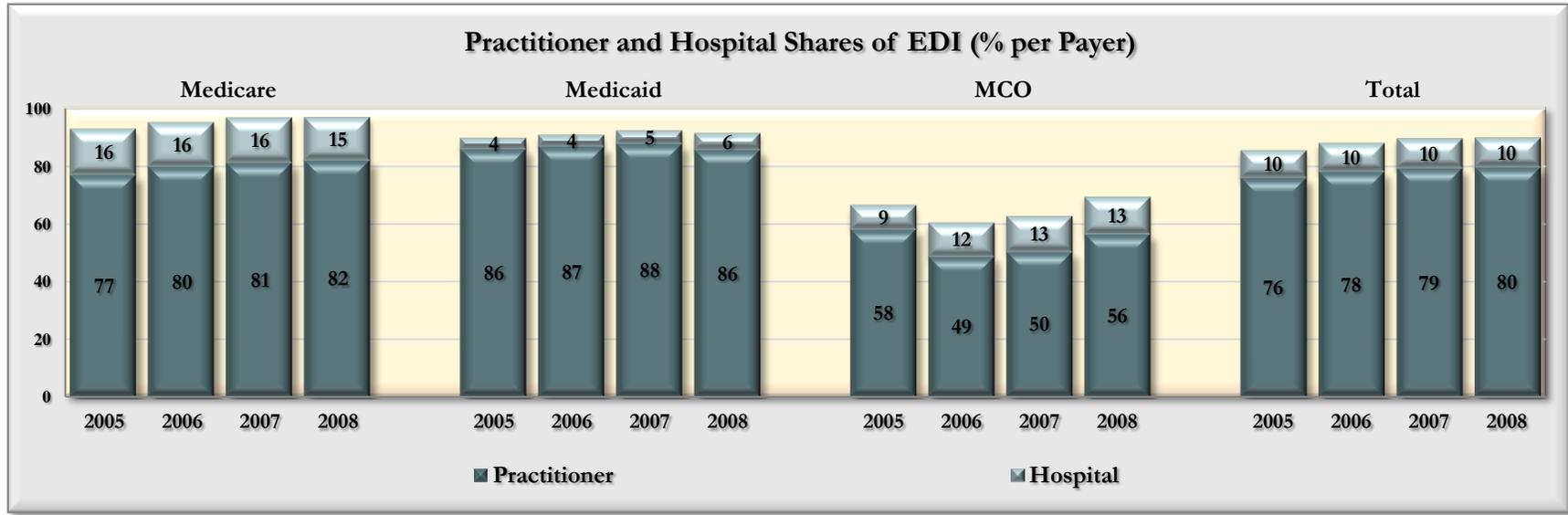
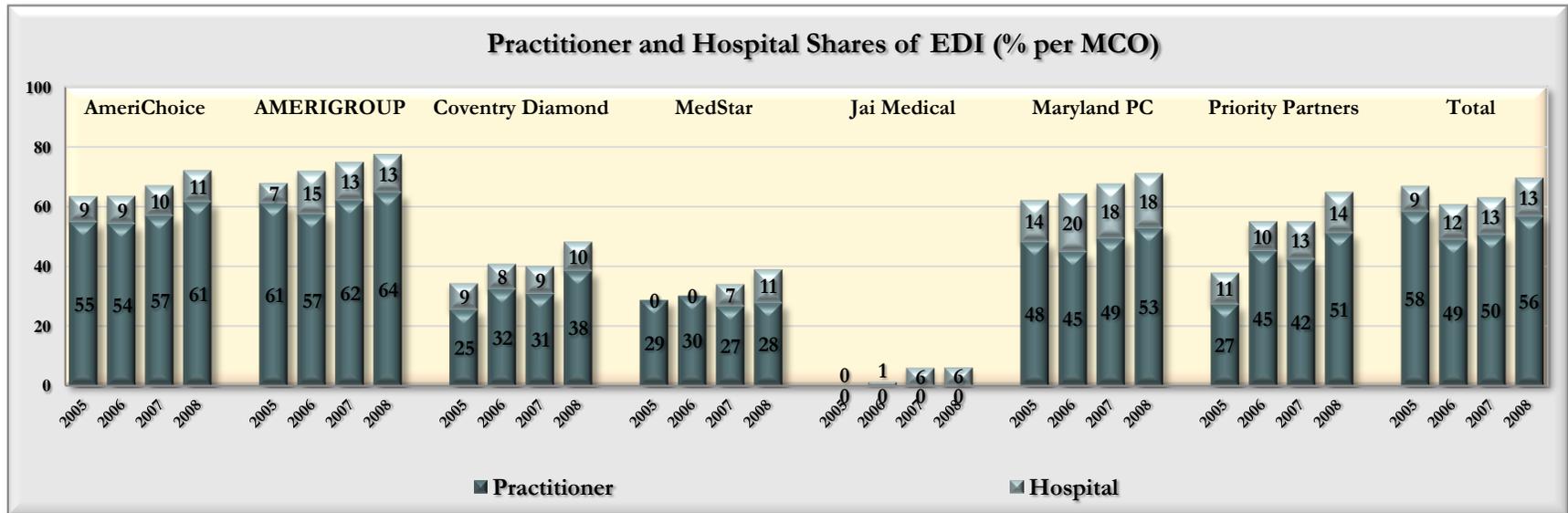


Figure 17



Other Administrative Electronic Health Care Transactions

Table 2

| Payers Supporting Other Administrative Transactions (%) | | | | | |
|---|-------|-------|------|------|------|
| Other Administrative Transaction Types | 2004* | 2005* | 2006 | 2007 | 2008 |
| Health Plan Eligibility (270/271) | 32 | 46 | 76 | 60 | 70 |
| Health Claim Status (276/277) | 24 | 38 | 67 | 62 | 66 |
| Referral Certification & Authorization (278) | 16 | 21 | 21 | 29 | 27 |
| Health Plan Premium Payments (820) | 3 | 8 | 14 | 7 | 9 |
| Enrollment/Disenrollment in a Health Plan (834) | 27 | 38 | 60 | 53 | 52 |
| Claim Payment & Remittance Advice (835) | 29 | 38 | 69 | 73 | 75 |

*MCO and Medicaid data did not become available until 2006

Table 3

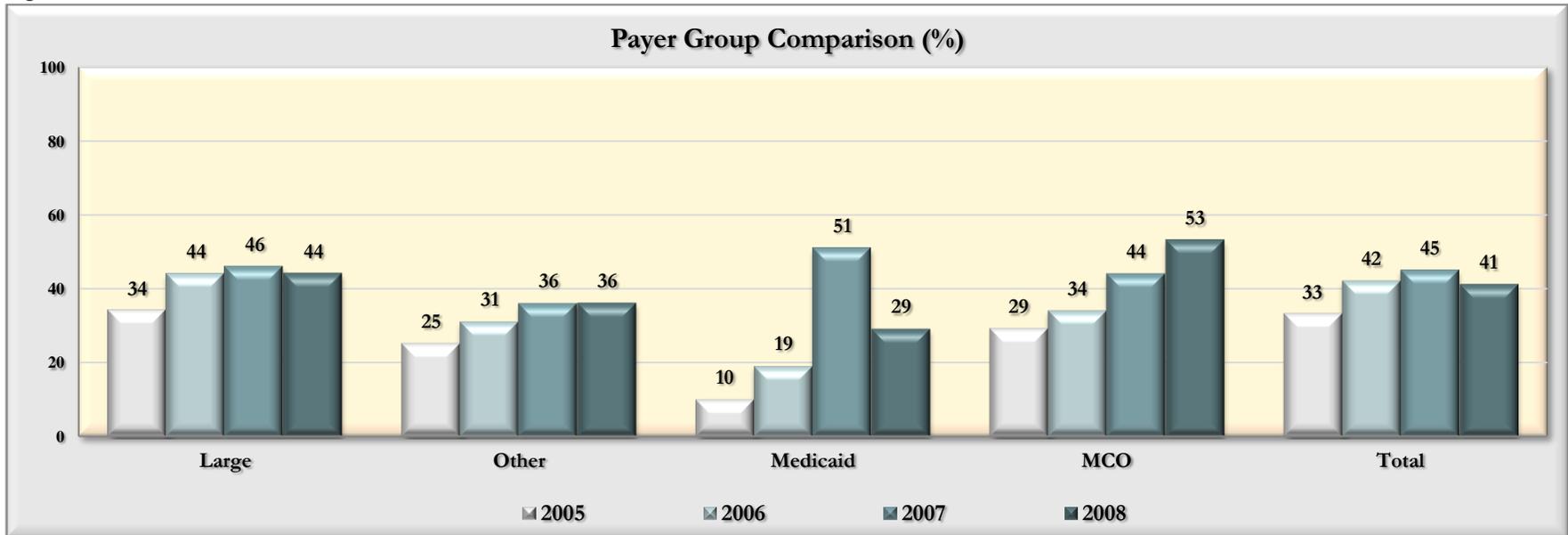
| Large Private Payers Supporting Web-Based vs. Batch Transactions | | | | | | | | | | | | |
|--|-----------------------------------|---|-------------------------------|---|--|---|------------------------------------|---|--------------------------------|---|---|---|
| W = Web-Based B = Batch | | | | | | | | | | | | |
| Payer | Health Plan Eligibility (270/271) | | Health Claim Status (276/277) | | Referral Certification & Authorization (278) | | Health Plan Premium Payments (820) | | Enrollment/Disenrollment (834) | | Claim Payment & Remittance Advice (835) | |
| | W | B | W | B | W | B | W | B | W | B | W | B |
| Aetna | x | | x | | x | | | | | | x | |
| CareFirst | x | | x | | x | | | | x | | | x |
| CIGNA | x | | x | x | x | x | | x | | x | | x |
| Kaiser | | x | | | | | | | | | | x |
| MAMSI | x | x | x | x | | | | | | x | | x |
| United Healthcare | x | x | x | x | | x | | x | | x | | x |

Dental EDI

Table 4

| EDI for Maryland and National Dental Payers (%) | | | | |
|---|------------------|------|------|------|
| Payers | 2005 | 2006 | 2007 | 2008 |
| Maryland | 33 | 42 | 45 | 41 |
| National ⁴ | N/A ⁵ | 48 | 52 | 54 |

Figure 18



MHCC Certified EHN Program

Electronic Health Networks (EHNs) are organizations engaged in the exchange of electronic transactions between payers and providers. COMAR 10.25.07, *Certification of Electronic Health Networks and Medical Claims Clearinghouses*, requires payers to use EHNs that are MHCC certified. These EHNs must meet strict industry standards relating to privacy and confidentiality, security, technical performance, business practices, and physical and human resources.⁶ Currently, approximately 43 EHNs are MHCC certified; the certification is valid for two years.⁷ Over the last year, roughly six networks received initial MHCC certification. A list of certified EHNs can be found on the MHCC website at: mhcc.maryland.gov/edi/ehn/index.html.

EDI in 2010

Over the next year, the MHCC will continue to provide assistance to payers and providers in developing strategies aimed at increasing the use of technology. The MHCC anticipates an increase in pharmacy networks that will seek certification as a result of a recent change in regulations made by the Maryland Board of Pharmacy, which requires pharmacies that receive prescriptions electronically to use intermediaries certified by the MHCC.

About the Center for Health Information Technology

The Center for Health Information Technology (Center) is responsible for the MHCC's health information technology (HIT) initiatives, including the review of payer EDI data and certifying EHNs that do business in the state. The Center is working on two crucial components to advance HIT: the widespread use of electronic health records (EHRs) and the implementation of the statewide health information exchange (HIE). The MHCC envisions the development of an HIE that will bring vital clinical information to the point-of-care, help to improve safety, and enhance the quality of health care while decreasing overall health care costs by:

- Increasing the availability and use of standards-based HIT through consultative, educational, and outreach activities;
- Continuing to identify challenges in HIT adoption and use, while formulating solutions and best practices for allowing HIT to work;
- Promoting and facilitating the adoption and meaningful use of HIT for the purpose of improving the quality and safety of health care;
- Designating managed services organizations that offer EHRs through an application service provider model to providers;
- Certifying EHNs that accept electronic health care transactions originating in Maryland; and
- Developing programs to promote EDI between payers and providers.

Key accomplishments include:

- Completing the statewide HIE planning project;
- Designating a multi-stakeholder organization to implement and operate the statewide HIE;
- Releasing the *Health Information Technology: An Assessment of Maryland Hospitals* report;
- Developing the *Service Area Health Information Exchange: A Hospital Data Sharing Community Resource Guide*;
- Publishing the *Management Services Organizations: A Vision of State Designated Organizations for Physician Practices* report;
- Participating in the Centers for Medicare and Medicaid Services five year EHR Demonstration Project; and
- Expanding the *MHCC EHR Product Portfolio*.

2009 Administrative Transaction Review Reporting Payers

Table 5

| Private Payers | | Government & MCO Payers |
|--|--|--|
| <p>Aetna **</p> <p>American Family Life Assurance *</p> <p>American Republic Insurance Company</p> <p>Ameritas Life Insurance *</p> <p>APS Healthcare</p> <p>Bravo Health Midatlantic</p> <p>CareFirst **</p> <p>CIGNA **</p> <p>Companion Life Insurance *</p> <p>Coventry Health Care</p> <p>Delta Dental Insurance *</p> <p>DentaQuest Mid-Atlantic*</p> <p>Eastern Life & Health Insurance *</p> <p>Fidelity Security Life Insurance</p> <p>First Health Life & Health Insurance</p> <p>Golden Rule Insurance</p> <p>Graphic Arts Benefits</p> <p>Great West</p> <p>Group Dental Service of MD *</p> | <p>Guardian Life Insurance</p> <p>Humana Dental Insurance *</p> <p>John Alden Insurance</p> <p>Kaiser **</p> <p>Lincoln Financial Group *</p> <p>MAMSI **</p> <p>Mega Life & Health Insurance</p> <p>Metropolitan</p> <p>Mid-Atlantic Vision Services Plan</p> <p>New York Life Insurance</p> <p>Principal Mutual Life Insurance</p> <p>State Farm Mutual Automobile Insurance</p> <p>Sunlife and Health Insurance *</p> <p>Time Insurance</p> <p>Unicare Life & Health Insurance</p> <p>Union Security Insurance *</p> <p>United Concordia</p> <p>UnitedHealthcare **</p> | <p>Medicare</p> <p>Maryland Medicaid</p> <p>MCOs</p> <p style="padding-left: 20px;">AmeriChoice</p> <p style="padding-left: 20px;">AMERIGROUP</p> <p style="padding-left: 20px;">Coventry Healthcare Diamond Plan</p> <p style="padding-left: 20px;">Jai Medical Systems</p> <p style="padding-left: 20px;">Maryland Physicians Care</p> <p style="padding-left: 20px;">MedStar Family Choice</p> <p style="padding-left: 20px;">Priority Partners</p> |

*Dental-only payers**

*Large private payers***

ENDNOTES

¹ Beatty, G., *Introduction and Overview: Transition to Healthcare EDI*, August, 2001. Available at: <http://www.ehcca.com/presentations/ehc-info3/beatty1.pdf>.

² Center for Policy and Research, America's Health Insurance Plans, *An Updated Survey of Health Care Claims Receipt and Processing Times*, May 2006, p. 5. Available at: <http://www.ahipresearch.org/pdfs/PromptPayFinalDraft.pdf>.

³ American Medical Association Practice Management Center, *Understanding the HIPAA Standard Transactions: The HIPAA Transactions and Code Set Rule*, 2009, p. 1. Available at: www.ama-assn.org/ama1/pub/upload/mm/368/hipaa-tcs.pdf.

⁴ Data obtained from National Dental EDI Council (NDEDIC).

⁵ NDEDIC did not conduct the Annual Payer Survey in 2005.

⁶ Networks must be EHNAC accredited or re-accredited before certification or recertification recommendations are made to the Commission. Available at: <http://mhcc.maryland.gov/edi/ehn/overviewehn1207.pdf>.

⁷ Approaching the certification period expiration date, networks must reapply and be approved for recertification.