MARYLAND HEALTH CARE COMMISSION

2005 Practitioner and Hospital EDI Review

Published November 2005

The 2005 Practitioner and Hospital EDI Review examines 2004 electronic practitioner and hospital health care transactions received and reported by commercial and government payers to the Maryland Health Care Commission (MHCC). Electronic Data Interchange or EDI refers to the electronic transfer of information between entities. The review also focuses on six private payers that are dominant in the Maryland market or are major payers nationally. These payers, identified herein as the six large private payers, are Aetna, CareFirst, Cigna Healthcare, Kaiser, MAMSI, and United Healthcare.

COMAR 10.25.09 requires payers that meet select criteria to report health care transaction volumes. The regulation also requires Maryland payers to contract only with MHCC-Certified Electronic Health Networks (EHNs), also known as claims clearinghouses. The regulation was revised in 2004 to mandate reporting by Maryland Medicaid Managed Care Organizations (MCOs). This review includes health care transactions reported by the seven Medicaid MCOs. Dental healthcare transaction data was collected but is not included in this review. The 2005 Dental EDI Review will be released in early 2006.

The Commission uses payer EDI information to measure the progress of EDI in the state, gauge the success of current technology-based initiatives, and identify areas for new initiatives. The 2005 Practitioner and Hospital EDI Review is intended to address the interests of many stakeholders in the healthcare community including providers, payers, professional organizations, and vendors.

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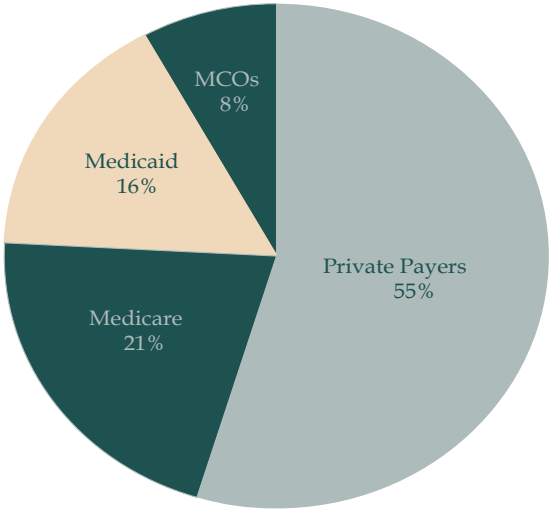
GOVERNMENT & PRIVATE PAYER CLAIM DISTRIBUTION

Figure 1. 2004 Government & Private Payer Share of Practitioner & Hospital Claim Volume



- In 2004 private payers accounted for over 50% of practitioner and hospital claim volumes, a share that has remained constant for the last several years.

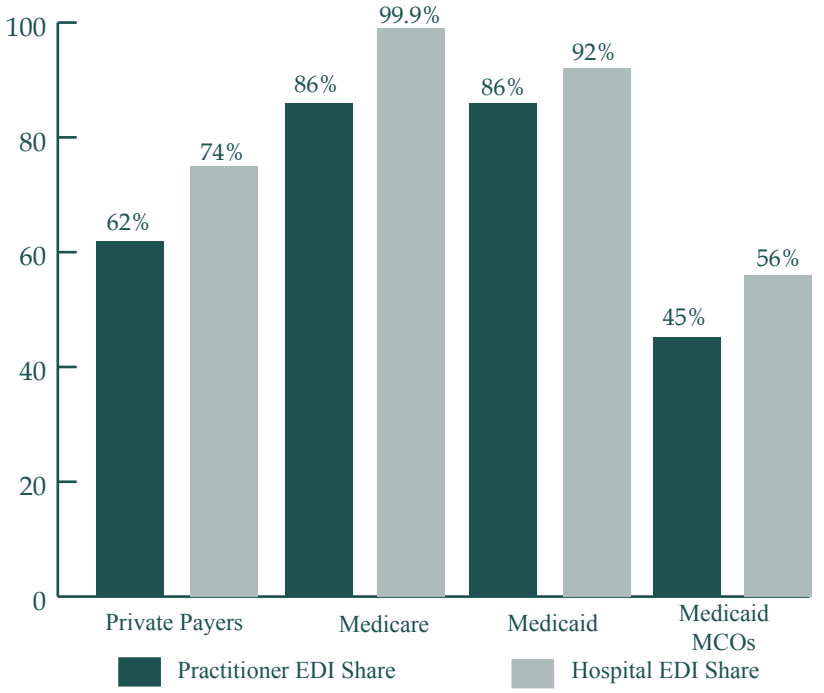
- This is the first year that Medicaid MCO data was collected.[1] These payers increased the total Medicaid share of claims reported, from about 19% in 2003, to almost 24% in 2004. Medicaid MCOs accounted for approximately one-third of Medicaid practitioner and hospital claim volumes, although Medicaid MCOs account for about 75% of Medicaid enrollment.[2]

- Total practitioner and hospital claim volume in 2004 was essentially flat compared to 2003. This differs from growth trends observed in prior years. It is consistent, however, with preliminary 2004 healthcare utilization data collected by the Commission which shows minimal change in healthcare utilization.[3]

[1]Maryland Medicaid MCOs include: AmeriChoice, AmeriGroup, Diamond Plan, Helix Family Choice, Jai Medical Systems, Maryland Physicians Care, and Priority Partners.
[2]MHCC internal analysis of Medicaid enrollment files provided by the Center for Health Program Development and Management.
[3]Payers are annually required to submit healthcare utilization and expenditure data to the Commission under COMAR 10.25.06.

GOVERNMENT PAYERS LEADING EDI

Figure 2. 2004 Payer Distribution
Practitioner & Hospital EDI Share



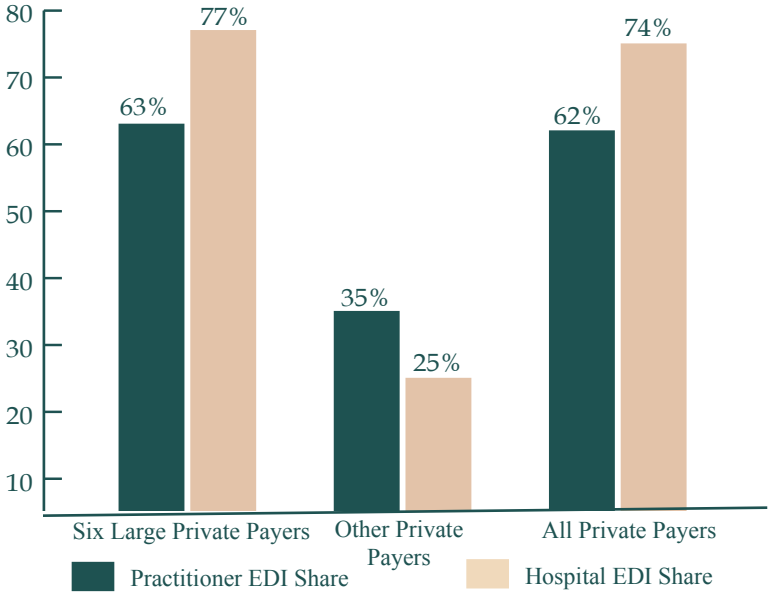
- HIPAA claim transaction standards became effective in October 2003. To achieve compliance with these standards, payers invested in information system upgrades and modifications. At the same time, many of them expanded provider EDI promotion activities and implemented programs to improve operational efficiencies.

- EDI share is a measure of the percent of claims received electronically. Medicare continues to maintain the lead with a practitioner EDI share of about 86%, and a hospital EDI share of roughly 99.9%. Traditional Medicaid follows closely with a practitioner EDI share of almost 86%, and a hospital EDI share of approximately 92%. Hospital EDI share exceeds practitioner EDI share across all payers.

- The MCOs trail Medicare, traditional Medicaid, and private payers in both practitioner and hospital EDI share. There was, however, a significant amount of variation in EDI share across the MCOs. The Medicaid MCO hospital EDI share of about 56% trails the EDI share of all the other payers.

SIX LARGE PRIVATE PAYERS DRIVE PRIVATE PAYER EDI SHARE

Figure 3. 2004 Private Payer Practitioner & Hospital EDI Share



The Maryland market continues to be dominated by two regional payers, CareFirst and MAMSI.[4] Four national payers also have a strong presence in the state: Aetna, Cigna, Kaiser, and United Healthcare. These payers (including affiliates) process over 95% of Maryland practitioner and hospital claims.

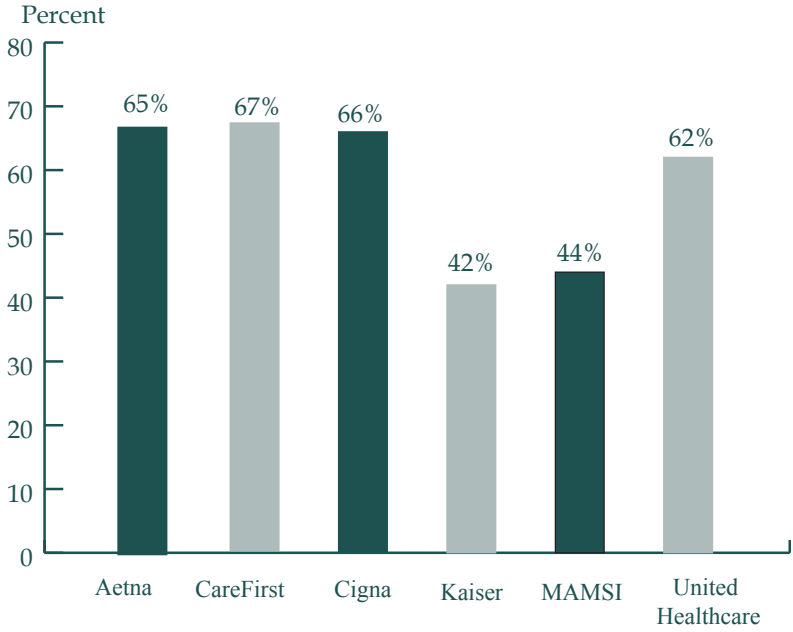
The EDI share of the six large private payers surpasses the EDI share of the other private payers. The dominant market share of the six large payers likely contributes to their EDI success. Providers can successfully manage claim submission requirements of the large payers because of the higher volume of claims associated with these payers. The large payers have also implemented corporate initiatives and projects dedicated to increasing the number of providers billing electronically.

Hospital EDI share of the six large payers exceeds practitioner EDI share by nearly 15%, while hospital EDI share of the other private payers trails practitioner EDI share by about 10%. In general, providers are less familiar with the claim submission requirements of the other payers. These payers likely devote fewer resources to promoting EDI in Maryland due to their small market share.

[4]United Health Care purchased MAMSI in February 2004. MAMSI continues to offer existing product lines and use existing systems and is herein reported separately.

EDI IN 2004
SIX LARGE PRIVATE PAYERS

Figure 4. Practitioner EDI Share



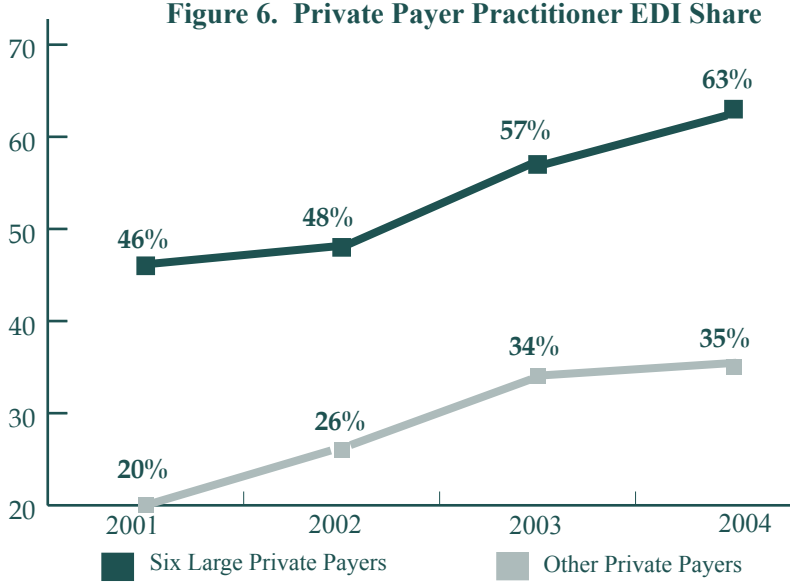
- Four of the six large private payers, Aetna, CareFirst, Cigna, and United Healthcare, report EDI share exceeding 60%. The other two large payers, Kaiser and MAMSI, reported EDI share under 50%.

- Kaiser, with the lowest EDI share of the six large private payers, contracts with only one electronic health network. It should be noted as well that Kaiser is the only large payer that is a staff-model HMO. The practitioner transactions received are primarily limited to specialty, out-of-network practitioners. MAMSI's HMO products require referrals which discourages electronic claims submission. MAMSI is actively promoting a web-based referral system and is exploring ways to expand practitioner EDI while supporting their business model. They also have batch referral capability (the HIPAA 278 transaction) but report minimal provider interest in using it.

- CareFirst and United Healthcare have increased the number of electronic health networks (EHNs) that can transmit electronic claims directly to them. In a major policy change, CareFirst moved from exclusive contracting to multi-vendor contracting, currently offering four EHNs. United Healthcare increased their offerings from 4 EHNs to 12 EHNs.

PRACTITIONER EDI TRENDS 2001 - 2004

Figure 6. Private Payer Practitioner EDI Share



- Between 2001 and 2004 the six large private payers exceeded the EDI share of the other private payers. The rate of growth between the two groups of private payers differs as well.

- The EDI share of the six large private payers grew by about nine percentage points between 2002 and 2003, and by roughly six percentage points in 2004. As reported previously, this was largely due to the implementation of HIPAA standard claim transactions that led to payer initiatives to promote EDI, including educating providers and targeting paper billers.[5]

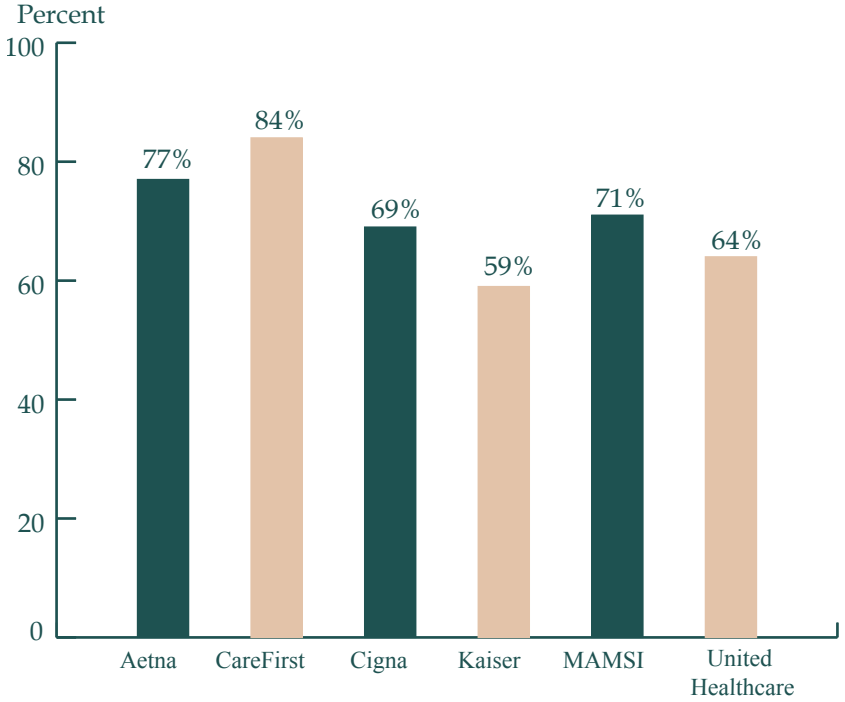
- The other private payers increased their EDI share in 2004 by only one percentage point. While some of the other private payers report EDI promotion activities nationally, the small market share in Maryland likely limited the impact of these efforts.

- Practitioners are becoming more aware of the benefits of EDI and are more comfortable with it, particularly as the healthcare community turns its attention to electronic health records (EHR) and EHR interoperability. Interoperability refers to the ability of different information systems and software applications to communicate, exchange, and use health care information in an accurate, effective and consistent manner.

[5] *Spotlight on Maryland EDI, 2004 EDI Progress Report,* December 2004, Maryland Health Care Commission.

EDI IN 2004
SIX LARGE PRIVATE PAYERS

Figure 5. Hospital EDI Share



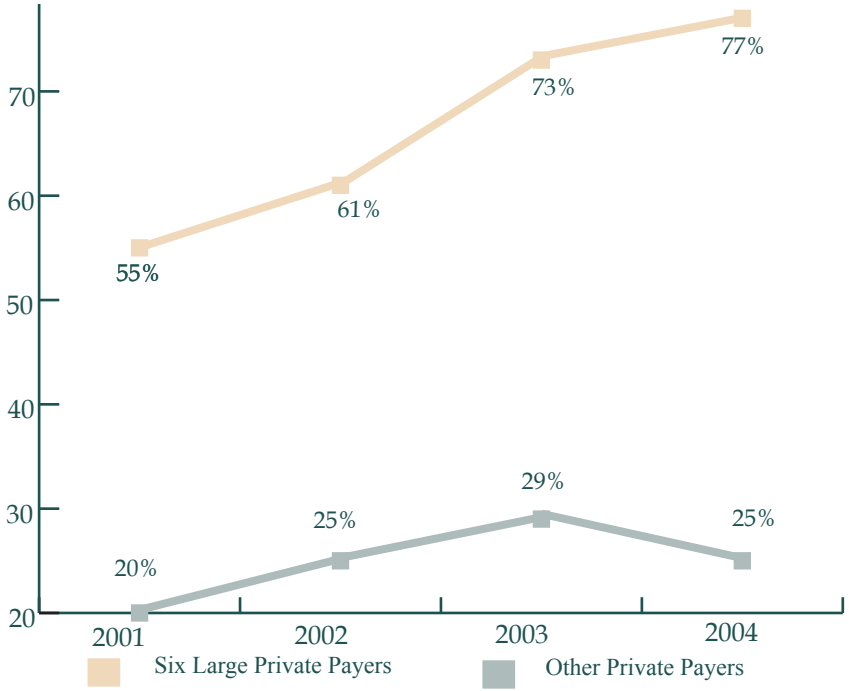
- There were fewer differences among the six large payers in their hospital EDI shares than was observed in their practitioner EDI shares. Hospital EDI share exceeded practitioner EDI share for all of the large payers, which is consistent with national data and Mayland experience. The six large payers reported hospital EDI shares in a range of about 60 to 85%.

- While MAMSI trailed the leading payers in practitioner EDI share, their hospital EDI share of roughly 71% was among the top three of the large payers. On the other hand, United Healthcare, one of the leaders in practitioner EDI share, reported a hospital EDI share of only about 64%. Kaiser reported the smallest EDI share for both practitioners and hospitals.

- Hospital EDI share tends to exceed practitioner EDI share largely because hospitals more effectively manage the claims submission requirements of the six large private payers.

HOSPITAL EDI TRENDS
2001 - 2004

Figure 6. Private Payer Hospital EDI Share

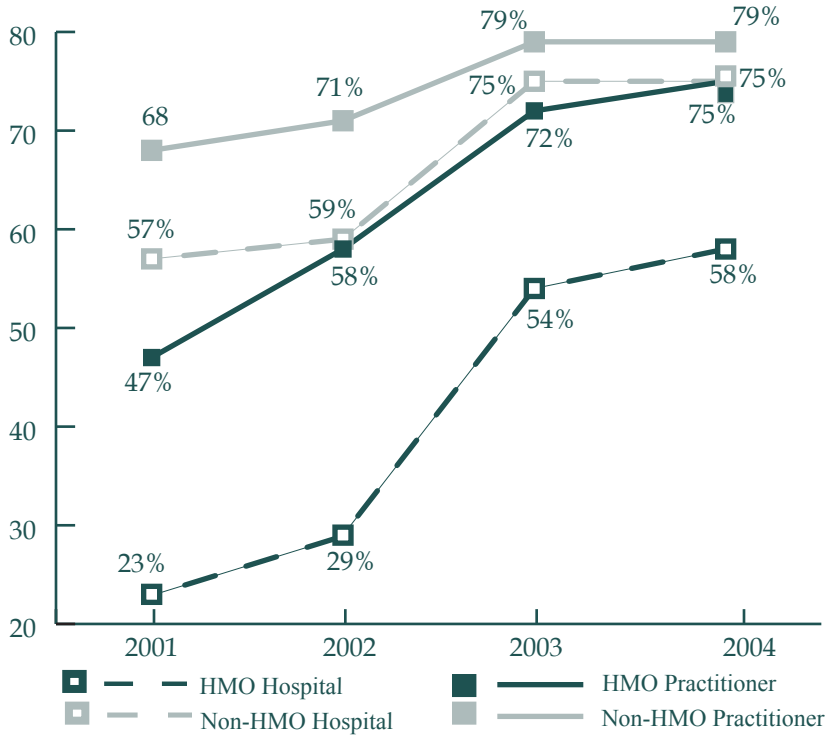


- The six large private payers showed steady growth in hospital EDI between 2001 and 2004. While showing steady but slower growth from 2001 through 2003, the other private payers reported a decrease in EDI share of about 4 percentage points, matching the level reached in 2002 of roughly 25%.

- Payers categorized in the other private payer category vary somewhat with each data collection year. The ongoing consolidation of payers in Maryland has resulted in fewer payers. In addition, several of these other payers reported market share losses in 2004. Others exited the market entirely.

- The six large payers continue to grow hospital EDI, but the rate of growth declined somewhat in 2004. As noted in the practitioner EDI section, these payers have dedicated resources to increasing EDI share by educating providers and targeting paper billers. The large market shares of the major payers incentivizes hospitals in Maryland to willingly master electronic claim submission requirements. It is more difficult to do so for the diverse requirements of the other private payers.

TOP 6 PAYERS CLAIM AUTO ADJUDICATION 2001 - 2004



- Claims received electronically by payers and processed without manual intervention are categorized as auto adjudicated claims. Auto adjudication reduces a payer's administrative overhead and theoretically reduces the time between provider submission of claims and reimbursement.

- Between 2002 and 2003 there was a significant increase in the percent of elecronic claims that were auto adjudicated, most notably HMO practitioner rates which increased roughly 25 percentage points. In 2004, however, there was minimal change in auto adjudication rates. Non-HMO practitioner and hospital auto adjudication remained unchanged, while HMO practitioner and hospital rates rose about three and four percentage points, respectively.

- HMO hospital auto adjudication rates have consistently lagged behind the others, trailing non-HMO hospital auto adjudication by almost 17 percentage points in 2004. HMO hospital claims are more likely to encounter system edits for medical review and attachment requirements.

NON-CLAIM HIPAA TRANSACTIONS ON THE RISE

Table 1. Percent of Payers Supporting 2003 vs. 2004

TRANSACTION	2003	2004
Claim Status (276/277)	19%	23%
Eligibility (270/271)	28%	31%
Payment Remittance (835)	25%	28%
Referral Certification Auth. (278)	17%	15%
Enrollment/Disenrollment (834)	19%	23%
Premium Payments (820)	0%	3%

Table 2. Six Large Private Payers - Non-Claim Transactions Supported

TRANSACTION (Transaction ID #)	Aetna	CareFirst	Cigna	Kaiser	MAMSI	United Healthcare
Claim Status (276/277)	W B	W	W B	W	W	W B
Eligibility (270/271)	W B	W	W B		W B	W B
Payment Remittance (835)	W B	B	B		B	B
Referral Certification Auth. (278)	W B	B	B		W	
Enrollment/Disenrollment (834)	W B	B		B	W B	B
Premium Payments (820)						B

W = Web-Based Transctions B = Batch Transactions

- As shown in Table 1, the use of non-claim HIPAA transactions increased in 2004. The eligibility transaction was supported by the most payers, with about 31% of payers able to provide eligibility information, an increase of roughly 3% from 2003. The number of payers supporting the claim status and enrollment transactions grew by about 4%.

- The six large payers adopted different strategies for supporting non-claim transactions. Transactions can be offered either as web-based transactions, where providers enter patient information individually via the Internet[6], or they can be offered as batch transactions, whereby a provider can send an entire file or batch of patient information requests at one time. Providers have indicated they are primarily interested in the batch eligibility and claim status transactions which potentially can enhance the efficiency of their business operations.

[6]For more information, see the *Payer Internet Guide*, a tool developed by MHCC for providers on the internet capabilities of six Maryland payers. The guide is on the Commission website at: mhcc.maryland.gov.

MARYLAND HEALTH CARE COMMISSION
Certified Electronic Health Network Program

COMAR 10.25.07 requires the Maryland Health Care Commission to certify electronic health networks (EHNs) that conduct business in the state. The certification program, in partnership with EHNAC (a national EHN accreditation organization), requires EHNs to meet industry best-practice standards related to technical, performance, privacy, security and customer service.

The number of EHNs in the MHCC certification program increased from 15 certified EHNs in 2003, to 19 in 2004, with an additional 7 EHNs in candidacy status. The MHCC certification logo (above) was developed in 2004 and is used by MHCC certified networks in their marketing efforts.

MHCC Certified EHNs
Affiliated Network Services (ANS)
Electronic Network Systems (ENS)
Emdeon
Eyefinity
GHN-Online
Healthcare Administration Technologies
Health Data Exchange (HDX)
HDM Corporation
McKesson HBOC
Mutual of Omaha Medicare Crossover Clearinghouse
NDCHealth
Passport Health Communications
PayerPath
Per-Se Technologies
Practiceworks
Protologics
ProxyMed
RealMed
The SSI Group
MHCC Candidate EHNs
Claimsnet
Gateway EDI
IDX
HealthFusion
M. Transactions Services
National Information Services
Tesia-PCI Corporation

2005 EDI REVIEW REPORTING PAYERS

Medicare and Maryland Medicaid

Commercial Payers

Aetna (Aetna Health and Aetna Life Insurance)
American Republic Insurance
Ameritas
Boston Mutual Life Insurance
CareFirst (CareFirst BlueChoice, CareFirst of Maryland & The Dental Network)
Cigna (Cigna Healthcare Mid-Atlantic & Cigna Behavioral Health)
Coventry Health Care of Delaware
Dental Benefit Providers
DentaQuest Mid-Atlantic
Educators Mutual Life Insurance
Elder Health Maryland HMO
Fidelity Insurance
Fortis Insurance
GE Group Life Assurance
Golden Rule Insurance
Graphic Arts Benefits
Great-West Life & Annuity Insurance
Group Dental Service of Maryland
Guardian Life Insurance
Humana Dental Insurance
Jefferson Pilot Financial Insurance
Kaiser Foundation Health Plan of the Mid-Atlantic States
MAMSI (MDIPA, MAMSI, & Optimum Choice)
Mega Life & Health Insurance
Metropolitan Life Insurance
Mid-Atlantic Vision Services Plan
Mutual of Omaha Insurance
New England Life Insurance
New York Life Insurance
Principal Mutual Life Insurance
Reliastar Life Insurance
State Farm Mutual Automobile Insurance
Transamerica Life Insurance
Unicare Life & Health Insurance
Union Labor Life Insurance
United Concordia Companies
United Healthcare (United Healthcare Mid-Atlantic & United Healthcare Insurance)
United Wisconsin Life Insurance

Medicaid Managed Care Organizations (MCOs)

AmeriChoice
Amerigroup
Coventry Healthcare Diamond Plan
Helix Family Choice
Jai Medical Systems
Maryland Physicians Care
Priority Partners