STATE OF MARYLAND

MARYLAND HEALTH CARE COMMISSION

Executive Summary

Health care reform legislation of 1993 requires the Maryland Health Care Commission ("MHCC" or "Commission") to promote electronic commerce among the state's health care providers.[1] State lawmakers recognized the need to eliminate administrative burdens that add to the rising cost of health care. The administrative cost of health care exceeds $1.1 billion annually. Claims processing constitutes a significant portion of these costs. To promote electronic data interchange (EDI), MHCC sought to remove adoption barriers by highlighting the development of national standards and industry recognized "best practices." The Commission adopted certification principles for electronic health networks ("EHNs" or "clearinghouses") based on standards established by the Electronic Healthcare Network Accreditation Commission (EHNAC). By law, any Maryland payer that accepts electronic claims is required to use EHNAC accredited or MHCC-certified EHNs.[2] Six major EHNs hold MHCC-certification and four others are in "candidacy" status.[3] Regulation requires payers to complete an annual EDI Progress Report. The data from those reports are used to measure EDI activity and are the primary source of information for this year's analysis. ***The reporting interval for this year is for claims received during calendar year 1999.***

Maryland practitioners, hospitals, and dentists submitted approximately 54.2 percent of all claims electronically in 1999. Practitioners, including physician and non-physician health care providers, submitted the highest percentage of electronic claims at nearly 56.2 percent which is an increase of 5.7 percent from last year's report. The most notable payer improvements in their rate of EDI acceptance were reported by Aetna U.S. Healthcare of the Mid-Atlantic and CareFirst of Maryland. On the other hand, Kaiser Permanente was the only HMO that did not accept any practitioner claims electronically. In contrast to the EDI improvements by practitioners is the decrease in EDI by hospitals. The 44.4 percent EDI use among hospitals represents a decrease of nearly 2.3 percent from the previous year. Staff met with representatives from a number of hospitals to get a better understanding of the decline in EDI. These hospitals overwhelmingly reported that payer requirements for supporting documentation impacted their ability to submit claims electronically.[4] Conversely, use of EDI by dentists improved by approximately 3.7 percent. This increase is most directly attributed to higher EDI acceptance rates by Aetna and several smaller payers. The Commission views dental EDI activity cautiously as "dental only" insurers are not required to submit an EDI Progress Report.

EDI adoption rates in Maryland vary significantly for government and non-government payers. Medicare's EDI acceptance rate was approximately 86.6 percent which is an increase of about 3.9 percent from prior year. Medicaid's EDI acceptance rate was about 94.4 percent showing an increase of 2.5 percent from the prior year. EDI percentages among government payers exceed non-government payers primarily due to lower operating cost and the use of a single transaction format. Medicaid allows providers to submit claims on a direct basis without cost. The Medicare intermediary, Trailblazers,[5]

[1] COMAR 10.25.07 and 10.25.09 describe reporting requirements for electronic health networks and payers.

[2] Medical Record-Confidentiality bill signed into law in May 2000.

[3] EHNAC accredited and MHCC-certified EHNs: CyData Group, The Halley Exchange, Synaptek, Envoy-POS, CIS Technology, and MHIN. EHNs in candidacy status: WebMD, Affiliated Network Services, ProxyMed, PayerPath.com. and CareInsite.

[4] Provider meetings occurred between January and August 2000. MHCC met with Anne Arundel Co. Hospital, Frederick Memorial Hospital, St. Mary's Co. Hospital, Montgomery Co. General Hospital, Easton Memorial Hospital, Carroll Co. General Hospital, Maryland General Hospital, and North West Hospital.

[5] Trailblazers is a wholly owned subsidiary of BlueCross BlueShield of Texas.

offers free software to submitters and processes electronic claims ten days faster than paper claims. Non-government payers reported EDI activity at about 27.7 percent which is nearly the same as the prior year. Non-government payer EDI challenges exceed government payers. The lack of industry standards and the use of legacy information technology systems create adoption barriers for non-government payers. However, some non-government payers continue to make modest improvements in their EDI systems. Most notably is the progress of CareFirst of DC and United Healthcare of the Mid-Atlantic to accept both HCFA 1500s and UB-92s electronically. Other payers, such as CareFirst of Maryland, MAMSI, and Aetna U.S. Healthcare of the Mid-Atlantic accept some claims electronically. Generally speaking, non-government payers continue to expand their EDI capability at a slow pace.

HealthChoice Managed Care Organizations (MCOs) are slow to adopt EDI. Prior to the implementation of HealthChoice, nearly all providers submitted Medicaid claims electronically. Presently, only United Healthcare of the Mid-Atlantic and Americaid[6] accept most practitioner and hospital claims electronically. FreeState Health Plan, Prime Health and JAI Medical Systems are MCOs that reported accepting only paper claims. One of the MCOs, Priority Partners, reported improvement in accepting claims electronically. This lack of EDI capability may discourage practitioner participation in HealthChoice. Practitioners argue that electronic claims submission creates operational efficiencies as compared to paper claims. The lack of EDI by MCOs is troubling given that MCOs have been operating since July 1997.

Overall, electronic commerce in Maryland has improved by approximately 5.1 percent from the previous year. The completion of Y2K changes enabled some payers to shift information technology resources to expanding EDI capability. Cigna Healthcare of the Mid-Atlantic and Aetna U.S. Healthcare of the Mid-Atlantic are two payers that reported increasing efforts to expand EDI with the completion of Y2K changes. Other payers, such as CareFirst of Maryland and Golden Rule Insurance Company, are planning to gradually make changes to information technology systems over the next two years consistent with changes required by the implementation of the Health Insurance Portability and Accountability Act of 1996, Administrative Simplification (HIPAA-AS).

The Commission anticipates that EDI activity in Maryland will continue to grow as payers implement the transaction standards required by HIPAA-AS. Most practice management software vendors continue to upgrade their applications in anticipation of changes required by HIPAA-AS for transaction standards.[7] Hospital information systems are much further along in their ability to comply with the standard transaction format of HIPAA-AS.

The Health Insurance Portability and Accountability Act of 1996, Administrative Simplification

The goals of HIPAA-AS are to reduce fraud and abuse, protect patient information, and establish standards for administrative cost savings. The final rule for the standard transaction format of HIPAA-AS was published in August 2000 with a 26-month implementation time frame for large payers and 38-months for small payers. HIPAA-AS will require payers, practitioners, hospitals, and other health care organizations to change basic operations.

Beginning October 16, 2002, payers and claims clearinghouses will be required to comply with the standard transaction format under HIPAA-AS. Payers and clearinghouses must use transaction standards established by HIPAA-AS if they choose to use EDI to transmit claims. Providers that store or maintain patient information electronically or wish to participate in EDI will also be required to comply with the privacy and security provisions of HIPAA. Providers using legacy practice management software may contract with a clearinghouse to convert transactions to HIPAA-AS standards. Providers also maintain the option to continue billing on paper.

[6] Americaid acquired the Prudential of the Mid-Atlantic business in 1999.

[7] Faulkner & Gray: *Health Data Management*, October 2000.

ELECTRONIC DATA INTERCHANGE ACTIVITIES

MHCC Chronology

July 1993

- Under House Bill 1359, the Maryland General Assembly establishes the Health Care Access & Cost Commission (HCACC) to develop and carry out new health care policies that includes the oversight of electronic claims clearinghouses and minimizing the administrative burdens of health care.

- HCACC appoints 10-member Data Base Work Group to examine data base development and analysis and the establishment of standards and licensing of electronic claims clearinghouses.

January 1994

- The first Data Base Work Group meeting agenda focuses on:
  - the potential role of clearinghouses in helping to decrease administrative costs in the delivery of health services
  - the costs & benefits of mandated electronic claims processing to providers and payers
  - types of quality and cost requirements to consider when developing licensing and regulatory standards for clearinghouses
  - July 1, 1995 implementation deadline

- The Data Base Work Group recommends establishing a separate advisory panel to examine the technical issues surrounding electronic claims and EHN licensing.

September 1994

- Gallup Organization is awarded the Physician Office Automation and Billing Practices Survey contract.

October 1994

- House Bill 496, Health Insurance – Electronic Data Collection and Billing is enacted. This bill requires HCACC to exempt certain solo practitioners from electronic health collection and billing requirements.

- Gallup begins instituting the Physician Office Automation and Billing Practices Survey. The results of this survey will assist HCACC in developing a practical strategy and a time line for satisfying electronic claims processing requirements.

- The Commission assembles 15-member panel represented by payers, providers and clearinghouses known as the Electronic Claims and Clearinghouse Licensing Advisory Panel.

November 1994

- The Electronic Claims and Clearinghouse Licensing Advisory Panel has first meeting to discuss licensing standards and develop recommendations on technical issues.

February 1995

- Dr. Mary Stuart, Chair of Data Base Work Group and Dr. John Silva, Chair of Electronic Claims and Clearinghouse Licensing Advisory Panel present "Recommendations on Implementing Electronic Claims Clearinghouse Licensing Provisions" to HCACC.

May 1995

- The Gallup Organization presents overview of the findings from the Physician Office Automation and Billing Practices Survey.

June 1995

- Based on recommendations and public testimony, HCACC formally adopts eight principles to guide the regulation of the Electronic Claims Clearinghouse market.

February 1996

- COMAR 10.25.07, Electronic Health Network Certification and COMAR 10.25.09, Requirements for Payers to Designate Electronic Health Network(s) are published in the ***Maryland Register.***

June 1996

- COMAR 10.25.07 given final approval by HCACC.

December 1996

- Several claims clearinghouses file applications for Maryland EHN certification.

January - July 1997

- The Commission approves six claims clearinghouses for Maryland certification.

September 1997

- COMAR 10.25.09 given final approval by HCACC.

October 1997

- "1997 Progress Report on the Health Care Industry in Adopting Electronic Data Interchange" is presented to HCACC. The report presents the results of findings from data submitted by payers on EDI activity according to COMAR 10.25.09.

December 1998

- "1998 Progress Report on the Health Care Industry in Adopting Electronic Data Interchange" is presented to Commissioners.

February 1999

- EDI Strategic Plan presented to HCACC.

March 1999

- Focus Group is assembled to discuss feasibility of establishing EDI incentive program for physician practices that have not yet implemented EDI.

April 1999

- MHCC meets with provider and payer organizations regarding EDI expansion. Meeting held with Medical Assistance Program officials to discuss the inability of MCOs to accept electronic data.

August 1999

- EDI Focus Work Group meets to begin implementation of EDI recommendations adopted by HCACC.

September 1999

- "Report on HMO Referrals in Maryland" is presented to the Commission. This report looks at HMOs' policies on paper and electronic referrals, and the range of practices that exist in referral processing.

- Brochure developed and published to promote EDI.

October 1999

- According to House Bill 995, the Health Care Access & Cost Commission merges with Health Resources Planning to form the ***Maryland Health Care Commission***.

- EDI Focus Work Group meets to develop survey to measure quality of services provided by certified & non-certified EHNs.

November 1999

- "1999 Progress Report on the Health Care Industry in Adopting Electronic Data Interchange" presented to Commissioners.

February 2000

- EDI Focus Work Group completes EHN Performance Survey and presents to Commissioners.

March 2000

- MHCC hosts EDI meeting with MCOs from Maryland Medicaid and leading provider associations to discuss implementation issues.

- MD Chiropractic Association & the MD Psychological Association hold EDI Vendor Fairs with MHCC sponsorship.

May 2000

- EDI Focus Work Group begins development of revised Physician Practice and Automation Survey to assess EDI activity among physicians.

June 2000

- MHCC continues to build rapport with local and national clearinghouses interested in MHCC certification. Four EHNs are proposed candidates for Maryland certification.

July 2000

- MHCC hosts 7-state regional meeting to discuss EDI initiatives and data collection issues.

August 2000

- MHCC presents Maryland's EDI accomplishments at the annual convention of the National Academy for State Health Policy in Minneapolis MN.

September 2000

- Commission working with Health Services Cost Review Commission and the Association of Maryland Hospitals and Health Systems on a hospital web-based EDI initiative.

- MHCC receives five RFP bids for Physician Office Automation Survey.

October 2000

- MHCC Evaluation Panel recommends Physician Office Automation Survey RFP be awarded to the Gallup Organization.

- MHCC hosts an EDI summit between ambulatory surgical centers and four of the largest payers operating in Maryland.

- MHCC provides assistance to the Health Services Cost Review Commission on the development of a common web-based portal for patient eligibility verification by Maryland hospitals.

November 2000

- "2000 Progress Report on the Health Care Industry in Adopting Electronic Data Interchange" is presented to Commissioners.

- Five national claims clearinghouses enter MHCC-certification "candidacy" status.

Introduction

Maryland law requires the Commission to promote EDI adoption.[8] Adopting EDI is one way for providers to create operational efficiencies and reduce administrative costs. The Maryland General Assembly acknowledged this by establishing legislation requiring the former Health Care Access and Cost Commission, presently, the Maryland Health Care Commission, to promote the adoption of EDI through regulation. EDI activity creates operational efficiencies. The Health Care Finance Administration (HCFA) estimates that submitting claims to payers electronically reduces administrative health care costs by about 50 cents per claim. Many studies associated with EDI use report varying cost savings ranging from $3.50 to $15.00 per claim. Actual savings are highly dependent on an organization's ability to maximize efficiencies.

The 2000 EDI Progress Report contains information collected from payers doing business in Maryland for calendar year 1999 that had health care premium volumes of $1 million or more for health benefits. By law, these payers are required to submit an annual claims activity report. Medicare performance was obtained from the Health Care Finance Administration and Medicaid statistics were obtained from the Office of Operations and Eligibility - Maryland Medical Care Program. Existing regulations enable the Commission to promote EDI adoption through:

- Voluntary certification of claims clearinghouses using industry "best practices"
- Requiring payers to accept electronic claims through EHNAC accredited or MHCC-certified claims clearinghouses
- Requiring payers to submit an annual report of claims receipt methods from practitioners, hospitals, dentists, and other health care organizations for the prior calendar year. The report layout categorizes claims received electronically, by computer tape, paper, and other media and is due on or before July 1 of each year.

Most payers have a strategy geared to broadening EDI use. Payers recognize the value of EDI and some offer incentives for its use such as paying provider claims transaction fees or guaranteeing to adjudicate electronic claims in 14 days compared to 28 days for paper. Despite incentives, numerous providers fail to automate claims because of the cost and time commitments necessary for making the transition. The lack of industry standards among payers is another factor contributing to slow EDI adoption. HIPAA-AS is expected to increase electronic commerce by implementing a standard transaction format thereby eliminating nearly 400 non-standard transaction formats.

The ***2000 EDI Progress Report*** **provides comparisons to national trends using Faulkner & Gray as the data information source.** The validity of the information contained in this report depends upon the accuracy of payers when completing the EDI Progress Report. Unexpected staffing changes that occur in many payer organizations from one reporting period to the next may be a factor in reporting variations. This year, the Commission took steps to minimize reporting mistakes by supplying payers with data submission instructions and consultative services for preparing the reports.

[8] COMAR 10.25.07 and 10.25.09 describe reporting requirements for electronic health networks and payers.

FINAL EDI PROGRESS REPORT SUBMISSION STATUS
1998 & 1999

Table Description

Table 1 provides an assessment of payers meeting the $1 million reporting requirements according to COMAR 10.25.09. Payers unable to meet the regulatory standards were required to file for a waiver from the Commission. The Commission granted reporting waivers to several payers after evaluating supporting documentation and determining reasonable cause existed. The table below provides a 2-year benchmark of the number of payers, percentage of premiums, and percentage of payers by compliance category.

Table 1: Payer Distribution

COMPLIANCE CATEGORY	Number of Payers		Percentage of Premium		Percentage of Payers	
	1999	1998	1999	1998	1999	1998
Submitted Data	71	75	97%	96%	91%	82%
Received Waiver	7	16	3%	4%	9%	18%
Non-compliant	0	0	-	-	-	-
Total Payers	78	91	100%	100%	100%	100%

Analysis of the Data: 1998 to 1999

- The overall number of payers submitting data decreased by four due to the combined reporting of Anthem Health & Life Insurance Company with Anthem Life Insurance Company, Conseco with Washington National, and Aetna U.S. Healthcare with Aetna Health Plans of the Mid-Atlantic.
- Total premiums for reporting payers was approximately $3 billion which is fairly consistent with the 1998 reported premium amount.
- Waivers for the 1999 reporting period were issued to the Life Insurance Company of Georgia, CNA, Innovation Health, Inc., Fireman's Fund Insurance Company, The United States Life Insurance Company, Guardian Life Insurance Company, and Nationwide. This decrease to 9 percent is an improvement from last year's 18 percent.

Conclusion

The number of payers doing business in the state declined as payers such as Reliastar Life and American Medical Security withdrew from the Maryland market. Consolidation of reporting by Aetna Health Plans of the Mid-Atlantic, Washington National, and Anthem Life Insurance Company reduced the number of EDI Progress Reports that the Commission received. The Commission's interaction with the payers identified for reporting each year in December, February and April further reduced the number of payers seeking waivers. This is the second year the Commission has achieved full regulatory compliance. Despite changes in the market, the non-compliance ratio remained unchanged as payer awareness of the reporting requirements remained high.

PERCENTAGE SHARE OF TOTAL CLAIMS IN 1998 & 1999

Table Description

Table 2 compares the 1998 and 1999 total claims distribution and looks at the percentage of claims across payers for Maryland and the U.S. The information on private payers incorporates all delivery systems from HMO to indemnity. Maryland Medicare data is according to information received from HCFA. Medicaid provider data was obtained from the Office of Operations and Eligibility in the Maryland Medical Care Program. Medicaid data reflects only fee-for-service claims since the encounter data reported to Medicaid by the ***HealthChoice*** managed care organizations was not subject to MHCC's regulatory authority. The national estimates were provided by the staff of *Health Data Management*, a Faulkner & Gray publication that tracks health care information technology issues.

Table 2: Government and Private Claims Distribution

	UNITED STATES				MARYLAND			
PAYER CLAIMS	**1999 Millions**	**1998 Millions**	**1999 %**	**1998 %**	**1999 Millions**	**1998 Millions**	**1999 %**	**1998 %**
MEDICARE	896	866	17.6%	18.3%	11.2	11.0	13.6%	13.6%
MEDICAID	1,127	967	22.1%	20.5%	16.2	16.0	19.7%	19.8%
PRIVATE INS.	3,071	2,890	60.3%	61.2%	54.7	53.8	66.7%	66.6%
TOTAL	**5,094**	**4,723**	**100%**	**100%**	**82.1**	**80.8**	**100%**	**100%**

Note: Includes hospital and practitioner claims.

Analysis of the Data: 1998 to 1999

- The total number of claims reported by government and non-government payers doing business in Maryland increased by approximately 1.3 million. This growth is largely attributed to increases in claims reported by Aetna U.S. Healthcare of the Mid-Atlantic, CareFirst of Maryland Capital Care, Inc., Cigna Healthcare, Optimum Choice, and United Healthcare.
- Private insurance claims grew by approximately one million claims representing a 2 percent increase.
- The distribution of claims among Medicare, Medicaid, and private insurance remained constant.

Conclusion

Non-government payers reported the largest increase in claims share. HMOs accounted for the bulk of changes reported by non-government payers. Industry experts have attributed this growth to an increase in the number of specialty referrals by HMOs.[9] The largest national and regional plans account for the majority of hospital and practitioner claims for private payers in Maryland. Together, CareFirst, Aetna, MAMSI, and United Healthcare account for 45 percent of all private claims.

[9] Faulkner & Gray: *Health Data Management*, September 2000.

DISTRIBUTION OF TOTAL AND ELECTRONIC CLAIMS - U.S. & MARYLAND

Table Description

Table 3 presents EDI activity in Maryland and the United States for government and non-government payers during 1998 and 1999. Claims submitted to ***HealthChoice*** managed care organizations are not included in the table. HCFA provided the data on Maryland Medicare. Faulkner & Gray data was used as the national reporting source.

Table 3: Government and Private Payer Total and Electronic Claims Distribution

	UNITED STATES						MARYLAND					
	Total Claims (millions)		Electronic Claims (millions)		Electronic Claims (percentage)		Total Claims (millions)		Electronic Claims (millions)		Electronic Claims (percentage)	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Medicare	896	866	749	720	83.5	83.1	11.2	11.0	9.7	9.1	86.6	82.7
Medicaid	1,127	967	1,019	745	90.4	77.0	16.2	16.0	15.3	14.9	94.4	91.9
Private Ins.	3,071	2,985	946	810	30.8	27.1	54.7	53.8	15.2	14.8	27.7	27.5
TOTAL	**5,094**	**4,818**	**2,714**	**2,275**	**53.2**	**47.2**	**82.1**	**80.8**	**40.2**	**38.8**	**48.9**	**48.0**

Note: Includes claims submitted by hospitals, practitioners, and dentists.

Analysis of the Data: 1998 to 1999

- Government payers locally account for the largest share of electronic claims: Medicaid receives electronic claims from Maryland Health Partners which has an EDI goal of nearly 99 percent by 2001.[10] HCFA requires the Medicare carrier, Trailblazers, to achieve an EDI goal of 75 percent; Trailblazers' internal EDI goal for 2000 is 85 percent. The percentage of claims submitted using EDI to Trailblazers is approximately 88 percent.[11]
- Overall EDI activity increased for government payers but private payers reported virtually no growth. Improvements in information technology systems and operations attributed to marginal increases in EDI as reported locally by Aetna of the Mid-Atlantic, Optimum Choice, and United Healthcare of the Mid-Atlantic. Aetna U.S. Healthcare of the Mid-Atlantic established an aggressive internal goal for improving physicians' use of EDI. Optimum Choice upgraded their information technology system enabling hospitals to submit most claims electronically. United Healthcare implemented changes eliminating most paper claims.

Conclusion

Maryland's EDI growth is primarily attributed to the expansion initiatives of several large HMOs. Most private payers have an EDI strategy but some decided to delay its implementation until the final rule for Health Insurance Portability and Accountability Act of 1996 – Administrative Simplification (HIPAA-AS) has been published. Other payers, such as CareFirst of Maryland and Kaiser Permanente continued to upgrade their information technology systems to support changes under the proposed rule for HIPAA-AS. These payers anticipate increasing EDI share gradually over the next two years.

[10] Maryland Health Partners EDI goal according to Mr. Tim Santoni, Contract Manager, State of Maryland DHMH.

[11] Trailblazers' EDI goal according to Ms. Paula Feidler, Manager of EDI, Trailblazers.

DISTRIBUTION OF HOSPITAL, PRACTITIONER & DENTAL CLAIMS
MARYLAND & U.S. - 1998 & 1999 COMPARISON

Table Description

Table 4 presents two years of EDI activity for hospitals, practitioners, and dentists in Maryland and the United States. The table includes information on EDI activity for Maryland payers. Payers' EDI Progress Reports were the source for reporting provider activity in Maryland. National claims volume activity is based on Faulkner & Gray organization internal estimates, see Table 2.

Table 4: Provider Claims and Electronic Distribution

	UNITED STATES						MARYLAND					
	Total (millions)		Electronic (millions)		Electronic (percentage)		Total (millions)		Electronic (millions)		Electronic (percentage)	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Hospitals	486	472	419	399	86.2	84.5	6.3	6.2	2.8	2.9	44.4	46.7
Practitioners	2,675	2,145	1,446	995	54.0	46.3	65.3	59.0	36.7	29.8	56.2	50.5
Dentists	430	389	65	64	15.1	16.4	2.2	2.1	.5	.4	22.7	19.0
TOTAL	**3,591**	**3,006**	**1,930**	**1,458**	**53.7**	**48.5**	**73.8**	**67.3**	**40.0**	**33.1**	**54.2**	**49.1**

Note: Includes claims submitted by Medicare, Medicaid, and private insurers.

Analysis of the Data: 1998 to 1999

- Hospital EDI activity declined approximately 5 percent in Maryland from the previous year although hospital EDI activity nationally increased about 2 percent. This is the second year that payers reported a decrease of EDI by hospitals. Aetna U.S. Healthcare of the Mid-Atlantic, and PHN-HMO, Inc. reported an increase in hospital paper claims. On the other hand, Cigna Healthcare, and United Healthcare reported a slight increase in hospital EDI.
- Maryland practitioners reported about an 11 percent increase in EDI activity. Aetna U.S. Healthcare of the Mid-Atlantic, Cigna Healthcare, Optimum Choice, Unicare Life & Health Insurance Company, Prudential Healthcare, and United Healthcare Insurance Company illustrates payers that reported notable increases in physician EDI share.
- Locally, payers that reported on dental reported an increase in EDI share by nearly 3 percentage points. Payers reporting an increase in EDI share include Aetna U.S. Healthcare of the Mid-Atlantic, Unicare Life & Health Insurance Company, and several small payers.
- Medicare leads payers in the use of EDI by a significant margin for both hospitals and practitioners.

Conclusion

Practitioners accounted for the largest increase in EDI activity in Maryland. Many of the larger payers made progress in expanding their physician EDI programs. Other factors contributing to the increased use of EDI by physicians include advances made in practice management software and the use of the Internet.[12] EDI activity in Maryland hospitals continues to decline and representatives from various hospitals cited confusing claims submission requirements of payers as the leading cause.[13] The increased share of dental EDI should be viewed cautiously as not all specialty payers submitted an EDI Progress Report. The Commission has requested specialty payers complete an EDI Progress Report in the future.

[12] Faulkner & Gray: *Health Data Management*, September 2000.

[13] This information was provided to MHCC during hospital site visits between January and August 2000.

EDI ACTIVITY AMONG MARYLAND PAYERS
1998 & 1999 COMPARISON

Table Description

Table 5 represents the total number of private payers that reported not accepting any electronic claims over the 2-year period. Private payer information is reported by HMO and non-HMO delivery system types. EDI Progress Reports received from payers were the source used to determine EDI capability.

Table 5: Private Payers without EDI

	ALL PRIVATE PAYERS✦		PRIVATE PAYERS WITHOUT EDI	
	1999	1998	1999	1998
HMOs	10	10	1	1
Non-HMOs	61	65	15	16
TOTAL PAYERS	71	75	16	17

✦See page 16 for a complete list of payers.

Analysis of the Data: 1998 to 1999

- Most HMOs reported accepting some claims electronically over the 2-year period. Kaiser Permanente, however, did not accept any practitioner or hospital claims electronically in 1998 or 1999. Prudential Insurance Company of America did not accept electronic hospital claims in 1999 yet did in 1998. Aetna U.S. Healthcare of the Mid-Atlantic, CareFirst of Maryland, Capital Care, Cigna Healthcare of the Mid-Atlantic, MAMSI, PHN-HMO, and United Healthcare of the Mid-Atlantic are HMOs that accepted electronic hospital and practitioner claims in 1999.
- Approximately 78 percent of non-HMOs reported accepting some claims electronically. Payers that did not accept any practitioner or hospital claims electronically were principally small non-HMO payers including Allianz Life Insurance Company, American Republic Insurance Company, American Travelers Life Insurance Company, Canada Life Assurance Company, Educators Mutual Life Insurance Company, Graphic Arts Benefit Corporation, Union Labor Life Insurance Company, and New York Life Insurance Company which was purchased by Aetna in 1999.

Conclusion

The number of payers that accepted electronic claims remained about the same. EDI activity varies by HMO and non-HMO. In general, payers that supplement life products with health programs tend to be smaller non-HMOs that do not invest in EDI systems. Conversely, nearly all HMOs support some EDI activity; variations in EDI support usually exist among payers and can broadly be attributed to payer size. For instance, smaller payers with premium volumes around the $1 million reporting threshold were less likely to have information technology systems required to support EDI.[14]

[14] Information obtained from Maryland payers in June 2000.

EDI SUBMISSION RATES FOR PRIVATE PAYERS
1998 & 1999 Comparison

Table Description

Table 6 presents information on electronic claims submission rates for private payers by provider type over the 2-year period. Electronic claims share is reported by HMOs and non-HMOs for hospitals and practitioners. EDI Progress Reports received from payers were the source of data used in the table.

Table 6: Private Payers Electronic Claims Share

	HMO		Non-HMO		TOTAL	
	1999	**1998**	**1999**	**1998**	**1999**	**1998**
Practitioner Claims	41.7%	40.2%	22.7%	31.6%	36.7%	38.6%
Hospital Claims	27.8	29.8	27.6	33.7	27.7	30.7
TOTAL	**38.2**	**39.0**	**23.2**	**31.3**	**35.4**	**37.7**

Analysis of the Data

- HMOs' electronic practitioner claims share exceeded non-HMOs by approximately 19 percent during this reporting period. Aetna U.S. Healthcare and MAMSI are examples of two payers that reported notable increases in their electronic claims share for practitioners. [15] HMOs' electronic hospital claims share remained practically unchanged with an increase of about .2 percent above non-HMOs.
- As compared to the electronic claims share in 1998, HMOs reported a greater percentage of electronic practitioner claims while non-HMOs reported a larger share of electronic hospital claims.

Note: In 1999, HMOs received approximately 56 percent of practitioner and hospital claims through an MHCC-certified clearinghouse and non-HMOs received about 95 percent. By comparison, in 1998, HMOs received approximately 53 percent of practitioner and hospital claims through an MHCC-certified clearinghouse and non-HMOs received about 92 percent.

Conclusion

HMOs accounted for the largest share of electronic claims as compared to non-HMOs. Many of the HMOs reported increasing their information technology resources dedicated to expanding their EDI systems. In general, payers are beginning to evaluate their electronic capability as part of an internal HIPAA-AS assessment. Some payers expect to make significant changes in their information technology system to support the standard transaction format requirement under HIPAA-AS. Alternatively, payers can elect not to modify their information technology systems and rely on a claims clearinghouse for converting records to satisfy HIPAA-AS requirements. The electronic claims share for most payers will increase as payers gradually implement HIPAA-AS over the next two years.

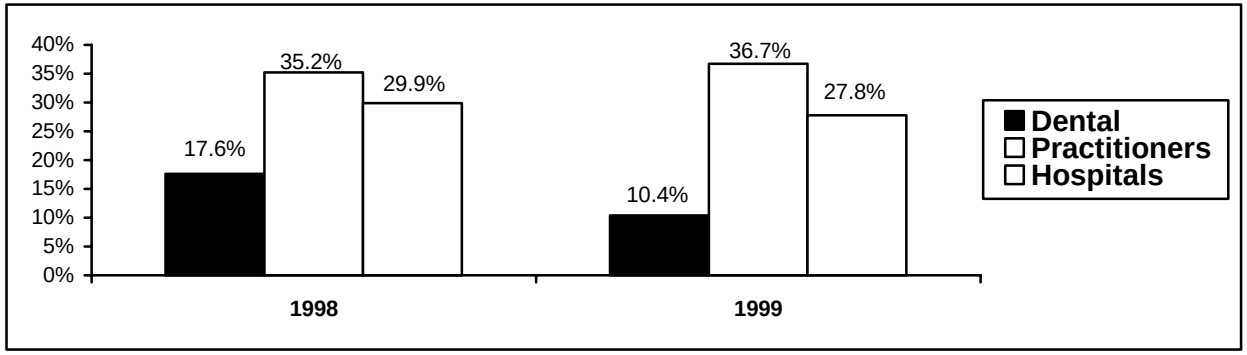
[15] Information reported by payers to MHCC in August 2000.

PERCENTAGE OF CLAIMS SUBMITTED USING EDI BY PROVIDER TYPE
1998 & 1999 COMPARISON

Chart Description

Electronic claims share by practitioner type over a 2-year period are presented in the chart below. Included in the chart is information on hospitals, practitioners, and dentists. Payers' EDI Progress Reports were the source of data used in the chart.

Chart: Electronic Claim Share by Practitioner Specialty



Analysis of the Data

- Payers reported the largest increase in electronic claims share by practitioners. Aetna U.S. Healthcare, Cigna Healthcare, and MAMSI are some examples of payers that implemented strategies aimed at increasing their electronic practitioner claim share. Aetna U.S. Healthcare and MAMSI implemented an EDI initiative aimed at increasing practitioner use of EDI. Cigna Healthcare implemented operational changes resulting in an increase in electronic practitioner claims.
- Some payers reported a decrease in electronic claims share by hospitals. The most notable decrease was reported by Prudential Healthcare. This reduction is attributed to internal changes resulting in the acquisition of Prudential by Aetna.[16]

Conclusion

Payers' claim submission requirements have reduced EDI activity by most hospitals. In general, hospitals abandon EDI when the payer requires hard copy support documentation. Hospitals are reluctant to send the claim electronically and mail the support documentation because they believe matching the claim with the hard copy documentation can delay payment. Conversely, most payers reported an increase in electronic claims share by practitioners. Changes in electronic claims share for dental should be viewed cautiously as not all specialty payers completed an EDI Progress Report.

[16] Information obtained from Aetna U.S. Healthcare in October 2000.

HEALTHCHOICE MCOs: ELECTRONIC CLAIMS CAPABILITY
As of August 2000

Table Description

Table 7 summarizes ***HealthChoice*** MCO electronic claims capabilities. Claims are submitted to these payers using a HCFA1500 for practitioner claims or a UB-92 for hospital claims. The data source used for reporting was the Office of Operations and Eligibility of the Maryland Medical Care Program.

Table 7: EDI Acceptance by MCO

MCO Organization	Accepts & Processes Electronic Claims		Accepts Electronic Claims, Processes Manually	
	1999	1998	1999	1998
United HealthCare	✔	✔		
Prudential	✔	✔		
FreeState Health Plan			✔	✔
MD Physicians Care	✔ /HCFA1500	✔ /HCFA1500	✔ /UB-92	✔ /UB-92
MedStar	✔			✔
Prime Health			✔	✔
JAI Medical Systems			✔	✔
Priority Partners	✔ /UB-92	✔ /UB-92	✔ /HCFA1500	✔ /HCFA1500

Analysis of the Data: 1998 to 1999

- Most MCOs report accepting one or both hospital and practitioner claims electronically. Over the last year, MedStar was the only MCO that made improvements in their EDI systems.
- FreeState Health Plan, Prime Health, and JAI Medical Systems continue to process only paper claims.

Conclusion

MCOs have made some progress in furthering their EDI capabilities over the last year, but these organizations still lag traditional Medicaid by a wide margin. This continues to be a concern to the Commission since prior to the start of ***HealthChoice*** nearly all practitioner and hospital claims were sent electronically to Medicaid. Practitioners and hospitals reported a sizable increase in administrative costs associated with submitting paper claims to MCOs.[17] Some MCOs lack information technology systems required to support EDI. The implementation of HIPAA-AS, standard transaction format, will require MCOs that currently accept "some" electronic transactions to support "all" electronic transactions.[18] The Commission believes that those remaining MCOs are not likely to voluntarily adopt EDI without further regulation.

[17] Information obtained from providers in October 2000.

[18] Department of Health and Human Services, August 2000, Administrative Simplification Final Rule.

Conclusions

Practitioner EDI activity in Maryland continues to lead the nation. Hospital EDI declined somewhat during this reporting period. Most hospitals have the capability to send all claims electronically, but choose to submit paper claims due to electronic claims submission requirements of most payers. The use of EDI improved for dental, however, these results are inconclusive as not all specialty payers reported. In general, MCOs made very modest progress in expanding their EDI capabilities.

Maryland payers face many of the same issues that challenge them nationally. Practitioners reported the largest EDI increase across the U.S. The completion of Y2K system changes enabled many payers to shift information technology resources to expanding EDI systems. Some improvements in EDI nationally are attributed to payers' progress in upgrading their systems in anticipation of the final rule for HIPAA-AS, standard transaction format. Hospital EDI improved nationally from the prior year but at a slower rate. In general, hospitals have shied away from EDI because of the claim submission requirements of most payers. Dental declined nationally, however, these results are based upon internal estimates of Faulkner & Gray and may not include all specialty payers. Government payers' EDI acceptance rate increased nationally. This is partially attributed to the ease in claim submission and standard record format used by government payers. Private payers across the U.S. reported an increase in EDI but reported a smaller share as compared to government payers.

In Maryland, government payers continue to accept the bulk of claims electronically. Government payers encourage EDI activity by reimbursing for most electronic claims in 14 days, providing easy access to technical support, and the ability to code most billing information on the claim form. Private payers' electronic claims share continues to show improvement but at a slow pace. With the implementation of HIPAA-AS, standard transaction format, payers that accept electronic claims have two years to make changes in their information technology systems to accept all claims electronically. HCFA projects the final rule for HIPAA-AS, privacy and security standards, to be published sometime late in 2000. Industry experts estimate the resource and financial impact of HIPAA-AS to be several times greater than the Y2K change.[19] The Commission believes that most payers will use a phased in approach to implementing HIPAA-AS. For most MHCC-certified EHNs, the impact of the final rule for HIPAA-AS, standard transaction format is not expected to significantly impact their existing information technology systems.[20]

Over the last year, MHCC has developed and implemented a number of initiatives aimed at increasing EDI statewide. This includes EDI presentations at most medical association conventions and working with the state's medical society, MedChi, and other medical associations in developing association-specific EDI programs. The Commission has had many successes with its EDI programs, the most notable success has been with practitioners. MHCC's EDI programs have helped to improve operational efficiencies for many practitioners. The Commission has recently initiated several EDI programs aimed at hospitals and dentists. The Commission plans to work with specialty dental payers to collect claim assessment information for future reporting.

The Commission's EDI programs are well received by the health care industry and staff is encouraged by the willingness of health care providers to work with MHCC in developing EDI programs. Over the next year, the Commission plans to build upon its existing EDI programs with payers and providers. The Commission's effort to act as an industry consultant with most professional medical associations has been successful in spurring EDI growth. As part of the Commission's expanded EDI strategy, it will provide EDI education and awareness to ambulatory surgical centers and home health facilities. The Commission intends to work with payers and providers as they prepare for implementation of the HIPAA-AS legislation.

[19] Information obtained from EHNAC, June 2000.
[20] Information obtained from an ad hoc survey of MHCC-certified EHNs.

MARYLAND EHNAC ACCREDITED & MHCC-CERTIFIED EHNs

Company	Address	Contact Name	Phone	Initial EHNAC Accreditation	Initial MHCC Certification	Web site
HBOC	7001 N. Scottsdale Road #1000 Scottsdale, AZ 85253	Provider Services	800-981-8601	01/09/1996	02/06/1997	www.hboc.com
Per-Se' Technologies	725A Tollgate Road Elgin, IL 60123	Tonya Thomas Account Manager	630-761-3800	01/09/1996	03/06/1997	www.halley.com
Synaptek (Envoy)	2525 NW Expressway #460 Oklahoma City, OK 73112	Provider Services	800-735-8254	08/08/1995	04/11/1997	www.envoy-neic.com
Professional Office Systems, Inc. (Envoy)	3702 Pender Drive, #305 Fairfax, VA 22030	Giovanni Naranjo	703-359-3888	04/29/1997	06/05/1997	www.envoy-neic.com
CIS Technologies (National Data Corp.)	6100 S. Yale, #1900 Tulsa, OK 74136-1903	Ralph Riccardi	800-852-0707	11/14/1995	06/05/1997	www.ndcorp.com
Maryland Health Information Network (EDS)	10075 Red Run Blvd., #500 Owings Mills, MD 21117	Ron Trevino	410-998-3302	06/16/1997	07/10/1997	www.mhinweb.com

***As of November 2000**

CANDIDACY STATUS

Claims Clearinghouses with EHNAC accreditation & MHCC-certification
WebMD
PayerPath.Com
CareInsite, Inc.
ProxyMed, Inc.
Affiliated Network Services

REPORTING PAYERS AND ELECTRONIC HEALTH NETWORK DESIGNATION

PAYER	EHN DESIGNATION	PAYER	EHN DESIGNATION
Aetna U.S. Healthcare of the Mid-Atlantic, Inc.❖	Envoy	MD-Individual Practice Association, Inc. ❖	MHIN
Aetna Life Insurance Company	Envoy	Mega Life & Health Ins. Co.	Synaptek
Allianz Life Ins. Co. of North America	Synaptek	Metropolitan Life Insurance Co.	Synaptek
American Republic Insurance Co.	HBOC	Mutual of Omaha Insurance Co.	Envoy
American Travelers Life Ins. Co.	Synaptek	National Group Life Insurance Co.	Envoy
Anthem Health & Life Insurance Co.	HBOC	Nationwide Life Insurance Co.	Synaptek
Canada Life Assurance Co.	MHIN	New England Life Insurance Co.	HBOC
CapitalCare, Inc. ❖	Envoy	New England Mutual	HBOC
CareFirst of MD, Inc. ❖	MHIN	New York Life Insurance Co.	Synaptek
Celtic Life Insurance Co.	Synaptek	NYLCare Health Plans of the Mid-Atlantic, Inc. ❖	Envoy
Cigna Healthcare Mid-Atlantic, Inc. ❖	HBOC	Optimum Choice, Inc. ❖	MHIN
Corporate Health Ins. Co.	HBOC	PFL Life Insurance Co.	Synaptek
Delmarva Health Plan, Inc.	MHIN	PHN-HMO, Inc. ❖	Envoy
Educators Mutual Life Insurance Co.	HBOC	Phoenix American Life Ins. Co.	Synaptek
Employers Health Insurance Co.	Synaptek	Phoenix Home Life Mutual	Synaptek
Employers Ins. of Wausau: A Mutual Co.	Synaptek	Primehealth Corporation	HBOC
Fidelity Insurance Co.	MHIN	Principal Health Care of Delaware, Inc.	Envoy
First Allmerica Financial Life Ins. Co.	Envoy	Principal Mutual Life Ins. Co.	Synaptek
Fortis Insurance Co.	Synaptek	Prudential Healthcare, Inc. ❖	Envoy
FreeState Health Plan, Inc. ❖	MHIN	Prudential Ins. Co. of America	Envoy
General American Life Insurance Co.	Healtheon	Reliastar Life Insurance Co.	Synaptek
George Washington University Health Plan	The Halley Exchange	State Farm Mutual Automobile Ins. Co.	Synaptek
Golden Rule Insurance Co.	HBOC	Transport Life Insurance Co.	Envoy
Graphic Arts Benefit Corp.	Envoy	Trustmark Insurance Co.	Synaptek
Great-West Life & Annuity Ins. Co.	HBOC	Unicare Life & Health Insurance Co.	The Halley Exchange
John Alden Life Insurance Co.	MHIN	Union Labor Life Insurance Co.	CIS Technologies
John Hancock	Envoy	United Healthcare Insurance Co.	Healtheon
Kaiser Permanente❖	Envoy	United Healthcare of the Mid-Atlantic, Inc. ❖	Healtheon
MAMSI Life & Health Ins. Co. ❖	MHIN	United Wisconsin Life Insurance	HBOC
Maryland Fidelity Insurance Co.	The Halley Exchange	Washington National Insurance Co.	Envoy

❖ Symbolizes Maryland HMO