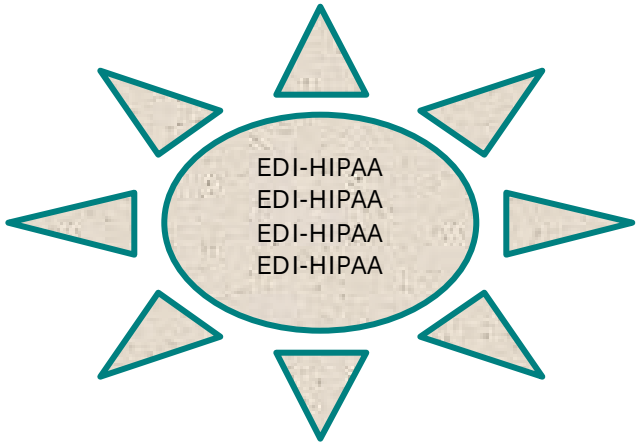

MARYLAND HEALTH CARE COMMISSION

Donald E. Wilson, M.D., MACP
Chairman

2001 EDI-HIPAA Progress Report

Electronic Data Interchange-Health Insurance Portability & Accountability Act

Experience from 2000

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Executive Director

Ben Steffen
Deputy Director
Data Systems & Analysis

STATE OF MARYLAND

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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 administration 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 six 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 2000.

Approximately 58.9 percent of claims were submitted electronically in Maryland, which is an increase of about 1.3 percent from the prior year. Over the last year, most payers have dedicated their EDI information technology resources to making system changes required to support HIPAA. Payers reporting the most success in improving their EDI share are those that strengthened user education and awareness programs. Aetna U.S. Healthcare, CareFirst of Maryland, Cigna Healthcare, and United Healthcare launched major EDI education programs aimed at increasing its use statewide.[4]

Practitioners, including physician and non-physician health care providers, submitted the highest percentage of electronic claims. EDI activity for practitioners was nearly 61.2 percent, which is an increase of 1.3 percent from last year's report. Aetna U.S. Healthcare of the Mid-Atlantic, CareFirst of Maryland, and M.D.IPA reported the most notable payer improvements in their practitioner EDI acceptance rate. In general, only small non-HMOs selling indemnity products did not support EDI. Cigna Healthcare and CareFirst of Maryland attribute improvements in EDI to an increase in provider education programs. Aetna U.S. Healthcare's EDI growth is also attributed to providing free point-of-service data entry boxes to practitioners that process referrals electronically.

Payers continue to slowly increase EDI activity with hospitals. The 56.7 percent EDI use among hospitals represents an increase of nearly 1 percent from the previous year. Many hospitals reported to the Commission that EDI limitations regarding claim attachments are a leading cause in the slow adoption of EDI.

[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: Affiliated Network Services, HBOC, Per-Se' Technologies, Synaptek, Professional Office Systems, Inc., and NDC. EHNs in candidacy status: WebMD (Corporate), MediFax, HDX, ProxyMed, RealMed, PayerPath.
[4] Information obtained rom the 2000 EDI Progress Report payer claims data.

The use of EDI among dentists improved by approximately 1.5 percent. Any development is encouraging in this field of predominantly solo practitioners with limited resources to support EDI advancement. For most non-specialty payers, dental contracts are a small portion of their covered lives. Payers often dedicate information technology resources required to expand dental EDI to other system-related activities. Cigna Healthcare and Metropolitan Life are two payers that reported a fairly large increase in EDI dental share. Cigna Healthcare implemented dental provider education programs and Metropolitan Life reduced the payment cycle for electronic dental claims. CareFirst of Maryland is another example of a payer that reported focusing their information technology resources on medical provider EDI initiatives.[5]

EDI adoption rates in Maryland vary significantly for government and non-government payers. Medicare's EDI acceptance rate was approximately 87 percent; an increase of less than 1 percent from last year. Medicaid's EDI acceptance rate of about 87.5 percent is down about 3 percent from the previous year but Medicaid's 91.7 percent overall EDI activity rate in 2000 was greater than expected. The increase is attributed to electronic claims received as part of a claims "clean up" project with Maryland Health Partners.[6] Medicaid EDI rates do not include claims submitted by providers to HealthChoice MCOs. These organizations have the lowest EDI acceptance rates of any payer category.

EDI capability by HealthChoice Managed Care Organizations (MCOs) continued to lag behind other sectors during this reporting period. United Healthcare, Americaid, MD Physicians Care, and Priority Partners reported accepting some claims electronically. JAI Medical Systems and MedStar report accepting only paper claims.[7] Presently, only United Healthcare of the Mid-Atlantic and Americaid are able to accept HCFA1500s and UB-92s electronically.[8] Prior to the introduction of HealthChoice, practitioners and hospitals were able to submit nearly all Medicaid claims electronically. The slow adoption of EDI by MCOs over the last several years is disappointing to the Commission. Practitioners argue that electronic claims submission creates operational efficiencies as compared to paper claims.[9] The MCOs currently receive electronic enrollment data from Maryland Medical Care Program's Office of Operations and Eligibility. The upcoming HIPAA requirements will force MCOs to adopt information technology to accept practitioner and hospital claims electronically.

EDI percentages among government payers exceed non-government payers due to the availability of low cost submission options and the use of a single transaction format. Medicaid allows providers that render service under traditional Medicaid to submit claims on a direct basis without cost. The Medicare intermediary, Trailblazers,[10] offers free software to submitters and processes electronic claims ten days faster than paper claims. Non-government payers reported EDI activity at about 31.2 percent, which is an increase of approximately 2.6 percent. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) requires payers to accept claims electronically by October 16, 2002.[11] Over the last year, private payers dedicated much of their information technology resources to implementing HIPAA's transactions and code sets

[5] Information obtained from the 2000 EDI Progress Report payer claims data.
[6] Information obtained from the Medical Care Program's Office of Operations and Eligibility.
[7] Information provided by the Maryland Medical Care Program's Office of Operations and Eligibility.
[8] Americaid acquired the Prudential of the Mid-Atlantic business in 1999.
[9] Managed Care Measures: "Results of the 1999 Benchmarking Study," Ernst & Young 2000.
[10] Trailblazers is a wholly owned subsidiary of BlueCross BlueShield of South Carolina.
[11] HR 3323 allows covered entities to request a one-year extension by submitting a compliance plan to the Secretary of DHHS by October 16, 2002.

requirements. In the past, these same resources were used to expand payer EDI capabilities. HIPAA will make it easier for health care providers to submit claims electronically.

Payers generally recognize that use of EDI produces administrative cost savings. To increase electronic claim volumes, some payers have offered providers non-financial based provider incentives as a way to increase the number of electronically submitted claims. Last year, Aetna U.S. Healthcare introduced its "Express Pay" to process provider electronic claims at an average of five days or less. They also provided some practitioners with computers in an effort to increase the number of electronic submitters. Metropolitan Life implemented a successful quick pay initiative on electronic dental claims.[12]

The implementation of HIPAA will undoubtedly increase EDI activity in Maryland. Leading experts in the health care industry claim that complying with the new federal regulations is a monumental task. Some practice management software vendors and small payers will have difficulty complying with HIPAA's transactions and code set requirements.[13] Contracting with electronic health networks will be a viable option for practice management software vendors and small payers. Practitioners and hospitals that view HIPAA as an opportunity to implement industry "best practices" are likely to increase their operational efficiencies.

[12] Information obtained from the 2000 EDI Progress Report payer claims data.

[13] Faulkner & Gray: *Health Data Management*, January 2001. Federal regulations define small payers as those with $5 million or less in annual revenue.

Want To Know More About HIPAA?

The Health Insurance Portability and Accountability Act (HIPAA) was enacted in 1996, and brought about sweeping changes to several areas of health care activity. The primary intent of the law was to improve the portability and continuity of health insurance coverage to protect workers who lose or change jobs. HIPAA included significant changes to fraud and abuse enforcement as well as provisions to encourage the establishment of medical savings accounts. The Administrative Simplification title of HIPAA proposed standards for regulating electronic transactions and the privacy of individually identifiable health care information. Regulations related to the security of individually identifiable health care information exist in draft form and are expected to be final by mid 2002.

Administrative Simplification provisions are intended to improve the efficiency and effectiveness of the health care system by standardizing certain administrative and financial transactions and by protecting the security of patient identifiable information. As of October 16, 2002, covered entities (payers, providers, and claims clearinghouses) that use EDI for some transactions are required to support all nine transactions related to health claims, attachments, eligibility, payment, and premium. President Bush signed *H.R. 3323 into law on December 27, 2001, which enables covered entities to request a one-year extension by submitting a Compliance Plan to the Secretary of the Department of Health and Human Services (DHHS) by October 16, 2002 When requesting a one year extension, covered entities must include a budget, schedule, work plan, and implementation strategy for achieving compliance by October 16, 2003.*

In December 2000, the Clinton Administration expanded the final rule for privacy, a provision under Administrative Simplification, to include oral communication. Covered entities are required to protect individually identifiable information in any form, electronic or non-electronic, that is held or transmitted by a covered entity. This includes individually identifiable health information in paper records that never has been electronically stored or transmitted. Covered entities must comply with the privacy final rule by April 14, 2003.

ELECTRONIC DATA INTERCHANGE ACTIVITIES YEAR IN REVIEW

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.

December 2000

- MHCC hosts quarterly meeting of the Electronic Health Network Accreditation Commission (EHNAC) in Baltimore.

- Follow-up meetings (from the October 2000 EDI Summit) held with payers regarding the acceptance of electronic transactions from ambulatory surgical facilities.

January 2001

- MHCC and The Gallup Organization continue to work on the Physician Office Automation Survey adding questions to measure physician's knowledge of HIPAA requirements.

- MHCC offers support to several organizations in the development of EDI/HIPAA awareness, including MD Ambulatory Surgical Association, Chiropractic Association, MD Home Care Association, and four Medicaid MCOs.

- MHCC meets with several Internet-based EHNs to discuss their products and MHCC certification requirements.

February 2001

- MHCC holds HIPAA Awareness Seminars with the Harford County Medical Society and the Eastern Shore's Medical Group Management Association.

March 2001

- MHCC provides technical advice to a group of Baltimore hospitals on the potential of a web-based initiative to access patient eligibility information via the Internet.

- The Gallup Organization mails surveys to assess office automation practices to 1,200 physician offices statewide.

April 2001

- MHCC works with Internet-based networks affected by Senate Bill 371 (passed 1999 MD General Assembly) requiring Maryland payers to only accept electronic transactions from accredited clearinghouses.

- MHCC completes "A Guide to Privacy Readiness" © designed to assist facilities and practitioners with HIPAA implementation.

May 2001

- MHCC assists a number of organizations in preparing awareness programs for summer health care association conferences, including MedChi, MD Academy of Pediatrics, MD Psychological Association, MD Chiropractic Association, and MD State Dental Society.

June 2001

- MHCC prepares to process 2001 EDI Payer Progress Reports due to the Commission on June 30th and offers support to the payers required to comply with COMAR 10.25.09.

July 2001

- Full payer compliance is met in the submission of 2000 EDI Progress Reports.

- MHCC continues statewide HIPAA awareness briefings.

- MHCC continues to implement SB 371 recognizing the cost impact placed upon small EHNs to obtain national accreditation.

August 2001

- MHCC negotiates an agreement with the North Carolina Health Care Information and Communication Alliance (NCHICA) to convert MHCC's "A Guide to Privacy Readiness"© into an electronic assessment tool.

September 2001

- MHCC approves a certification process for electronic health networks with revenues below $1 million. This action was taken consistent with Senate Bill 371 that requires all Maryland licensed payers to accept claims from only MHCC certified clearinghouses.

December 2001

- MHCC approves the release of proposed regulations (COMAR 10.25.09) that establish a certification process for EHNs with revenues under $1 million.

Introduction

Maryland law requires the Commission to promote EDI adoption.[14] 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. The Center for Medicare and Medicaid Services (CMS, formerly the Health Care Financing Administration) estimates that submitting claims electronically reduces administrative health care costs by about 50 cents per claim. Some studies attribute even greater savings to EDI use. Actual savings and paper claim submission costs vary by organization.

The 2001 EDI Progress Report contains information collected from payers doing business in Maryland for calendar year 2000. By law, Maryland payers with a premium volume of $1 million or more for health benefits are required to submit an annual claims activity report. Medicare performance was obtained from the Center for Medicare and Medicaid Services. Claims submitted to Medicare+Choice HMOs are not included. Medicaid statistics were obtained from the Office of Operations and Eligibility under the Maryland Medical Care Program. Medicaid claims received from HealthChoice MCOs are included in the Medicaid totals. These claims are received electronically from the MCOs. 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 is expected to increase electronic commerce by implementing a standard transaction format thereby eliminating nearly 400 non-standard transaction formats.

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 factor into reporting variations. This year, the Commission took steps to minimize payer reporting inaccuracies by auditing submitted information with appropriate payer contacts.

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

PAYER COMPLIANCE STATUS

TABLE 1

	2000	1999
NUMBER OF PAYERS		
Submitted Data	50	71
Received Waiver	4	7
Total Payers	54	78
PERCENTAGE OF PAYER REPRESENTATION		
Submitted Data	92%	91%
Received Waiver	8%	9%
Total Payers	100%	100%
PERCENTAGE OF PREMIUMS		
Submitted Data	99%	97%
Received Waiver	1%	3%
Total Payers	100%	100%

ANALYSIS

The decrease in the number of reporting payers is due to an initial screening eliminating nine life insurance companies from the Maryland Insurance Administration list. Another factor was the increasing consolidation among health plans. Some examples of payers that combined reporting this year include: Anthem Life Insurance Company, Aetna U.S. Healthcare, FreeState Health Plan, Principal Healthcare of Delaware, United Healthcare Insurance Company, and Washington National Insurance Company.

Total premium of reporting payers was approximately $3.3 billion. This is an increase of about 10 percent from the prior year when the reporting premium totaled $3 billion. This figure does not include administrative fees earned by payers that provide services to self-insured companies.

The number of waivers issued by the Commission decreased by nearly 50 percent. Waivers for the 2000 reporting cycle were issued to First Allmerica Financial, John Hancock Mutual, Pacific Indemnity, and PFL Life Insurance Company.

GOVERNMENT & PRIVATE CLAIMS DISTRIBUTION

Figure 1: Change in Claim Volume from 1999-2000

(includes hospital and practitioner claims)

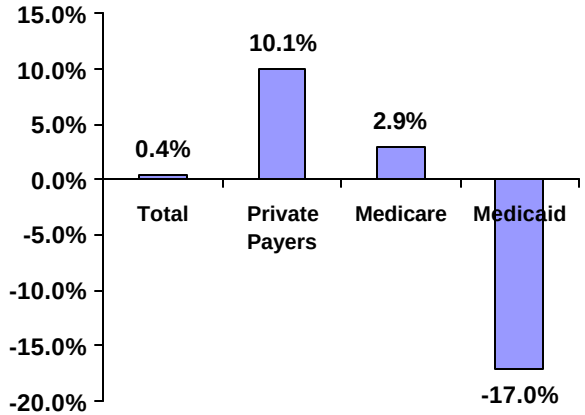
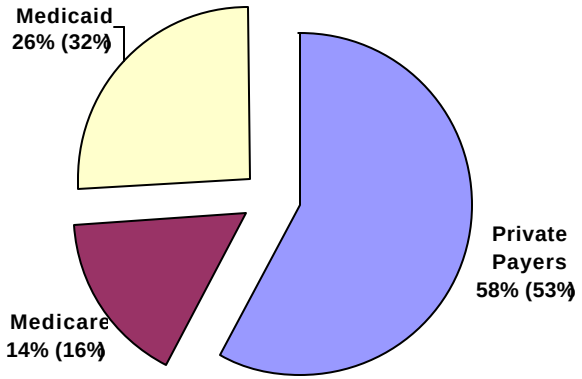


Figure 2: Claim Distribution Among Payers in 2000



Note: Percentages shown in parentheses are 1999 shares.

ANALYSIS

Hospitals, health care professionals, and dentists submitted more than 72 million claims to payers in 2000. As shown in Figure 1, total claim volume was stable from 1999 to 2000. However, claim volumes changed for private payers, Medicare, and Medicaid leading to significant changes in each payer's share of total claims as shown in Figure 2.

Private payers reported claim volume increases of about 10 percent. This growth is attributable to increased utilization and some movement away from tightly managed care under which providers are sometimes paid capitated payments. Since capitated services do not generate claims, a shift to fee-for-service increases claim volume.

Medicare claims volume increased by 2.2 percent in 2000, while Medicare enrollment grew by 1 percent over the same period. A shift back to traditional Medicare by some Medicare+Choice members may account for the increased volume. From 1999 to 2000, Medicare+Choice enrollment in Maryland dropped by nearly 20 percent.[15]

Medicaid experienced a sharp decline in claim volume due to several technical factors. Of these factors, the most important being the one-time surge in processing of Maryland Health Partner claims that occurred in 1999 due to a claims backlog. Claims reported in 2000 probably represent more realistic annual volumes for the program.

[15] ***State Health Care Expenditures for 2000,*** Maryland Health Care Commission, January 2002.

GOVERNMENT & PRIVATE ELECTRONIC CLAIMS DISTRIBUTION

(includes hospital, practitioner, and dental claims)

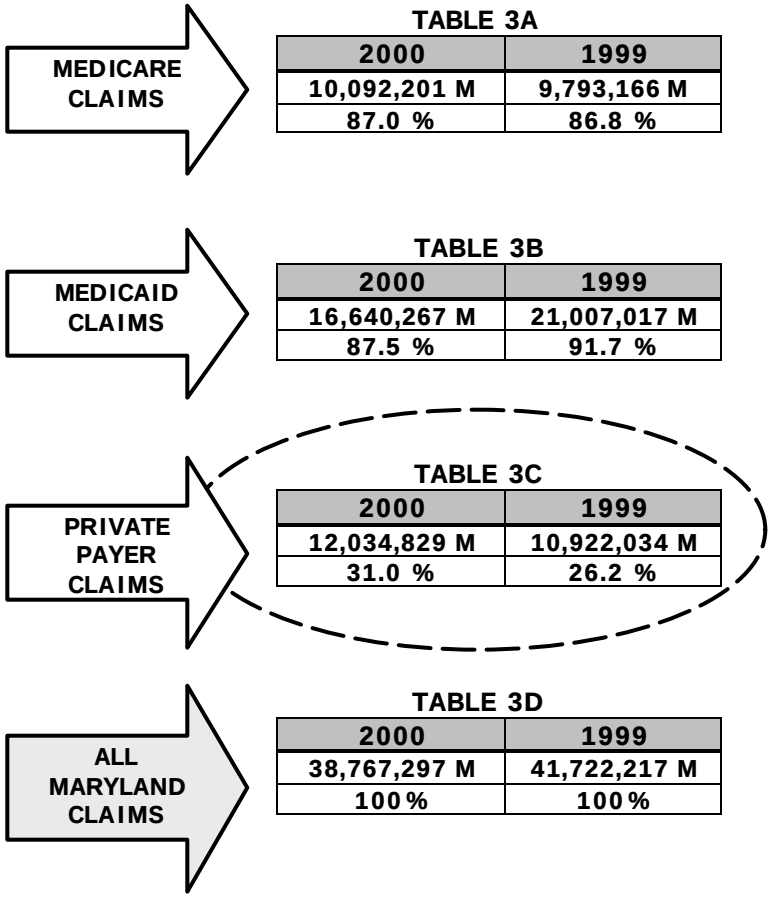


TABLE 3A

2000	1999
10,092,201 M	9,793,166 M
87.0 %	86.8 %

TABLE 3B

2000	1999
16,640,267 M	21,007,017 M
87.5 %	91.7 %

TABLE 3C

2000	1999
12,034,829 M	10,922,034 M
31.0 %	26.2 %

TABLE 3D

2000	1999
38,767,297 M	41,722,217 M
100%	100%

.

ANALYSIS

Medicare reported a slight increase in EDI activity during this reporting period. The fiscal intermediary, Trailblazers, exceeded its EDI goal of 85 percent.[16] The share of Medicare claims submitted electronically has hovered around 85 percent for the last several years.

Medicaid reported a decrease of nearly 4.3 million electronic claims over the last year. The Office of Operations and Eligibility under the Maryland Medical Care Program attributes this change in EDI to the result of completing a Maryland Health Partners claims clean up project, and because providers began submitting Medicare crossover claims on paper.[17] Information reported in 2000 more realistically represents Medicaid claims volume and EDI share.

Private payer electronic claims share increased by approximately 1.1 million claims and 4.8 percent. EDI activity among private payers continues to show modest improvements. Advancements in EDI are likely to continue but at a slow pace as private payers dedicate information technology resources used to support EDI to system changes required by the HIPAA regulations.

The implementation of the HIPAA transactions and code set standards will require payers to support electronic transactions. Practitioners and health care organizations will be able to summit their claims and attachments electronically. Over the next year, most payers need to complete system changes required to support electronic eligibility inquiries, claim submission, and claim status requests. Payers not able to meet the October 16, 2002 deadline can request a one-year extension from the Secretary of Health and Human Services.[18]

[16] Trailblazers' EDI goals are set on a yearly basis by senior management in conjunction with Medicare.

[17] Information obtained from the 2000 EDI Progress Report.

[18] H.R. 3323, signed into law by President Bush on December 27, 2001 allows covered entities to request a one-year extension in complying with the transaction and code set requirements.

PROVIDER CLAIMS
ELECTRONIC DISTRIBUTION

(includes government payers)

TABLE 4A

MEDICARE		MEDICAID	
2000	**1999**	**2000**	**1999**
HOSPITAL			
2,164,163 M	2,115,340 M	1,260,524 M	1,451,658 M
PRACTITIONER			
7,928,037 M	7,677,826 M	11,857,594 M	19,552,858 M

TABLE 4B

2000	1999
5,504,596 M	5,106,042 M
56.7 %	55.8 %

TABLE 4C

2000	1999
37,013,536 M	36,337,059 M
61.2 %	59.9 %

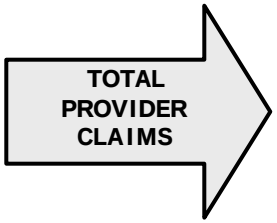


TABLE 4D

2000	1999
42,832,511 M	41,599,250 M
58.9 %	57.6 %

ANALYSIS

Hospital EDI share increased by approximately 1 percent from the prior year. Medicare reported processing nearly 2.1 million electronic claims, about 3 percent more than the previous year. Medicaid reported processing about 1.2 million electronic claims, approximately 14 percent fewer than last year.[19] Hospital claim volumes reported by Medicaid in 1999 include prior year claims from Maryland Health Partners submitted to Medicaid as part of a claims cleanup project. Hospital claims volume reported by Medicaid in 2000 more realistically represent claim volumes.

Practitioner EDI share increased by approximately 1.3 percent from the prior year. At 7.9 million, Medicare reported processing about 4 percent more claims than last year. Medicaid reported processing about 11.8 million electronic claims, or about 40 percent fewer than 1999.[20] Medicaid included practitioner claims from the Maryland Health Partners claim cleanup project in their 1999 report to the Commission. Current year totals are generally more consistent of actual practitioner claims volume.

EDI claims share among government and non-government payers continues to increase at a slow pace for hospitals and practitioners. Practitioner EDI remains about 4.5 percent more than hospital EDI shares. The difference is most notably due to the ease in submitting practitioner claims electronically to government payers as compared to hospital claims. Government payers process electronic claims about 14 days faster than those submitted on paper.

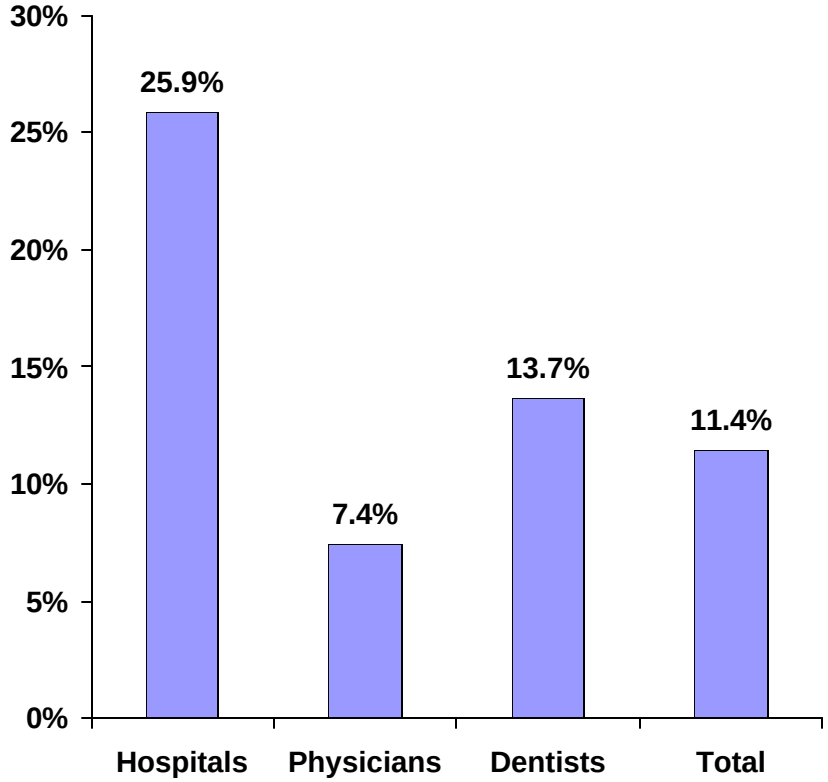
[19] Information obtained from the 2000 Government Payer EDI Progress Report.

[20] Information reported on the 2000 Government Payer EDI Progress Report.

PROVIDER CLAIMS ELECTRONIC DISTRIBUTION

(excludes government payers)

Growth in EDI Claims Submitted to Private Payers



ANALYSIS

EDI shares among hospitals increased by approximately 25.9 percent from the prior year. Payers that reported the largest increase in electronic claims share were Aetna U.S. Health Plans, Cigna Healthcare, and Optimum Choice. In general, these payers credit improvement in hospital EDI shares to provider awareness programs aimed at boosting EDI activity among hospitals.

Practitioner EDI grew by approximately 7.4 percent. Aetna U.S. Healthcare, CareFirst of Maryland, Cigna Healthcare, MAMSI, and United Healthcare reported notable improvements in their practitioner EDI share. Overall, most payers reported some increase in their share of EDI for practitioners from 1999.

Dental EDI share increased among private payers by approximately 11.4 percent from the prior year. Cigna Healthcare and Metropolitan Life reported the most noteworthy increases in electronic claims share. Cigna Healthcare reported a fairly large increase in the number of dental contracts.[21] Metropolitan Life implemented changes in their EDI claims processing system and implemented practitioner incentives for dentists submitting claims electronically.

Private payers continue to make progress in expanding their growth in EDI claims. The modest rate of growth is due primarily to private payers using their present information technology resources to implement the HIPAA requirements. Changes in managed care have also contributed in dulling practitioner use of EDI. Once implemented, the HIPAA requirements will enable practitioners to submit electronic claims to private payers.

[21] An increase in enrollment was reported to staff during the 2000 EDI Progress Report audit conference with Cigna Healthcare.

EDI STATUS
AMONG PRIVATE PAYERS

TABLE 6

PRIVATE PAYERS	HMOs		NON-HMOs	
	2000	1999	2000	1999
With EDI	10	10	44	61
Without EDI capability	0	1	5	15

A complete list of payers in compliance with COMAR 10.25.09 can be found on page 21.

ANALYSIS

All HMOs reported accepting some claims electronically during this reporting cycle. In the previous year, Kaiser Permanente was the only HMO unable to accept hospital or practitioner claims electronically. Since then, Kaiser Permanente has made modifications to existing information technology systems enabling them to accept electronic hospital and practitioner claims.[22]

During the 2000 reporting period, approximately 10 percent of non-HMOs reported no EDI activity as compared to 24 percent in 1999. Those payers that did not accept electronic hospital or practitioner claims in 2000 were relatively small payers, such as Allianz Life Insurance Company of North America, American Republic Insurance Company, Educators Mutual Life Insurance Company, Graphic Arts Benefit Corporation, and Union Labor Life Insurance Company.

In 1999, approximately 22 percent were unable to support electronic claims whereas this year that percentage decreased to about 10 percent.[23] Those payers less likely to support EDI were noted to be in the market of supplemental products and did not view the expansion of EDI as a priority. As part of HIPAA, only small payers will be exempt from the requirements to accept electronic transactions by October 16, 2002.[24]

[22] Information obtained during the 2000 EDI Progress Report audit conference with Kaiser Permanente.
[23] Information obtained from payers 2000 EDI Progress Report.
[24] Small payers are defined as $5 million or less and have 36 months from the date the final rule was published to implement the requirements according to section 2791(a) of the Public Health Service Act.

Electronic Claims Share for Private Payers

TABLE 7A

PRACTITIONER CLAIMS					
2000			1999		
HMO	Non-HMO	Total	HMO	Non-HMO	Total
29.6%	46.0%	40.4%	31.2%	42.5%	39.0%

TABLE 7B

HOSPITAL CLAIMS					
2000			1999		
HMO	Non-HMO	Total	HMO	Non-HMO	Total
35.5%	59.5%	48.1%	9.9%	51.0%	28.1%

TABLE 7C

TOTAL PRIVATE PAYER CLAIMS					
HMO			Non-HMO		
2000	1999	Total	2000	1999	Total
30.5%	47.3%	41.3%	26.0%	43.3%	37.3%

ANALYSIS

Non-HMO electronic claims share for practitioners exceeded HMOs by approximately 16.4 percent. HMOs reported about a 1.6 percent decrease in electronic claims share from the prior year. Non-HMO electronic claims share for practitioners increased by about 3.5 percent.

Non-HMO electronic claims share for hospitals exceeded HMOs by approximately 24 percent. Over the last year, HMOs and non-HMOs increased their hospital electronic claims share by approximately 20 percent. HMOs reported the largest gain in electronic claims share as compared to non-HMOs.

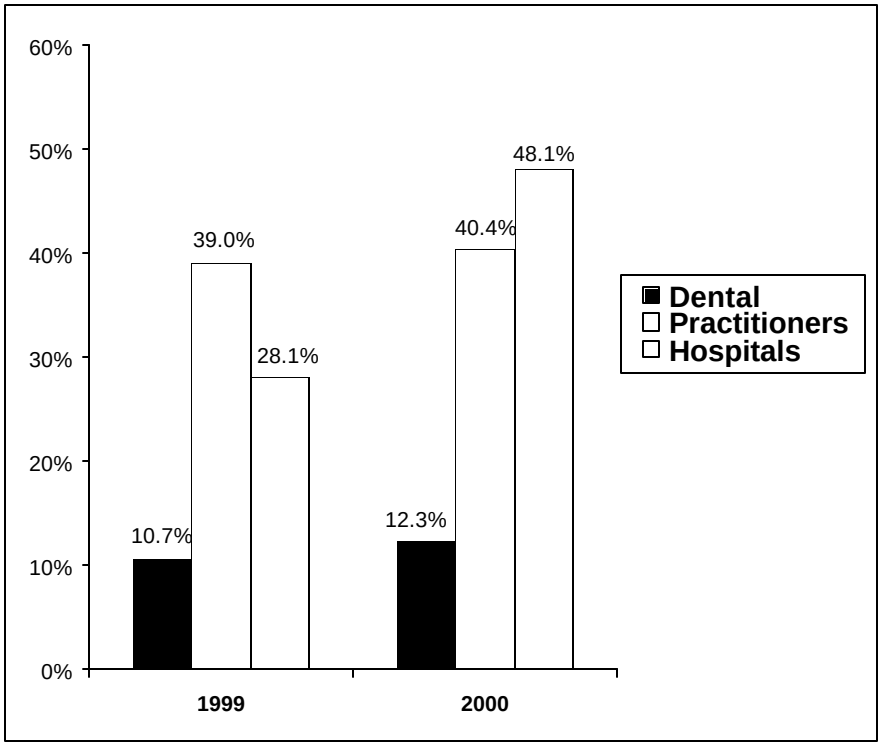
In total, private payers increased electronic claims volume by approximately 4 percent. Non-HMO shares of electronic claims continued to exceed HMOs during this reporting period.

Electronic claims share is expected to increase as payers implement the HIPAA requirements. Some payers anticipate implementing the HIPAA transaction and code set requirements gradually over the next year while others have decided to wait until the October 16, 2002 implementation date.[25] Providers can opt to rely upon their practice management software vendor or a claims clearinghouse to comply with HIPAA.[26]

[25] Information obtained during payer EDI Progress Report audit conferences.
[26] Faulkner & Gray, Inc., *Health Data Management*, January 2001

DENTAL, PRACITIONER & HOSPITAL
Private Payer Electronic Claims Shares

CHART 1



ANALYSIS

Private payers reported an increase of approximately 20 percent in electronic claims. Aetna U.S. Healthcare and Cigna Healthcare are two payers that reported a significant increase in volume of electronic hospital claims. CareFirst of Maryland also reported a notable increase in electronic hospital claims.

Electronic practitioner claims share increased by approximately 1.4 percent over the last year. Private payers that reported an increase in practitioner electronic claims share include MAMSI, CareFirst of Maryland, Aetna U.S. Healthcare, and Cigna Healthcare.

Private payers reported an increase of approximately 1.6 percent in electronic dental claims. Metropolitan Life reported the expansion of EDI initiatives had an especially positive impact among its dental providers.

Many payers reported launching EDI education and awareness initiatives aimed at expanding use among hospitals.[27] In general, payer use of EDI among practitioners and dentists was an area of continued improvement. EDI activity overall is expected to increase once HIPAA is implemented.

[27] Information collected during the 2000 EDI Progress Report payer audit conference.

HEALTH CHOICE MCOs
Electronic Claims Capability

TABLE 8

MCO Organization	Accepts & Processes Claims Electronically		Accepts Electronic Claims, Processes Manually	
	2000	1999	2000	1999
United Healthcare	v	v		
Americaid	v	v		
MD Physicians Care	v HCFA1500	v HCFA1500		
MedStar			v	v
Prime Health				
JAI Medical Systems				
Priority Partners	v UB-92	v UB-92		

ANALYSIS

Most MCOs are able to accept some claims electronically. For the most part, the MCOs have made only slight changes in their EDI capabilities from 1999 to 2000.

Prime Health and JAI Medical Systems continue to accept and process only paper claims. These payers rely upon practitioners and hospitals to complete either a HCFA1500 or a UB92 and submit it with the appropriate documentation.

The development of EDI among HealthChoice MCOs remained nearly the same over last year. The limited EDI capability among the MCOs is generally viewed as a source of frustration for practitioners and hospitals seeking to reduce the administrative cost of paper billing. Prior to MCOs, nearly all hospital and practitioner claims were submitted electronically to Medicaid.

Several MCOs only accept automated enrollment information electronically from the Office of Operations and Eligibility under the Medical Care Program. Most of the MCOs have only limited information technology systems.[28] Under the HIPAA requirements, MCOs currently supporting some EDI activity will be required to accept all claims electronically as of October 16, 2002.

[28] In January 2001, Commission staff completed a site review with all local MCOs. Americaid was excluded because of its out-of-town location.

Conclusions

EDI activity in Maryland continues to grow. Practitioners, hospitals, and dentists reported a modest increase in EDI. The overall rate of EDI growth in Maryland was reported at about 1 percent. Reasons for slow EDI growth vary by reporting source. Practitioners and hospitals frequently report that an inconsistent format for submitting electronic claims among private payers deters use. Private payers largely attribute their slow growth to committing information technology resources to HIPAA implementation. In general, the MCOs have not made any additional progress in adopting EDI over the last year. However, HIPAA will require the MCOs to accept electronic claims.

In Maryland, government payers continue to report exceptional EDI rates. The EDI acceptance rate for government payers is nearly double that of private payers for hospital and practitioner claims. To encourage EDI activity, government payers reimburse most electronic claims in 14 days, render technical support, and provide the ability to code most billing information on the claim form. Most HMOs require an authorization or referral on file before the claim can be submitted and adjudicated electronically. The EDI acceptance rate for government payers is expected to increase with the implementation of HIPAA. Government payers are a covered entity under the HIPAA regulations.

Implementing HIPAA will be a challenge for most payers. As part of the HIPAA regulations, unless payers request a one-year extension from DHHS, they will have to implement the standard transactions and code sets by October 16, 2002. The privacy standards are required to be implemented by April 14, 2003. Industry experts estimate the resource and financial impact of HIPAA to be several times greater than the Y2K change.[29] Some payers have indicated they will implement HIPAA requirements gradually as the implementation date nears. Commission staff expects most payers to begin testing their information technology system changes by mid 2002 but not support the HIPAA requirements until the implementation date. CMS plans to release its Enforcement and Security Regulations in late 2002.

Over the last year, the Commission has developed and implemented a number of EDI and HIPAA related initiatives. Commission staff presented and maintained an information booth at most medical association conferences. On many occasions, practitioner and hospital groups invited staff to present on "industry best" practices related to HIPAA implementation. The Commission's EDI-HIPAA Focus Group continued to provide useful feedback to the staff. This partnership resulted in the May 2001 release of the MHCC "A Guide to Privacy Readiness."© The guide provides practitioners, hospitals, and health care organizations with a variety of tools for complying with the new privacy law under HIPAA.

The MHCC "A Guide to Privacy Readiness."© was distributed at most association conferences and is available on the Commission's website.[30] The guide has received overwhelming support from practitioners and health care organizations across the state and has promoted national interest. National interest is of a broad range but includes organizations such as, the American Medical Association, CMS, North Carolina Healthcare Information and Communication Alliance, Inc. (NCHICA), Aetna U.S. Healthcare, Gentiva Health Services, American Postal Workers Union, AFL-CIO, and the Medical Society of Delaware. NCHICA developed interactive

[29] Information obtained from EHNAC, June 2000.
[30] MHCC website: www.mhcc.state.md.us

software using the guide that is to be sold nationally but distributed free to licensed health care professionals and organizations in Maryland.

The Commission's EDI programs are well received by practitioners and hospitals and other health care organizations. MHCC programs focus on operational efficiencies achieved by implementing EDI. The Commission has effectively established itself as an industry consultant for EDI and HIPAA with payers, practitioners, hospitals, and health care organizations. Over the next year, the Commission plans to build upon its existing EDI programs with practitioners, hospitals, and health care organizations while at the same time implementing programs aimed at strengthening health care industry awareness of HIPAA.

MARYLAND
EHNAC ACCREDITED & MHCC-CERTIFIED EHNs

Company	Address	Contact Name	Phone	Initial EHNAC Accreditation	Initial MHCC Certification	Web site
Affiliated Network Services	211 W. Wacker Drive, #1100 Chicago, IL 60606	Support Services	312-236-6616	06/13/2001	10/18/2001	www.affnetserv.com
HBOC	5995 Windward Parkway Alpharetta, GA 30005	Provider Services	800-981-8601	01/09/1996	02/06/1997	www.hboc.com
Per-Se' Technologies	725A Tollgate Road Elgin, IL 60123	Joe Schulman Sales Manager	800-693-4200	01/09/1996	03/06/1997	www.halley.com
Synaptek A WebMD Company	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. A WebMD Company	3702 Pender Drive, #305 Fairfax, VA 22030	Giovanni Naranjo	703-359-3888	04/29/1997	06/05/1997	www.envoy-neic.com
NDC Formerly CIS Technologies	6100 S. Yale, #1900 Tulsa, OK 74136-1903	Paul Hoyt	800-852-0707	11/14/1995	06/05/1997	www.ndchealth.com

***As of November 2001**

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Claims Clearinghouses with EHNAC accreditation & MHCC-certification
WebMD
PayerPath.Com
HDX
ProxyMed, Inc.
RealMed
MediFax

REPORTING PAYERS with ELECTRONIC HEALTH NETWORK DESIGNATION

PAYER	EHN DESIGNATION	PAYER	EHN DESIGNATION
Aetna U.S. Healthcare of the Mid-Atlantic, Inc. ✦	Envoy	MAMSI Life & Health Ins. Co. ✦	MHIN
Aetna Life Insurance Company	Envoy	Maryland Fidelity Insurance Co.	The Halley Exchange
Allianz Life Ins. Co. of North America	Synaptek	MD-Individual Practice Association, Inc. ✦	MHIN
American Republic Insurance Co.	HBOC	Mega Life & Health Ins. Co.	Synaptek
Anthem Health & Life Insurance Co.	HBOC	Metropolitan Life Insurance Co.	Synaptek
CapitalCare, Inc. ✦	Envoy	New York Life Insurance Co.	Synaptek
CareFirst of MD, Inc. ✦	MHIN	NYLCare Health Plans of the Mid-Atlantic, Inc. ✦	Envoy
Cigna Healthcare Mid-Atlantic, Inc. ✦	HBOC	Optimum Choice, Inc. ✦	MHIN
Delmarva Health Plan, Inc.	MHIN	PFL Life Insurance Co.	Synaptek
Educators Mutual Life Insurance Co.	N/A	PHN-HMO, Inc. Φ	Envoy
Employers Health Insurance Co.	Synaptek	Phoenix American Life Ins. Co.	Synaptek
First Allmerica Financial Life Ins. Co.	Envoy	Phoenix Home Life Mutual	Synaptek
Fortis Insurance Co.	Synaptek	Principal Health Care of Delaware, Inc.	Envoy
FreeState Health Plan, Inc. ✦	MHIN	Principal Mutual Life Ins. Co.	Synaptek
General American Life Insurance Co.	Healtheon	Prudential Healthcare, Inc. ✦	Envoy
George Washington University Health Plan	The Halley Exchange	Prudential Ins. Co. of America	Envoy
Golden Rule Insurance Co.	HBOC	Reliastar Life Insurance Co.	Synaptek
Graphic Arts Benefit Corp.	N/A	State Farm Mutual Automobile Ins. Co.	Synaptek
Great-West Life & Annuity Ins. Co.	HBOC	Principal Health Care of Delaware, Inc.	Envoy
Guardian Life Ins. Co. of America	Synaptek	Trustmark Insurance Co.	Synaptek
Kaiser Permanente✦	Envoy		

✦ Symbolizes Maryland HMO