



Revenue Cycle Acceleration:

Implementing Electronic Attachment of Claims Documents

by John R. Cochran III, FACHE

Following is an overview of "Claims Attachment/Document Exchange—CADX[®]," winner of ACHE's 2004 Management Innovations Poster Session held at the annual Congress on Healthcare Management. At the session, entrants present innovations and ideas for meeting challenges facing their organizations.

Most health plans, insurers, hospitals, and medical offices have the information technology hardware that could potentially make electronic communications a business reality. But inefficient paper processes still plague the healthcare field.

Why? The problem stems from a number of ingrained cultural and operational practices. For example, paper is still an integral component in the healthcare field's billing and claims adjudication processes. Part of the problem emanates from the defensive need ingrained in both healthcare providers and payors to document everything in detail to build a case for the payment of medical services.

The big question, however, is: What will finally make healthcare organizations move away from paper and toward electronic processes? Many in the field are betting that a combination of standards, the right technology, and proven results will be enough to make healthcare players adopt electronic processing. All three of those elements are materializing with respect to claims attachments needed for payment; the healthcare field now stands ready to reap the benefits associated with the promise of technology.

Examining the claims attachment problem

A closer look at the paper claims attachment processing problem definitively proves why there is such a need for an alternative, electronic processing scheme.

Claims attachments, the documents used to support and justify healthcare payments, have been identified as a major revenue cycle problem for providers and a cost/operations issue for payors due to the following reasons:

- Providers don't know when or what attachments will be needed, and some payors will not give out that information, fearing that providers will gain an "edge."
 - Providers have developed the habit of submitting attachments with large-dollar claims or claims by type of service, whether or not they are really needed by payors.
 - Payors have a reputation for losing attachments and re-requesting them, without checking to see if another department has already requested the same attachment, thereby causing double and sometimes triple work for providers and themselves.
 - Major process delays exist on all sides, with the cycle from request to receipt of the attachments taking an average of 30 to 45 days.
- Paper storage and handling costs have skyrocketed for providers and payors, as both defensively document their positions.
 - The lack of clear definitions when a payor asks for documents causes confusion, duplicate requests, and processing delays.
 - On the provider side, attachments have a major impact on payor denials and cause increased contractual write-offs.
- Despite this litany of problems, the healthcare field continues to rely on paper. When the Hospital Association of Southern California commissioned a study of several hospitals, it became increasingly clear that the reliance on paper was simply part and parcel of the expected mode of operation. As a matter of fact, the hospitals were deluging the payors with paper, much of it unsolicited and not required. And, in many cases, payors were shredding what they originally received and subsequently asking for the same documentation when the claims were actually adjudicated. Following is a sample of the excessive reliance on paper:
- Regardless of whether the paper documentation is required, many providers have internal procedures in place that dictate the use of paper bills and claims attachments for claims greater than \$15,000, ER/trauma claims, and transplant claims.
 - Some providers report making two copies of all requested documents—sending one and holding the other set in a temporary file, since more than 70 percent of the time payors lose the first set and providers have to resubmit the attachments in order to get paid.
 - Payors reported that more than 40 percent of claims were submitted on paper rather than electronic data interface.

The excessive use of paper costs the healthcare field in real dollars as well. The HASC project documented that hospitals spend \$20 to \$30 per document submission to respond to a request for attachments. Payors spend about \$20 to request, receive, and process each attachment.

Considering that payors receive more than 5 billion claims annually from providers—and 10 percent of these require attachments—the aggregate cost to the healthcare field is astounding. Paper claims attachment processing is costing the field about \$2.5 billion per year.

Searching for a solution HASC went beyond analyzing the problem and started developing a solution. A committee representing hospitals, physician groups, and the six largest health insurers in California looked

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at the issue and determined that the healthcare field needed a solution that would:

- Replace the current process of requesting and submitting attachments
- Create a new standard way of doing business
- Provide a lower cost of doing business with fewer touches per claim
- Center on an IT solution that would work with what was already on health care organizations' desktops, specifically with Microsoft Windows-based PCs
- Minimize the IT role and work in provider organizations of any size
- Meet all current and future HIPAA requirements
- Raise the ED I submission rate

With this laundry list of requirements in place, HASC scoured the country and found many other hospitals and payor organizations talking about attachments, but no commercial solution was available for health claims. A Web-based prototype based largely on the data requirements of the X12 attachment standard was developed. HealthLogic Systems Corp., Norcross, GA, was selected as HASC's technology partner to develop and

host the Web-based system from their clearinghouse.

The company created the Claims Attachment Document Exchange. CADX is a Web-based electronic system that provides greater claims attachment processing efficiency and, therefore, substantial cost savings to providers and payors. The system was specifically designed to address the problem of healthcare entities communicating critical information to one another in a HIPAA-compliant manner. After the product was developed and piloted, HASC and HealthLogic formed AllHealthLogic LLC to encourage providers and payors to adopt the electronic claims attachment method.

Getting organizations on board

Indeed, sharing supplemental claims information via a Web-based system that uses standardized attachments and processes can potentially streamline the claims attachment process. But before healthcare organizations will fully buy into electronic claims attachment processing, they need to be convinced that the standards, technology, and results are in place or attainable.

Providers want assurance that payors will use the new electronic attachment process and that it will result in shorter processing time and fewer days in accounts receivable. Payors, on the other hand, are not willing to change

their work flow process unless they can have their large-volume submitting providers participating, standardized processes, and no exceptions or one-off processes. However, providers and payors can't wait for the other to make the first move, says David Schinderle, president of AllHealthLogic. "It's a bit of a chicken-and-egg proposition," Schinderle observes. "But providers and payors can't worry about who adopts the system first. To gain the benefits, they need to forge ahead, get immediate improvements, and trust that others will see the benefits and eventually come on board."

To convince healthcare payors and providers to use electronic claims attachment processing, the healthcare field must agree on effective standards, a key component of the CADX product. The standards must be flexible enough to accommodate claims attachment processing at organizations with advanced technology and those with basic electronic systems. The standards should accommodate both codified and noncodified data (to encourage participation for all providers and payors, including those that still use paper). Further, the success of the data exchange hinges on providers and payors agreeing on business rules and work flow processes.

The American National Standards Institute (ANSI) X12N and Health Level 7 (HL7) standards organizations are developing electronic

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standards for claims attachments to recommend as part of the compliance with the administrative simplification rules emanating from HIPAA. At the June 2004 X12N meeting, version 4050 of the 277 Request for Additional Information and 275 Additional Information to Support a Health Care Claim or Encounter were finalized for publication in anticipation of HHS publication of the NPRM for these transactions in the Federal Register late this year. The big concern to many is the long road to final approval and adoption, which may not occur until 2009. Additionally, the 275 today only supports a limited number of attachments. This will not be very helpful to providers or payors and may delay provider adoption.

"To make sure that the standards are effective, though, demonstration projects and pilot studies should continue to be conducted to identify best practices before the actual adoption of global standards," Schinderle says.

Using the right technology

Providing the right technology is also key to getting providers and payors to buy into electronic claims attachment processing. At a minimum, the technology should:

- Incorporate standard request screens for the most common documents
- Contain standard definitions so

providers and payors know exactly what is needed

- Utilize an easy-to-use Web-based tool
- Be implemented with little or no investment in additional computer equipment

In addition, the features of the system should typically make users realize that the change is, in fact, worthwhile. Here are just some of the features of CADX that are designed to encourage adoption:

Reliability. CADX's attention to detail, specifically its work list and electronic file of documents, enables users to comfortably rely on the system in lieu of paper. The system actually is even more reliable than paper-based claims attachment processing. No longer are there lost or misplaced files or records. CADX stores the documents and provides a permanent record of the exchange with date and time stamps for each interaction.

Efficiency. The system provides many features that increase efficiency. When a payor contacts a provider with a verbal, fax, or letter request for attachments, the provider business office uses CADX to answer the request. The system creates a permanent record of the request, the answer, and the documents submitted. As a result, the provider no longer has to keep paper copies of what was sent as a backup.

Instead, all the information resides on the Web-based system.

Flexibility. The fax delivery feature is yet another benefit. This feature enables providers to send attachments from CADX directly to fax machines, making it possible to conduct business electronically with partners that do not subscribe to CADX or have limited technology. CADX carries a standard list of major payor fax numbers, which providers can then supplement with their own lists of recipient fax numbers for other large users of documents such as home health, DME, or affiliated medical groups.

Each CADX record is at a patient level, and all interactions are date and time stamped, just like all other CADX processes. All faxed documents permanently reside on the system. As such, problems with payors losing faxes, receiving faxes but running out of paper, etc., are mitigated by the Web-based system's storage capacity.

Demonstrating the right results

Healthcare organizations are also demanding to see quantifiable results before jumping on the electronic claims attachment processing bandwagon.

As of late June 2004, the full electronic version of CADX is fully installed in two health plans, with several in various phases of installation. Hospitals are using the tool to send documents to an additional 12

health plans utilizing the CADX fax utility. In addition, CADX transactions are currently being submitted to 90 hospitals.

Clyde Evans, regional director of Business Services for San Pedro, CA-based Providence Health System-Southern California's regional business office, can provide concrete evidence of just how worthwhile making the jump to electronic claims attachment processing can be. The business office serves Little Company of Mary Hospital, San Pedro Peninsula Hospital, Providence-St. Joseph of Burbank Hospital, and Providence-Holy Cross Hospital.

Dealing with the cumbersome paper processes has bothered Evans for many years. "We routinely deal with more than 40 payors, who can request myriad attachments to help justify a claim," Evans says. "Sometimes they will request a treatment authorization, sometimes a copy of an insurance card, and sometimes a series of reports out of the hospital medical record. It's difficult to predict exactly what each payor will want to have on hand to substantiate claims. So, it often results in a real paper chase. Sending attachments to payors requires costly overnight shipping with one attachment per envelope to enable tracking to prove timely delivery."

Evans decided to take action and participated on the HASC payor-provider project to support the creation of a claims attachment

processing solution. As a result, the four Providence hospitals have been using the CADX system since its deployment from its early creation three years ago.

The electronic exchange of attachments has already brought in results for Providence. For example, CADX reduces time spent copying, mailing, and transmitting documents for providers and time spent requesting, receiving, and entering key documents for payors. Thus, Providence—like other providers that utilize CADX—has reduced the 30 to 40 days taken to submit documents to payors to just 3 to 5 days and dramatically reduced duplicate requests and lost submissions.

Such results plus the elimination of the paper chase have made Providence's Evans an advocate of electronic claims attachment processing. "The reduction in my Federal Express charges alone has made me a believer," he says.

The system is also providing multiple benefits to payors:

- No hardware or software investment
- Single standard way of doing business
- Elimination of paper handling, storage, and destruction
- Support of "minimum necessary" rule under HIPAA's privacy rule

and limitations under some state prompt-pay laws

- No lost documents or duplicate requests
- Ability to integrate requests and submitted attachments directly into existing work flows
- Cost-reduction opportunity in processing attachments by more than \$20 per attachment
- Increase in the submission rate of claims using EDI

The CADX system's importance is magnified when thinking about the impact on the nation's overall healthcare costs, according to AllHealthLogic's Schinderle. "While individual hospitals and health systems will notice an immediate cost impact when using CADX, we think the benefits will multiply as the system becomes more widely used—and as it chips away at the country's aggregate health care costs. CADX is the one major initiative where both payors and hospitals have come together to create a standard means of sharing information. That, in itself, makes it significant," Schinderle says.

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