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A Blueprint for 21st Century Health Care

Requirements for Standard, Electronic Administrative Data

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Abstract

Starting this year, health care providers and payers in Minnesota will be required to use a single set of data specifications to electronically exchange information about patients' eligibility for insurance coverage and benefits, submit and pay claims, and exchange and record payment remittance advice. Minnesota is the first state in the nation to require such electronic transactions, which could reduce administrative costs by more than $60 million a year. This article describes the 2007 law that led to this change, the transactions to which it applies, and the penalties for noncompliance.

Health care spending in Minnesota has reached more than $37 billion a year, according to the Minnesota Department of Health. Department officials estimate that approximately 2 percent of the total, or $740 million, goes toward administrative tasks such as verifying patients' eligibility for insurance coverage and benefits, submitting and paying claims, and exchanging and recording payment remittance advice.

This year, physicians will become part of an estimated 60,000 health care providers in Minnesota who must comply with a 2007 state law that requires common health care business transactions between providers and payers to be exchanged electronically. Implementation of the law will make Minnesota the first state in the nation to eliminate many archaic, costly, paper-based health care-related transactions in favor of more efficient, standard electronic data interchange (EDI)—a move that could reduce administrative costs by more than $60 million a year. The law requires providers and payers to use a single set of data standards to exchange information about patient eligibility and benefits, claims, and remittance (Table). The standards, known as the Uniform Electronic Transactions and Implementation Guide Standards, are outlined in the law.

The standards apply to all health care practitioners who provide services in Minnesota for a fee and are eligible for reimbursement under the state's Medical Assistance program. This includes physicians, hospitals, pharmacists, dentists, chiropractors, personal care attendants, licensed nursing homes, licensed home care providers, and others. The standards also apply to all "group purchasers" (payers) licensed or doing business in Minnesota including health insurance companies and health maintenance organizations, the

Department of Human Services (for Medical Assistance, MinnesotaCare, and General Assistance Medical Care), and other payers.

Why a Law?

Health care lags behind many other sectors of the economy in its use of streamlined, electronic business communications. In many cases, continued reliance on paper and nonstandard EDI has resulted in additional expenses and payment delays. These costs can quickly add up when multiplied by the millions of transactions that take place each year. For example, the Minnesota Council of Health Plans reported that health plans in the state paid more than 56 million claims in 2006. More than 17 percent of those (approximately 9.5 million claims) were submitted on paper. The Minnesota Department of Human Services alone received more than a million paper claims in fiscal year 2006 for services provided to people receiving Medical Assistance, MinnesotaCare, and General Assistance Medical Care.

One recent national study estimated that the cost of processing a paper health claim is $1.58, nearly double that of processing a claim electronically. Additional tracking, checking, clarifying, and resending of routine business information increases administrative expenses and causes unnecessary delays. A 2006 study by the Minnesota Council of Health Plans, Minnesota Hospital Association, and Minnesota Medical Association estimated that between $15.5 million and $21.8 million could be saved annually in Minnesota just by reducing the number of follow-up telephone calls between health care providers and payers to resolve questions about eligibility and claims.

Developing Standards

The Minnesota Department of Health has been developing rules for the required electronic transactions that are scheduled to be implemented in 2009, starting with those for patient eligibility and benefits transactions in January, claims in July, and remittance advice in December.

The rules consist of detailed requirements for preparing, submitting, receiving, and processing electronic health care administrative data. They are based on standards of the Medicare program that were modified after consultation with the Minnesota Administrative Uniformity Committee, a consortium representing Minnesota's public and private health care payers, physicians, hospitals, health care providers, and state agencies.

The requirements are described in the Minnesota Uniform Companion Guides, companion documents that help clarify and further standardize federal HIPAA regulations. There is one guide for each of the three required transaction types.

All of the guides have features to help obtain the most information and administrative value from the transactions. For example, the guide for eligibility inquiry and response includes

requirements for a single, consistent search scenario to match patients with the correct insurance and benefits information. It also requires that inquiries regarding a patient's health insurance coverage return 11 "service type" codes and related information indicating the types of services covered by the patient's plan. The guide for health care claims includes instructions on how to indicate whether claims have attachments and requirements for coding medical services included on the claim. The payment and remittance advice guide includes common, agreed-upon codes to indicate adjustments to claims and related information.

Complying with the Rules

Large medical practices will need to review the rules in order to determine whether they will need to change their internal systems and business processes in order to be in compliance. Providers that rely on outside vendors such as billing services or clearinghouses to handle these tasks or that enter their own data on web-based portals will need to make sure those vendors are aware of the statutory requirements and can meet them.

The law emphasizes voluntary compliance and allows those out of compliance to take corrective action before they are penalized. However, if compliance cannot be achieved voluntarily, the commissioner of health can levy fines of up to $100 per occurrence or up to $25,000 for identical violations in a calendar year.

For More Information

For additional information about the Uniform Electronic Transactions and Implementation Guide Standards (Minnesota Statutes, section 62J.536), the Minnesota Department of Health's rule-making process, and the data content and format rules for electronic eligibility inquiry and response, claims, and payment remittance advice, go to www.health.state.mn.us/asa and www.health.state.mn.us/auc. To learn more about the other electronic health initiatives underway in Minnesota, go to www.health.state.mn.us /healthreform.

The First Step

The administrative simplification requirements are part of a larger transformation that's taking place in health care in Minnesota. One other initiative that's underway requires that all prescriptions in Minnesota be transmitted electronically by 2011. Another requires all hospitals and providers to have interoperable electronic health records by 2015. Together, these changes are designed to improve patient safety, improve care outcomes, and provide greater value for every health care dollar spent.

As we work to create a highly effective health care system, we need efficient, cost-effective business processes and systems as a backbone. Minnesota's first-in-the-nation requirement

to eliminate paper-based health care business transactions and standardize electronic data exchange is a key step toward achieving that goal. **MM**

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