The Impact of Federal Legislation on Administrative Simplification

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Administrative Simplification: Challenges and Opportunities are Significant

• According to the Center for Health Transformation, in 2009 total healthcare spending in the U.S. is estimated at $2.3 trillion per year.
  – A 2009 report by the UnitedHealth Group Center for Health Reform and Modernization details that over $300 billion in U.S. healthcare expenditures can be saved during the next decade through improved use of technology and streamlining administrative processes.
  – The average physician spends nearly three weeks per year on administrative interactions.*

• All stakeholders are challenged by the need to continually manage inconsistent data content, collection, processing and recordkeeping.

• Emdeon’s U.S. Healthcare Efficiency Index estimates healthcare business efficiency is only operating at 43% (current vs. potential electronic transactions).

Today’s Data Exchange Environment

- There is significant pressure on organizations to achieve internal business strategies, as well as meet industry-wide and legislative requirements:
  - While improving infrastructure and lowering costs.
  - Within the limitations of resource constraints.
- Meaningful change must acknowledge these imperatives while aligning with the broader healthcare environment, e.g., HITECH, state initiatives, and clinical/administrative data integration.
- Replication of effort should be avoided in all stages of the process, from development to implementation – resources must be aligned to take greatest advantage of industry expertise and vision.
Federal Imperatives Impacting Administrative Simplification: Highlights

• By January 2012, health plans’ and providers’ systems must be in full compliance with HIPAA v5010.
• By October 1, 2013, health plans’ and providers’ systems must be in full compliance with ICD-10.
• Between now and 2015, stakeholders will be determining how to coordinate with national and regional efforts that result from the roll-out of the American Recovery and Reinvestment Act (ARRA) Health Information Technology (HITECH) Act. Key to this will be:
  – The potential role of exchanging administrative data within the National Health Information Network (NHIN).
  – State-based decisions on the role of administrative data in HIEs, and thus requirements established for health plans.
• Between now and throughout 2017, the Patient Protection and Affordable Care Act (ACA) will be rolled out.
The Patient Protection and Affordable Care Act (ACA)

- The ACA contains several administrative streamlining provisions, including:
  - On or before January 1, 2011, health plans must be able to provide rebates if minimum requirements for medical loss ratios (MLRs) are not met. [Sec. 1001 & 10101, Sec. 9016]
    - Small group health plans must limit administrative costs to 20% and large groups to 15%.
  - The Secretary will develop standards for uniform Explanation of Coverage documents provided by Health Plans, including standard definitions for insurance and medical terms. [Sec. 1001]
  - Provides an accelerated schedule for the review and update of Standards and Operating Rules (every two years beginning April, 2014). [Sec. 1104]
  - Operating Rules and an “authoring entity” are added to provide uniformity in the implementation of the electronic standards. [Sec. 1104]
Section 1104 Details (HR3590)

- New requirements for Administrative and Financial Transactions. Standards and operating rules must:
  - Enable the determination of an individual’s eligibility and financial responsibility for specific services prior to or at the point of care;
  - Be comprehensive, requiring minimal augmentation by paper or other communications;
  - Provide for timely acknowledgment, response, and status reporting that supports a transparent claims and denial management process (including adjudication and appeals); and
  - Describe all data elements (including reason and remark codes) in unambiguous terms, require that such data elements be required or conditioned upon set values in other fields, and prohibit additional conditions (except where necessary to implement State or Federal law, or to protect against fraud and abuse).

- Health plans must file a statement with HHS confirming compliance with these operating rules.
The ACA Operating Rule Deadlines

Rule adoption deadlines

- **July 2011**
  - Eligibility and Claims Status

- **July 2012**
  - Claims remittance/payment and electronic funds transfer (plus health plan ID)

- **July 2014**
  - Enrollment, Referral authorization, attachments, etc

Effective dates

- **Jan 2013**
- **Jan 2014**
- **Jan 2016**

Red italicized font indicates that CORE Phases I – III has placed a focus on these areas. Scope/definition of the Federal regulation is TBD.
Section 1104 Details (continued)

- New requirement for health plan compliance:
  - Health plans must file a statement with HHS confirming compliance with the Standards and Operating Rules.
    - December 31, 2013 for Eligibility, Claim Status, EFT and ERA.
    - December 31, 2015 for Claim, Enrollment, Attachments and Referral/Authentication.
  - No later than April 1, 2014, penalties for non-compliance will be assessed:
    - $1 per covered life until certification is complete.
    - Annual max per covered life: $20.
  - Secretary will establish a process with a reasonable notice and a dispute resolution mechanism before penalties are assessed.

- Requires the Secretary to promulgate a final rule to establish a unique health plan identifier based on the input of the National Committee of Vital and Health Statistics; requires the rule to be effective by October 1, 2012.
Administrative Simplification: Key Challenges and Opportunities

• Priorities from the pharmacy viewpoint:
  – Accelerated adoption of revisions to standards
    • 12 years and 21 versions of NCPDP Telecom standard between version 5.1 and D.0
    • Medicare Part D put in place 4 years after final approval of current HIPAA standard
    • Pharmacy industry relied upon documenting rules to bridge the time
  – E-prescribing.
    • Increasing the adoption of e-Prescribing (181% increase in electronic prescriptions from 2008 to 2009…still around 12% of eligible Rxs)
    • We have more pharmacies than prescribers that are e-prescribing enabled (85% of community pharmacies and 25% of office-based prescribers by end of 2009)
    • Controlled substance final rule will help with 10% of Rxs that could not be e-prescribed before 2010. Other barriers exist though…
    • More incentives needed: state, payer, etc.
    • Need to harmonize individual state privacy laws
  – EMRs.
    • Deployment must include all e-prescribing functions (Benefit inquiry, history and Rx routing.)
Administrative Simplification:
Key Challenges and Opportunities

- Priorities from the HIEs and WEDI viewpoint:
  - Mandated items:
    - Meaningful Use.
    - HITECH Privacy and Security.
    - v5010.
    - ICD-10.
    - Health Plan Identifier.
  - Administrative data integration with state HIEs:
    - Meaningful Use implications.
    - Improving business workflow while exercising caution to not break what is working.
    - Value proposition of integrating administrative and clinical data.
  - State-specific focus on operating rules:
    - What drives state-specific regulations?
    - Is there a need for operating rules with regard to clinical transactions?
    - Industry opportunities to meet the increasing challenges.
Administrative Simplification: 
Key Challenges and Opportunities

• Priorities from the provider viewpoint:
  – 5010, ICD-10:
    • Massive “systems” change.
    • Vendor readiness critical.
    • Clinical and administrative staff training required.
    • The “great unknowns” (will vendors / payers be ready, crosswalks, payment policy)?
  – Operating Rules for HIPAA transactions:
    • Operating rules development will be critically important to have all stakeholders at the table.
    • Not much time to develop and test.
    • Helpful to have ONE process, ONE organization (CORE).
    • Law also states: “May allow for the use of a machine readable identification card.”
Administrative Simplification: Key Challenges and Opportunities

- Priorities from the provider viewpoint:
  - Health Plan Identifier:
    - Opportunity to streamline the claims process.
    - Critical to have sufficient granularity to accomplish key business tasks.
    - Need to identify plan products on the 835.
    - “Rental agreements” a particular problem.
  - Electronic claims attachments:
    - Long overdue.
    - NPRM in 2005.
    - Only HIPAA transaction ever to be piloted.
    - Flexible structure to the 275 invites multiple usages.
    - Will reduce cost for providers AND plans.