CAQH Explorations

2015 CAQH Index® Report

Overview of Findings

Webinar

March 30, 2016

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Today's session is being recorded.

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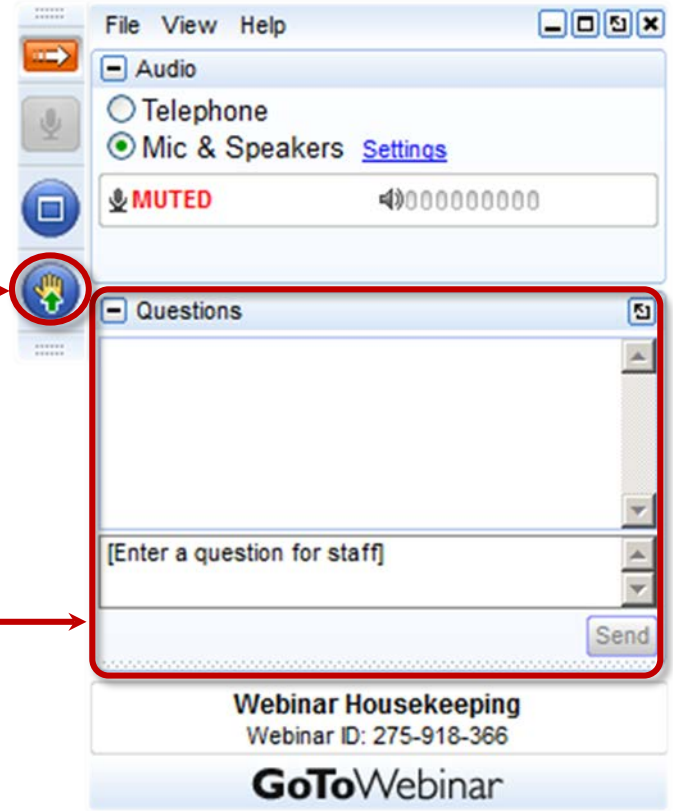

CAQH Explorations

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Agenda

- CAQH Overview
- What is the CAQH Index?
- Key Findings
  - Adoption Rates
  - Cost of Transactions for Healthcare Providers
  - Cost of Transactions for Health Plans
  - National Potential Cost Savings
- Industry Call to Action
- Future Focus
- How to Participate in the 2016 Index
- Q & A

CAQH Overview

CAQH, a non-profit alliance, creates shared initiatives to ***streamline the business of healthcare.*** CAQH initiatives deliver value to providers, patients and health plans.

CAQH Solutions — COB SMART®	Quickly and accurately directs coordination of benefits processes.
CAQH CORE — COMMITTEE ON OPERATING RULES FOR INFORMATION EXCHANGE	Maximizes business efficiency and savings by developing and implementing federally mandated operating rules.
CAQH Solutions — DIRECTASSURE™	Increases the accuracy of health plan provider directories.
CAQH Solutions — ENROLLHUB®	Reduces costly paper checks with enrollment for electronic payments and electronic remittance advice.
CAQH Explorations — INDEX®	Benchmarks progress and helps optimize operations by tracking industry adoption of electronic administrative transactions.
CAQH Solutions — PROVIEW®	Eases the burden of provider data collection, maintenance and distribution.
CAQH Solutions — SANCTIONSTRACK®	Delivers comprehensive, multi-state information on healthcare provider licensure disciplinary actions.

What is the CAQH Index?

- The CAQH Index is the only industry source tracking the industry-wide transition to “full adoption” of electronic transactions and establishing benchmarks for volume and costs of transactions.
  - Tracking is critical to monitoring progress and identifying specific opportunities for further improvement.
- Guided by the CAQH Index Advisory Council.
  - Experts in administrative transactions, data analysis, and healthcare management representing providers, health plans, vendors and other industry partners.
- CAQH is committed to evolving the Index to meet the emerging needs of the industry.

Why Does the Index Matter?

- Over two decades ago, HIPAA established rules for adoption and use of electronic transaction standards – yet, the industry continues to use resource-intense manual processes.
- Industry-wide transition to electronic, real-time transactions is a critical component to a modern healthcare system.
  - Reduces unnecessary healthcare costs
    - > More than $31 billion spent annually by healthcare providers *alone* conducting basic business transactions with health plans
    - > Electronic transactions are significantly less expensive than manual
  - Eases provider administrative burden
    - > Electronic transactions require less staff time
  - Reduces friction between providers and health plans
    - > Needed information communicated more rapidly and easily, reducing errors.
  - Complements revolution of clinical use of Health IT
    - > Results in more efficient, integrated healthcare ecosystem

Who Participated in the 2015 Index?

- Health Plans
  - Data for calendar year 2014 were collected from commercial health plans, including managed Medicaid and managed Medicare.
  - For the first time, data were reported for dental health plans.
- Healthcare Providers
  - Partnered with NORC at the University of Chicago to expand the provider data component.
  - Data submissions were received from a large, more diverse sample of providers representing a variety of specialties.

	Medical			Dental
	2012	2013	2014	2014
Enrollment				
Members (total in millions)	104.0	112.0	118.2	92.8
Proportion of Total Commercial Enrollment (%)	40.6	41.7	44.5	43.7
Number of Claims Received (total in millions)	1,248	1,409	1,424	158
Number of Transactions (total in millions)	3,243	3,910	4,288	439

Which Administrative Transactions Were Analyzed?

Transaction	Adopted HIPAA Standard	Description	Year Added to CAQH Index®
Claim Submission	ASC X12N 837	A request to obtain payment or transmission of encounter information for the purpose of reporting health care.	2013
Eligibility and Benefit Verification†	ASC X12N 270/271	An inquiry from a provider to a health plan, or from one health plan to another, to obtain eligibility, coverage, or benefits associated with the health or benefit plan, and a response from the health plan to a provider.	2013
Prior Authorization	ASC X12N 278	A request from a provider to a health plan to obtain an authorization for health care, or a response from a health plan for an authorization.	2013
Claim Status Inquiry†	ASC X12N 276/277	An inquiry from a provider to a health plan to determine the status of a health care claim or a response from the health plan.	2013
Claim Payment†	NACHA Corporate Credit or Deposit Entry with Addenda Record (CCD+)	The transmission of payment, information about the transfer of funds, or payment processing information from a health plan to a provider.	2013
Remittance Advice†	ASC X12N 835	The transmission of remittance advice, including final adjudication and reasons for adjustments, from a health plan to a provider.	2013

† Both HIPAA standards and operating rules are federally mandated.

Which Administrative Transactions Were Analyzed?

Transaction	Adopted HIPAA Standard	Description	Year Added to CAQH Index®
Claim Attachments	No standard adopted by HHS	Additional information submitted with claims or claim appeals, such as medical records to support the claim.	2014
Prior Authorization Attachments	No standard adopted by HHS	Additional information submitted with a prior authorization or pre-certification request, such as medical records to explain the need for a particular procedure or service.	2014
Coordination of Benefits Claim	ASC X12N 837	COB claims are a subset of all claim submissions above. We define COB claims as those sent to secondary payers with an attached or included explanation of payment information from the primary payer.	2015
Referrals	ASC X12N 278	Referral certification is a request from a healthcare provider to a health plan for permission to refer a patient to another provider. While this transaction includes an element of the Prior Authorization suite of HIPAA standardized transactions, we do NOT count it in the Prior Authorization category above.	2015
Employer/HIX/Broker Enrollment/ Disenrollment	ASC X12N 834 005010X220 (health plan sponsor) 005010X307 (HIX)	Enrollment/disenrollment transactions can be initial enrollments; full file replacement (enrollment changes or to true-up enrollment); or additions, changes, and terminations of enrollment.	2015
Employer/HIX/Broker Premium Payment/ Explanation	ASC X12N 820 005010X218 (employer) 005010X306 (HIX)	The HIPAA standard electronic premium payment transaction 820 can be sent to a bank to move money only; sent to a bank to move money with detailed remittance info; or sent directly to the payee with remittance information only.	2015

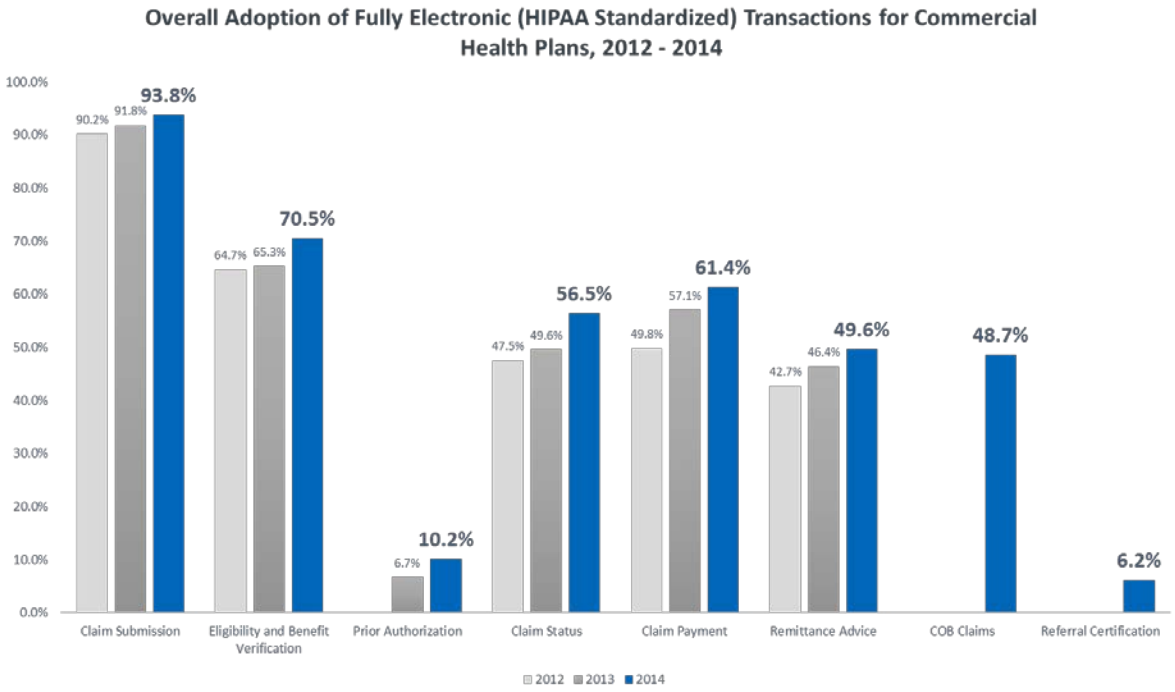
Adoption of Electronic Transactions

Data Overview

- Participating health plans reported the volume of administrative transactions conducted in 2014 by type and method.
- Transactions are classified as:
  - **Fully Electronic** – conducted using the adopted HIPAA standard
  - **Partially Electronic** – conducted using web portals or interactive voice response (IVR) systems
  - **Fully Manual** – conducted using telephone, fax, or postal mail

Overall Adoption of Fully Electronic (HIPAA Standardized) Transactions

- Adoption of fully electronic transactions continues to vary significantly across transaction type; claim submission continues to have greatest adoption.
- Trends show steady, but modest increase in adoption of fully electronic transactions, with promising growth for some transactions.



CAQH Explorations

Adoption by Transaction

- Claim Submission (93.8% Adoption).
  - Continues to have highest adoption among all transactions, increased 2.2% points from 2013 to 2014.
  - The majority of claims are received from non-facility-based providers, with comparable adoption between facility and non-facility providers.
- Coordination of Benefit (COB) Claims (48.7% Adoption).
  - Data received from a subset of data contributors shows that about half of COB claims are submitted electronically, fewer than half (44.9%) manually and the remaining are submitted via web portals (6.5%).
  - COB is often a complex, delayed process requiring electronic claim submission capabilities between health plans and other health plans or directly to members.
  - Increased collaboration among health plans and use of innovative automated solutions to increase health plans capability to detect and coordinate COB should further streamline this complex process.

Adoption by Transaction (cont'd)

- Eligibility & Benefit Verification (70.5% Adoption).
  - There was a 5.2 percent increase in fully electronic eligibility & benefit verifications, corresponding to a large decline (-4.3% points) in partially automated (e.g., web portals/IVR) verifications.
- Claim Status Inquiry (56.5% Adoption).
  - The highest adoption increase of fully electronic transactions (+6.9% points) was observed for claim status inquiries, corresponding to a decline in partially automated (-7.3% points).
- While adoption of fully electronic eligibility and benefit and claim status inquiries has increased, the volume of manual (e.g., telephone calls) remained relatively stable. The reasons for this are unclear, however some plans anticipated the volume of fully electronic transactions would continue to climb while the volume of telephonic would remain stable – this appears to be an accurate prediction.
- The increased adoption of fully electronic for these two transactions may be related to:
  - ACA operating rule mandates, which went into effect in January 2013 for these transactions, likely increased awareness and implementation for both health plans and healthcare providers. Of note, these data show more rapid adoption for 2014, which is two years after regulation.
  - Vendors continue to offer products and services to routinely (e.g. daily, weekly, etc.) check a provider's complete patient roster and status of all unpaid claims.

Adoption by Transaction (cont'd)

- Prior Authorization (10.2% Adoption) and Referrals (6.2% Adoption)
  - Web portals are the predominant modality for submission and approval of prior authorizations (58.2%) and referral certifications (82.1%).
  - Referrals were only received from a subset of health plans.
    - > Several plans reported no longer requiring referral certifications and thus have no data to report.
    - > Other plans also noted that they do not have separate tracking capabilities for referral certifications and prior authorizations, so the estimates for prior authorization likely includes some referrals.

Adoption by Transaction (cont'd)

- Claim Payment (61.4% Adoption).
  - Electronic funds transfer (EFT) adoption increased to 61.4 percent in 2014 (+4.3% points), which represents a slower increase than the prior year (+7.3% points). Virtual card reporting is expected in 2015 data.
- Remittance Advice (49.6% Adoption).
  - There was a steady increase in adoption (+4.7% points) of electronic remittance advice (ERA) transactions, but more than a third remain fully manual.
- The growth in adoption for ERA and EFT were not as rapid as may have been anticipated given the ACA mandated operating rules were effective January 2014.
  - This may suggest, as has been seen with other policies, that regulation may take more than one year of implementation from the effective date to realize significant impact. As noted, eligibility and claim status adoption increased more rapidly two years following the effective date of operating rules.

Adoption by Transaction (cont'd)

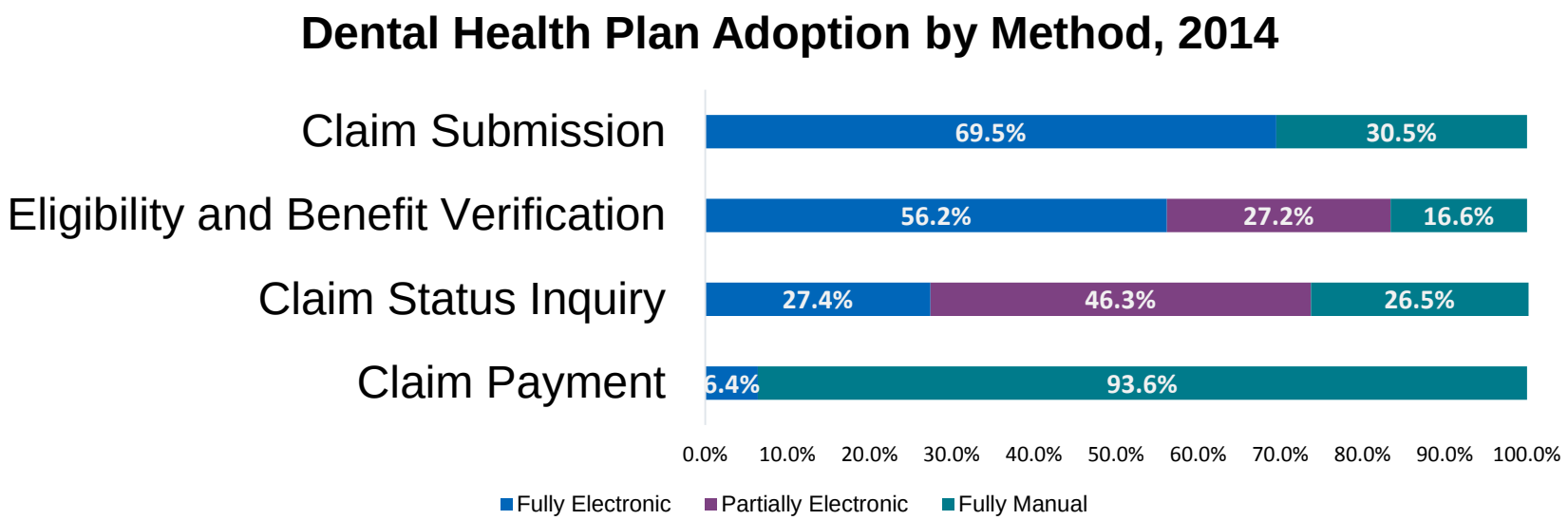
- Enrollment/Disenrollment & Premium Payment.
  - Based on reported data, adoption of electronic transactions for enrollment/disenrollment appears high for some plans; more details will be reported as data submissions increase in future years.
  - Health plans reported several barriers to collecting and reporting this year:
    - > These transactions are primarily handled by health plan agents (e.g., third party vendors/clearinghouse) and reporting functions were not available or organized.
    - > These transactions are handled by another unit within their organization and coordination of data was not possible this year.
    - > Some health plans reported not using the HIPAA standard for either of these transactions because they have internal solutions (e.g., web portals) to fully support these transactions.

Dental Adoption - Baseline Year

	Adoption of Fully Electronic Transactions, 2014	
	Dental	Medical
Claim Submission	69.5%	93.8%
Eligibility and Benefit Verification	56.2%	70.5%
Claim Status Inquiry	27.4%	56.5%
Claim Payment	6.4%	61.4%

- Adoption of fully electronic transactions was significantly lower for the dental industry, ranging from nearly 17% points lower for eligibility and benefit verifications to 55% points lower for claim payment.

Dental Adoption – Baseline Year



- A notably larger share of claim status inquiries were conducted using web portals and IVR systems, compared to medical (46.3% vs. 34.2%).

Cost of Electronic Transactions

CAQH Cost Estimate Methodology

NORC
at the UNIVERSITY of CHICAGO

Data Collection

- NORC recruited health care providers for 2015 CAQH Index cost survey
  - Targeted email and telephone outreach to previous provider respondents, and combined provider contacts from CAQH, Milliman, and NORC
  - Additional recruitment efforts after initial outreach included large email blast to approximately 250,000 providers

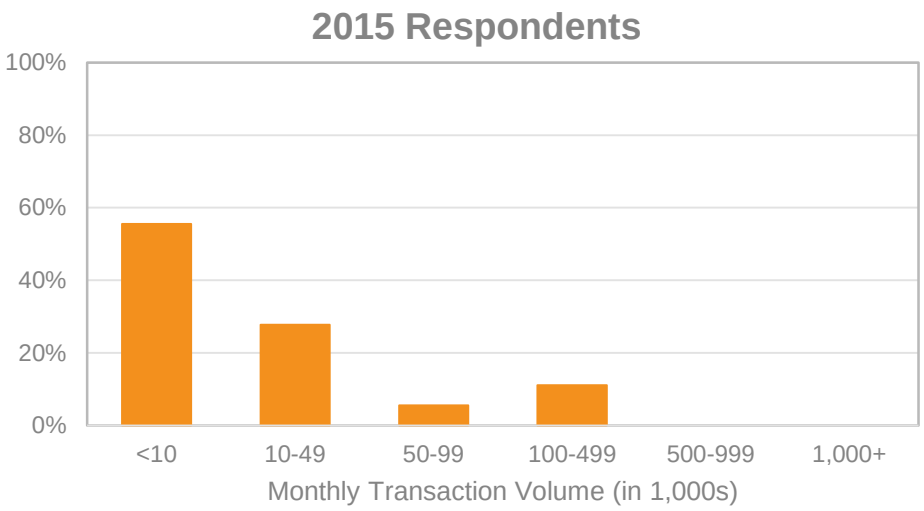
Data Collection

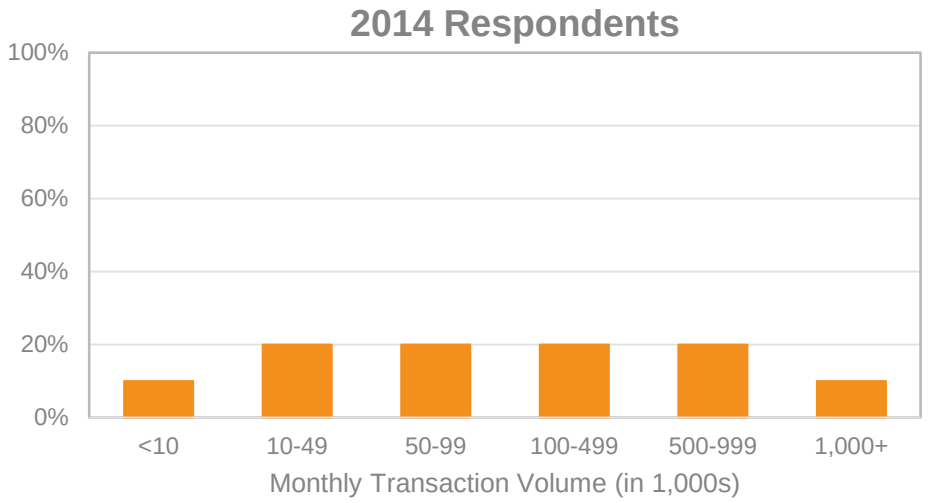
- Provider respondents completed data collection form via Excel or the new online tool and provided information on:
  - Staffing
    - Number of employees working on specific transaction types
    - Salaries associated with employees
  - Transactions
    - Volume of transactions
      - **By type: claim submissions, claim remittance, prior authorization, etc.**
      - **By mode: electronic, manual**
    - Percent of time spent processing each transaction type by mode

Provider Transaction Volume

- The 2015 provider survey respondents tended to be smaller (<50,000 monthly transactions) compared to the 2014 provider survey respondents.

	Year 2015	Year 2014
Average Monthly Transaction Volume	**27,919**	**281,127**





Data Cleaning

- Data submissions were reviewed throughout the data collection process.
  - Provider respondent follow-up was conducted via email and telephone to correct incomplete information and confirm values outside of expectations.
  - After final follow-up, provider respondents with incomplete information were removed on a transaction basis.
- Several data cleaning steps to confirm data quality and detect extreme outliers were conducted. These included:
  - Created volume thresholds by transaction to avoid influence by low volume respondents (e.g. some provider respondents rarely conducted some transactions)
  - Imputed reported FTEs that were above maximum for transaction volume
  - Removed responses where the percent of time spent was discordant with volume and additional follow up was not possible.

Creation of Weighted Estimates

- Five-step process using combined 2014 and 2015 responses
  1. Created monthly salary cost based on reported salary and FTE, by transaction type.

  By transaction type and mode:

  2. Estimated monthly salary cost
  3. Estimated fully-loaded monthly salary cost using loading factor based on MGMA estimates
  4. Created provider cost per transaction
  5. Created weighted cost per transaction
     - Weights based on provider transaction type volume relative to all providers.
       - For example, if a provider had 500 electronic claims submissions, and there were 5,000 electronic claims submissions across all providers, then the weight for that provider would be **500/5,000= 0.10**
     - Weights were capped to avoid to limit influence of large practices.
     - Weighted estimates were sum of the provider weighted cost per transaction type and by mode.

Cost per Transaction Estimates, 2015

Transaction	Method	Provider Cost
Claim Submission/ Receipt	Manual	$1.36
	Electronic	$0.35
Eligibility and Benefit Verification	Manual	$4.80
	Electronic	$0.87
Prior Authorization	Manual	$7.17
	Electronic	$2.47
Claim Status Inquiry	Manual	$2.85
	Electronic	$0.99
Claim Payment	Manual	$1.52
	Electronic	$0.96
Claim Remittance Advice	Manual	$3.52
	Electronic	$2.41

2014 vs. 2015

- Year-to-year differences in cost per transaction estimates do not reflect a true trend in cost over the years, but result from variation due to:
  - Small sample size
  - Composition of respondents in each year

Producing Health Plan Cost Estimates

- Participating health plans also provide cost per transaction estimates.
- Health plans used a variety of internal reporting systems to estimate fully loaded, direct cost for each transaction factoring:
  - Staffing
    - > Number of employees working on specific transaction types
    - > Salaries associated with employees
  - Transactions
    - > Volume of transactions by type and mode
    - > Percent of time spent processing each transaction type by mode
  - Vendor Fees

How Much Administrative Transactions Cost?

- Dramatic cost differences between manual and electronic transactions
  - On average manual transactions are $2 more each than electronic transactions

Transaction	Method	Health Plan Cost
Claim Submission/ Receipt	Manual	$0.62
	Electronic	$0.09
Eligibility and Benefit Verification	Manual	$4.32
	Electronic	$0.07
Prior Authorization	Manual	$3.66
	Electronic	$0.04
Claim Status Inquiry	Manual	$4.35
	Electronic	$0.04
Claim Payment	Manual	$0.57
	Electronic	$0.09
Claim Remittance Advice	Manual	$0.50
	Electronic	$0.05

How Much Administrative Transactions Cost?

- Dramatic cost differences between manual and electronic transactions
  - On average manual transactions are $2 more each than electronic transactions

Transaction	Method	Health Plan Cost	Provider Cost	Industry Cost
Claim Submission/ Receipt	Manual	$0.62	$1.36	$1.98
	Electronic	$0.09	$0.35	$0.44
Eligibility and Benefit Verification	Manual	$4.32	$4.80	$9.12
	Electronic	$0.07	$0.87	$0.94
Prior Authorization	Manual	$3.66	$7.17	$10.83
	Electronic	$0.04	$2.47	$2.51
Claim Status Inquiry	Manual	$4.35	$2.85	$7.20
	Electronic	$0.04	$0.99	$0.94
Claim Payment	Manual	$0.57	$1.52	$2.09
	Electronic	$0.09	$0.96	$1.05
Claim Remittance Advice	Manual	$0.50	$3.52	$4.02
	Electronic	$0.05	$2.41	$2.46

How Much Could the Industry Save?

- In total, transitioning from fully manual to fully electronic processes for these six transactions ***alone*** could save the industry over $8.5 billion annually.

Transaction	Method	Health Plan National Savings Opportunity (in millions $)	Healthcare Provider National Savings Opportunity (in millions $)	Industry National Savings Opportunity (in millions $)
Claim Submission/ Receipt	Manual	$104	$200	$304
	Electronic			
Eligibility and Benefit Verification	Manual	$931	$5,201	$6,132
	Electronic			
Prior Authorization	Manual	$60	$221	$281
	Electronic			
Claim Status Inquiry	Manual	$388	$821	$1,209
	Electronic			
Claim Payment	Manual	$100	$116	$217
	Electronic			
Claim Remittance Advice	Manual	$93	$302	$396
	Electronic			
Six-Transaction Total	Manual	**$1,677**	**$6,863**	**$8,540**
	Electronic			

Industry Call to Action:
Five Action Areas

1. **ACTION: Share and expand best practices to increase adoption and reduce utilization of manual transactions among industry stakeholders, including industry and government-led outreach and education for health plans, healthcare providers and their agents, and practice management system vendors.**
   - Given the variability in adoption among transactions and across health plans and healthcare providers, it is critical that entities share and adopt best practices to drive adoption.
   - Industry and government entities should collaborate to provide ongoing outreach and education for all HIPAA covered and non-HIPAA covered entities about the value of and immediate need for adoption of electronic transactions, reduction of manual processes and compliance with standards and operating rules.

Industry Call to Action:
Five Action Areas

2. **ACTION: Evaluate sufficiency of current government regulations and federal strategic plans for adoption of fully electronic transactions for health plans, healthcare providers and their agents.**
   - While the Index is unable to delineate adoption improvements attributed directly to regulations compared to other industry initiatives to increase adoption, stakeholders should consider if institutionalizing some level of adoption through government imposed requirements should be applied to all stakeholders essential to adoption.
   - Possible regulations might include adoption mandates for entities beyond health plans and clearinghouses, and related enforcement mechanisms for all entities to ensure compliance and operating rules for all standards.
   - Coordination is needed among federal agencies around a consolidated strategic plan for Health IT that takes into account market resources for clinical/administrative implementation and makes major changes incrementally.

Industry Call to Action:
Five Areas of Action

3. **ACTION: Increase targeted industry-led efforts to reduce adoption barriers for health plans and healthcare providers, including consideration of financial incentives and contractual requirements.**

   - Cost of initial implementation has been noted by both health plans and healthcare providers as a barrier to transitioning to fully electronic transactions. This report demonstrates the immense opportunity to save costs by adopting fully electronic transactions.
   - The industry should consider innovative investments, including how financial incentives could be applied, or how stakeholders could more actively conduct cost-benefit analyses to demonstrate value of adoption. Contractual options are also an option; Medicare, for example, has begun requiring certain electronic adoption as a part of contractual requirements with healthcare providers. Further spread of this approach may be a useful strategy to rapidly drive adoption.
   - Access to IT systems and software capable of consistently updating electronic transactions is critical. Vendors should ensure their products offer ***integrated***, ***compliant*** electronic transactions on a timely basis; certification by practice management systems can help with this. Health plans, providers, and their agents must also cite these requirements when acquiring products and services from the vendor community.

Industry Call to Action:
Five Areas of Action

4. **ACTION: Continue systematic review of business processes for potential improvements of technical and policy requirements that can improve efficiency and reduce cost**
   - Administrative simplification must be an ongoing improvement process. As such, industry should embrace ongoing, proactive maintenance built into regulations (rather than wait for new mandates) and establish a regular schedule for reviewing and updating (as necessary) current standards, codes and operating rules that will help identify opportunities to further increase efficiency or reduce cost. Polices should also be reviewed on a regular cycle.

Industry Call to Action:
Five Areas of Action

5. **ACTION: Improve uniform and systematic tracking and reporting of adoption – and related cost savings - for health plans, healthcare providers, and their agents.**

   - *Adoption and basic costs:* Monitoring the transition to fully electronic transactions is important to evaluating the impact of initiatives to drive adoption and identifying specific opportunities for further improvement. Collecting high quality data to track this transition can be a complex process. Several examples of the data collection challenges are highlighted in the report. Efforts should be made to implement and maintain routine and systematic data collection within health plans and healthcare provider organizations.
   - *Correlating adoption to manual reduction*: A key area for additional dialogue and analysis is determining the impact on cost savings when the transaction from manual to electronic is not a clear correlation. At various periods in the transition to electronic for certain functions the industry may, for a time, or moving forward use more electronic transactions than anticipated. The reasons and thus cost impact are unclear at this point. Exploration of more granular data is needed to better classify transactions and correlate the increase in adoption of electronic with the reduction in manual transactions, so that the industry can definitively measure the true cost savings associated with adoption.

Future Outlook

- The CAQH Index® will continue to monitor industry progress towards adoption of fully electronic transactions. CAQH will continue to evolve and enhance the capacity and robustness of the Index. Some specific future goals include:
  - Continued expansion of the number of responding health plans and healthcare providers.
  - Addition of current and comparable data from government insurance programs.
  - Improve precision of cost saving estimates through expanded data collection efforts (e.g., assess indirect cost, vendor fees, etc.).

Participate in the 2016 CAQH Index

- Health plans and healthcare providers (practices and health systems) can participate in the 2016 Index by submitting data for calendar year 2015.
- Vendors may also participate in the Index by:
  - Sharing the call for data submissions with healthcare providers in your network
  - Completing the new in 2016 vendor cost survey
- The call for data submissions will be released in May 2016
  - For more information:
    - Contact Raynard Washington (rwashington@caqh.org)
    - Visit www.caqhindex.org
- All participants receive benchmark reports, which provide important information specific to your organization:
  - How your company compares to the industry at-large.
  - How much time and effort your staff spends on electronic and manual transactions.
  - Potential for efficiency gains by further transition to electronic transactions.

Questions?

The 2015 CAQH Index Report is available at www.caqhindex.org

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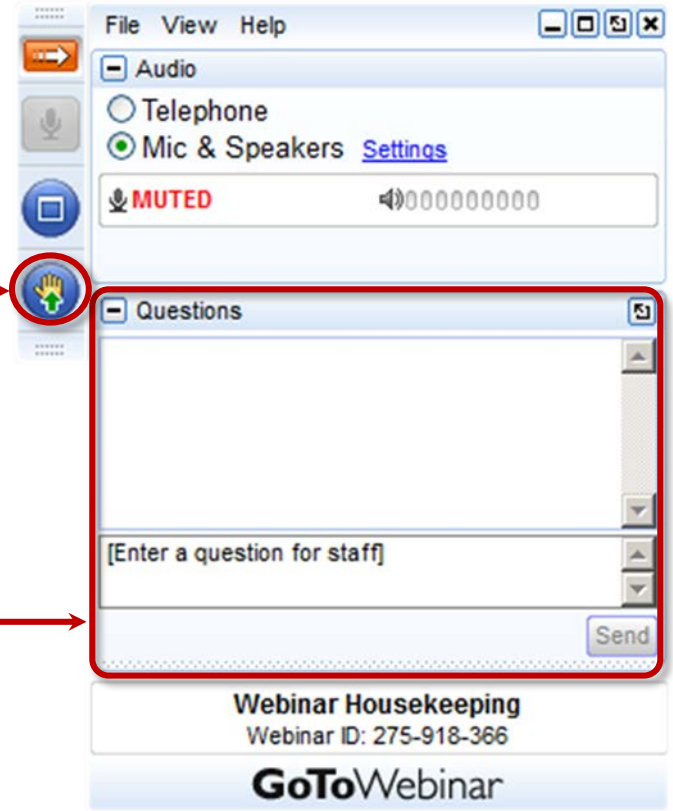

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