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March 1, 2019

The Honorable Lamar Alexander, Chairman
Senate Committee on Health, Education, Labor and Pensions
428 Senate Dirksen Office Building
Washington, DC 20510-6300

By email: LowerHealthCareCosts@help.senate.gov

Dear Senator Alexander:

We are writing on behalf of CAQH to respond to your request for specific recommendations to help address America's rising health care costs. CAQH is a non-profit alliance of health plans and related associations working together to achieve the shared goal of streamlining the business of healthcare.

The ongoing need to reduce healthcare costs—especially administrative expenses—while concurrently increasing information accuracy is at the heart of CAQH activities. In concert with a wide range of healthcare stakeholders, CAQH develops and implements shared, industry-wide initiatives to eliminate long-term business inefficiencies, producing meaningful, concrete benefits for healthcare providers, health plans, and patients.

The CAQH Committee on Operating Rules for Information Exchange (CORE) is a non-profit, national multi-stakeholder collaborative that streamlines electronic healthcare administrative data exchange and improves health plan-provider interoperability through an integrated model of operating rule development, adoption, and maintenance. CAQH CORE Participating Organizations represent more than 130 healthcare provider organizations, health plans, electronic health record (EHR) and other vendors/clearinghouses, government entities, associations, and standards development organizations. CAQH CORE is designated by the Secretary of the Department of Health and Human Services (HHS) as the author of federal operating rules for the HIPAA administrative healthcare transactions.

Administrative functions are a necessary component of the business of healthcare to ensure that consumers can access quality care and that providers are compensated for delivering that care. However, when the time and money spent on administrative functions is excessive, fewer resources are available for patient care.

In the United States, the healthcare industry has been working collaboratively for more than two decades to reduce the resources spent on administrative functions. Still, research estimates that administrative costs in the United States are more than twice that of other developed countries and that 10 percent of national health expenditures are due to administrative complexity that could be eliminated without harming consumers or care quality.

The 2018 CAQH Index, the sixth produced annually by CAQH, is the industry resource for benchmarking progress to reduce a portion of this administrative complexity. The CAQH Index tracks adoption, volume, cost, and time associated with HIPAA-mandated and other electronic administrative transactions between healthcare providers and health plans. These transactions include verifying a patient's insurance coverage, obtaining authorization for care, submitting a claim and supplemental medical information, and sending and receiving payments.

Findings from the 2018 CAQH Index suggest that positive change is occurring, but continued efforts are needed to significantly reduce the volume of expensive, time-consuming manual transactions and adapt to the changing administrative needs of the healthcare system that is transitioning to value-based care. The 2018 CAQH Index estimates that the combined medical and dental industries could save an additional $12.4 billion annually with full adoption of electronic administrative transactions.

Our specific recommendations that can be taken to reduce administrative costs in healthcare are set forth below.

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**Establish a Goal to Reduce Unnecessary Costs and Administrative Burdens Across the Health Care System**

Establishing a goal to reduce unnecessary costs and administrative burdens across the health care system, including within the Medicare program, the Medicaid program and the private health care market, will create a framework for the government and stakeholders to identify priorities, establish urgency and promote collaborative engagement to drive progress.

We are encouraged by the work of Senators Cassidy and Smith on this issue and recommend that your Committee carefully consider measures to advance the important goal of reducing unnecessary administrative costs and burdens.

**Rationalize State and Federal Regulatory Requirements Regarding Provider Data to Reduce Administrative Costs and Burden**

Provider data drives the most fundamental processes in the health care system. Industry stakeholders rely on it to connect patients with their healthcare providers, license and credential providers, exchange information and pay for

services. Though the industry spends more than $2 billion annually to maintain provider data, inaccuracies and inefficiencies are still pervasive, and costs and complexity are growing as a result of increasing and uncoordinated state and federal requirements. Multiple underlying issues contribute to the persistence of these problems, including limited authoritative sources, variation of requirements and standards, frequent data changes, and lack of consistent provider engagement.

The Secretary of Health and Human Services (HHS) should work with stakeholders to develop a more accurate, efficient, and sustainable provider data ecosystem. Although regulatory action can create some industry norms, a regulatory solution for provider data at the necessary scale is unlikely to succeed, particularly in the absence of public-private partnerships. Instead, the provider data ecosystem should be driven by stakeholders and be inclusive of public payers and regulators.

Areas of focus should include (i) developing authoritative provider data sources, (ii) reducing variation in the format, exchange, content, and understanding of the uses of provider data, (iii) reducing burden on providers for redundant and conflicting requests for data, and (iv) making a coordinated effort to engage providers and educate them about their role in data quality and maintenance.

**Accelerate Adoption of Administrative Standards and Operating Rules**

Interpretation and execution of certain federal statutes and regulations governing administrative standards and operating rules impose barriers to industry adoption of more efficient and effective processes for administrative and clinical data exchange. In a recent comment letter to the National Committee on Vital and Health Statistics (NCVHS), CAQH CORE urged HHS to use the flexibility granted in existing statutes and regulations to enable accelerated adoption of updates to administrative standards and operating rules rather than embark on additional rule making, which is time consuming and slows industry innovation.

Enabling flexibility within existing regulations to allow the industry to maintain aspects of standards and operating rules outside the regulatory process is critical for the timely adoption of updated electronic processes for administrative and clinical data exchange. CAQH CORE supports greater adoption of processes over specific rule requirements, such as the CORE Code Combinations maintenance process for the Phase III CAQH CORE Uniform Use of CARCs and RARCs. The CORE Code Combinations are maintained as a separate document from the rule to enable more rapid updates to meet industry need and prevent delays via the regulatory process.

Furthermore, by mandating specific versions of standards (e.g. v4010 or v5010 of the X12 standards) and operating rules, the industry is often unable to launch pilots, promote innovation, or move the industry forward to the next version without further federal mandates. This does not ensure that the industry has fully vetted the latest version through piloting, testing, and ROI studies to promote

adoption. CAQH CORE has urged HHS to consider how to adopt regulations that reference standards and operating rules recommended by NCVHS versus detailing the specific requirements in regulation.

In its letter to HHS, NCVHS adopted this recommendation and stated that HHS should "Remove the regulatory mandate for modifications to adopted standards and move towards industry-driven upgrades." Specifically, NCVHS commented that HHS could change the regulatory language to follow the approach used to address updates on regulations for medical code sets, using language in §160.1002 that allows the curating authority to determine when updates are necessary.

The current regulatory process for updates to a standard or operating rule do not support the pace needed in the industry to efficiently and cost effectively adapt to changing market needs related to new technology, payment models, and care delivery. In addition to action in this area that should be taken by HHS, congressional guidance on the interpretation of statutory flexibility related to the adoption of updated administrative standards and operating rules would support these efforts to reduce administrative costs.

**HHS Should Immediately Release Federal Rules on Health Care Attachments for the Exchange of Clinical Information**

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) listed electronic attachments (Attachments) as an electronic transaction to be standardized by the healthcare industry and enforced under the regulation. Attachments refer to the communication of additional or clinical information related to the processing of transactions including claims, prior authorizations, and referrals. The electronic transaction standard has yet to be mandated by HHS. To address part of the ongoing concern related to the burden of prior authorization and support progress towards value-based care, federal rules regarding Attachments are urgently needed in 2019.

For prior authorization, payers may need additional or clinical information from a provider to determine if the service being billed or requested is consistent with medical policies. This Attachment information is currently submitted through multiple methods given no standard yet exists. The information requested by the payer and submitted by the provider can include manual processes which create complexity and unnecessary administrative expense and burden. According to the 2018 CAQH Index, 51 percent of prior authorizations are submitted manually, 36 percent are submitted via health plan web portals or interactive voice response and 12 percent are submitted via the HIPAA Prior Authorization 5010X217 278 Request. The lack of an Attachment standard to support the Prior Authorization standard is one reason for the high volume of manual prior authorization transactions.

Industry implementation of electronic attachments to communicate clinical information should help to ease the healthcare system workflow and reduce

administrative costs once a federal standard is mandated. In October 2018, CAQH CORE held a Townhall and asked audience members to identify their biggest barrier or reason for delay in implementing electronic attachments. Only 11 percent of the audience had implemented an electronic method of exchanging clinical documentation. Over 44 percent said that their organization was waiting for federal regulatory direction, followed by 22 percent waiting for industry direction. While various standards for attachments have been available for many years, adoption has been stymied by the lack of a mandated federal standard and associated business rules to support implementation.

Through its HHS designation as the Operating Rule Author for all HIPAA-covered transactions, the goal of CAQH CORE is to accelerate the adoption of the forthcoming federal attachment standard and streamline the electronic communication of clinical information through the development of operating rules. In anticipation of a federal attachment standard, CAQH CORE has engaged in a variety of work efforts to educate and promote industry adoption of electronic attachments and survey industry utilization and barriers to identify opportunities for the development of operating rules.

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We commend you for your leadership on the critical issue of addressing the need to lower health care costs, including administrative burden and expense, and appreciate the opportunity to contribute to the work of your committee.

Sincerely,

Robin J. Thomashauer

Robin J. Thomashauer
President, CAQH