



Why the Industry Needs to Lead the Way in Streamlining Healthcare Business Transactions

September 2017

Given the uncertain political and policy landscape, no one can be sure what the nation's healthcare system will look like moving forward. However, one thing is known: in the future, healthcare business transactions must be—and will be—digital.

There are millions of business transactions that take place every day between healthcare providers and health plans: checking eligibility, filing a claim, getting paid for that claim and requesting prior authorization for a medical procedure, to name a few.

Yet, today, billions of dollars of administrative costs accumulate because of antiquated, manual business transactions. Given the annual volume of these transactions, a minimum of 1.1 million hours of manual administrative work could be saved per business week each year simply by moving the most common healthcare transactions fully into the information age.

Moving in the right direction

Healthcare organizations can make the digital shift a priority by adopting the CAQH CORE Operating Rules, which streamline the use of electronic transactions. When they do so, more time will be dedicated to patient care, costs will fall and true interoperability across systems will be recognized.

To date, some progress has been made. For example, according to the 2016 CAQH Index, more than 75 percent of eligibility and benefit verifications are conducted electronically.

And, the number of health plans seeking CORE Certification, the industry gold standard for ensuring operating rules and underlying standards are met, is increasing. Currently, 76 percent of commercially insured and 44 percent of publicly insured individuals are covered by a health plan that is CORE-certified in the first two phases of certification.

Today, billions of dollars of healthcare administrative costs accumulate because of antiquated, manual business transactions.

This is good, but not good enough. Industry adoption of basic electronic transactions such as claim payments and remittance advice is still only at 60 percent. More can and must be done to get the entire industry on board.

The banking industry example

Almost 50 years ago, the banking industry hit a turning point with the introduction of the ATM. The ATM's automated cash withdrawals and integrated global banking systems, provided increased financial accessibility, and streamlined everyday transactions between banks and customers. Today, the ATM is the backbone of online and mobile banking systems that enable customers to communicate with banks 24 hours a day.

Banking customers are overwhelmingly choosing online and mobile banking to deposit money, check account balances and transfer funds. In fact, JP Morgan recently reported that its bank tellers handled only 42 percent of all bank deposits in 2014, down from 90 percent in 2007.

The banking industry's ability to digitize and automate day-to-day transactions and work flows reduced bank operating costs by up to 25 percent while allowing customers to pay bills on-demand and check balances in real time.

The banking industry's ability to digitize and automate day-to-day transactions and work flows has reduced bank operating costs by up to 25 percent.

This revolution was possible because of public and private sector collaboration. The operating rules developed by NACHA, the Electronic Payments Association, and the Federal Reserve, act as the foundation of every automated clearinghouse (ACH) transaction. In other words, operating rules support the transfer of \$40 trillion worth of electronic payments or deposits to and from a customer's checking or savings account each year.

These operating rules enable customers to authorize their banks to send bills or payments electronically—allowing huge amounts of data to be exchanged immediately and accurately. Although participation is voluntary, NACHA represents approximately 91 percent of all U.S. financial institutions, including the Federal Reserve. The banking industry's embrace of digital innovation would not be where it is today without a standardized set of guidelines to follow.

Healthcare is a complex industry to be sure, but lessons from operating rule implementation in financial services are applicable to healthcare.

How can the healthcare industry get there?

The first ATM in the U.S. appeared on a street corner in Rockville, NY, nearly half a century ago. It's time for healthcare to catch up. Here's how: First, there must be industry-wide and industry-led educational efforts to demonstrate to providers, plans and practice management vendors the benefit in complying with the CAQH CORE Operating Rules and standards that make electronic transactions possible. CORE Certification is the first stepping stone to demonstrating this conformance.

Second, organizations that are CORE-certified can help advance the cause by encouraging certification and full digitization by their trading partners, among other measures. Adhering to the operating rules and underlying standards not only improves industry productivity, but eliminates frustrating miscommunications for each participant.

Finally, if the future of the nation's healthcare system lies in value-based payments, as many suspect, the industry needs to understand how transactions in this model will be conducted electronically. Anticipating that operational needs will be essential for a full-industry transition to a value-based system, CAQH CORE is collaborating with industry stakeholders to identify opportunities to ensure consistent approaches across the industry.

With an ever-evolving healthcare system, the CAQH CORE mission is to drive widespread industry participation and innovation to standardize business processes for the benefit of patients, providers and health plans. These efforts include driving greater adoption and awareness of electronic transactions, maintaining and building upon existing operating rules and identifying new opportunities like value-based payments to accelerate the industry's transition to a fully digital business.

To learn more or get involved, visit **www.caqhcore.org**.

Click here for a complete list of CORE-certified organizations.

Click here to learn how to become CORE-certified.

Learn more about the **CAQH Index**.

Sources

- **2016 CAQH Index**; a report of healthcare industry adoption of electronic business transactions and cost savings
- *The Atlantic*; A brief history of the ATM by Bernardo Batiz-Lazo (March 26, 2015)
- *The Detroit News*; Banks redefine role of teller in move toward technology by Lauren Abdel-Razzaq (February 27, 2015)
- *Business Insider*; Digitization can reduce investment banks' operational costs by up to 25% (September 16, 2016)
- *The Financial Brand*; The smartphone is the new bank by Matthew Wilcox (November 1, 2016)

About CAQH CORE

CAQH CORE was formed in 2005 to drive the creation and adoption of healthcare operating rules that support standards, accelerate interoperability and align administrative activities among providers, payers and consumers. Today, more than 130 organizations participate in CAQH CORE, including healthcare providers, health plans representing 75 percent of insured Americans, vendors, government entities and standard setting organizations. Four phases of CAQH CORE Operating Rules have been issued to date, and CORE Certification is currently available for all four phases. For more information, visit **www.caqhcore.org**.