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CAQH CORE Phase I Measures of Success
Executive Summary and Industry-wide Savings Projection

May 2009
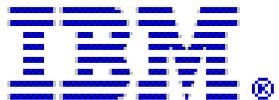
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Study Overview

- The study assessed results achieved by health plan early adopters of CORE Phase I Rules and selected vendor and provider partners

- Approach
  - Analyzed data from three-month period prior to health plan CORE certification and one year later
    - Eligibility verification methods and volumes
    - Eligibility-related claim rejections and denials
    - Call center and customer satisfaction
    - Costs of adoption
  - Interviewed participants

- Participants
  - 6 national and regional health plans, representing
    - 33 million commercial members, 1.2 million providers
    - 22 million eligibility verifications per month, 30 million claims per month
  - 5 clearinghouses and vendors
  - 6 providers: hospitals, physician groups, surgery center

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Results Common Across Stakeholders

- More robust and accessible eligibility methods have enhanced the flow of information between providers and health plans
  - More patient visits are verified
  - Richer content reduces the need for secondary phone verification
  - Real-time methods show most growth
  - Providers need a variety of methods - integrated and "on demand" transactions, as well as direct data entry
- CORE rules help stakeholders leverage investments
  - Common infrastructure supports multiple methods
  - Solutions reusable with new partners
  - Infrastructure will support new transaction types in the future
- Streamlined implementation with CORE partners
  - Better technical skill and resources
  - Less customization, reduced testing
  - Lower cost connectivity using the public internet
- Costs to achieve CORE certification vary widely, depending on how much technology change is required

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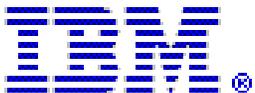
Health Plan Results

- CORE certification, along with organizational-specific eligibility initiatives, yields strong results
  - Providers rapidly take advantage of new capabilities, e.g. real-time transactions
  - Extensive communication to providers, targeted outreach as needed, and collaboration with vendor partners improve adoption rate of electronic methods

- Key results - average return for individual health plans in the study *
  - Payback is less than one year (considers only the shift from telephone to electronic verification)

One-time costs of certification	$ 542,800
Annual ongoing costs **	$ 49,200
Annual savings due to shift from telephone to electronic	$ 2,666,800

  - Progress towards having all visits verified

Ratio of verifications to claims	Up from .63 to .73

Results for 4 health plans, with an average of 8 million members each, that submitted verification transaction data. Savings represent cost avoidance due to avoided telephone verifications. See appendix for details.
*** Updated 5/1 to reflect additional data*

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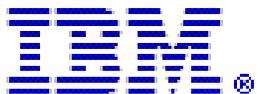
Health Plan Electronic Eligibility Volumes

- Total electronic eligibility was up 33% in one year for participating health plans
- Due to shift towards electronic methods, health plans can handle increased verification volumes with same staff

*Change in health plan electronic eligibility volumes one year after CORE certification **

Method	% change in volumes – TOTAL for all plans	Largest % change for an individual plan	Smallest % change for an individual plan	Comments
Real-time electronic eligibility, integrated and "on demand" (using 270/271)	39%	900%	10%	Largest / smallest % changes exclude a plan that did not previously offer real-time
Real-time electronic eligibility via direct data entry (using health plan or branded portal product)	30%	57%	18%	• User enters data directly via a portal and receives an immediate response • If via a portal product, the vendor sends the inquiry on to the plan as a 270/271 transaction • Plan response meets the CORE rules for availability, content and response time
Total electronic eligibility (real-time "on demand" + real-time DDE + batch)	33%	74%	15%	Includes batch which was only reported by one plan and decreased when real-time was offered

* Percent change 1q2008 over 1q2007. Plans in the study had high baseline electronic eligibility volumes compared to the industry, so results could be even more substantial for health plans with lower electronic verification rates.

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Provider Results

- Primary benefit: decrease claim denials and accounts receivable

- Secondary benefits
  - Time saved in registration and billing
  - Reduced transaction fees and connectivity costs

- Provider benefits realized

  Decrease in claim eligibility denials **10 - 12%**

  Increase % of patients verified * **24%**

  Save 7 minutes per electronic verification **$2.60 per verification**

- Typical eligibility initiatives
  - Automate verifications and integrate with registration and patient accounting to maximize efficiency
  - Verify and collect patient liability at time of service - for every visit
  - Upgrade practice management, EMR or billing systems and/or add eligibility products
  - Directly connect to health plans to reduce clearinghouse fees
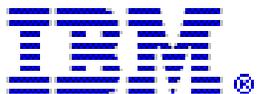
*   *Some providers doubled the number of patients verified*

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Provider Methods of Electronic Verification

Web Browser or other End User Interface
(manual or partially automated)

Practice Management , Scheduling, EHR, or Billing System/Vendor
(mostly automated)

Health Plan / Branded Portal Product

Multi-plan Portal Product

Transaction System / Gateway Product

Local File Lookup
Health plan eligibility files

Clearinghouse

Direct to Health Plan
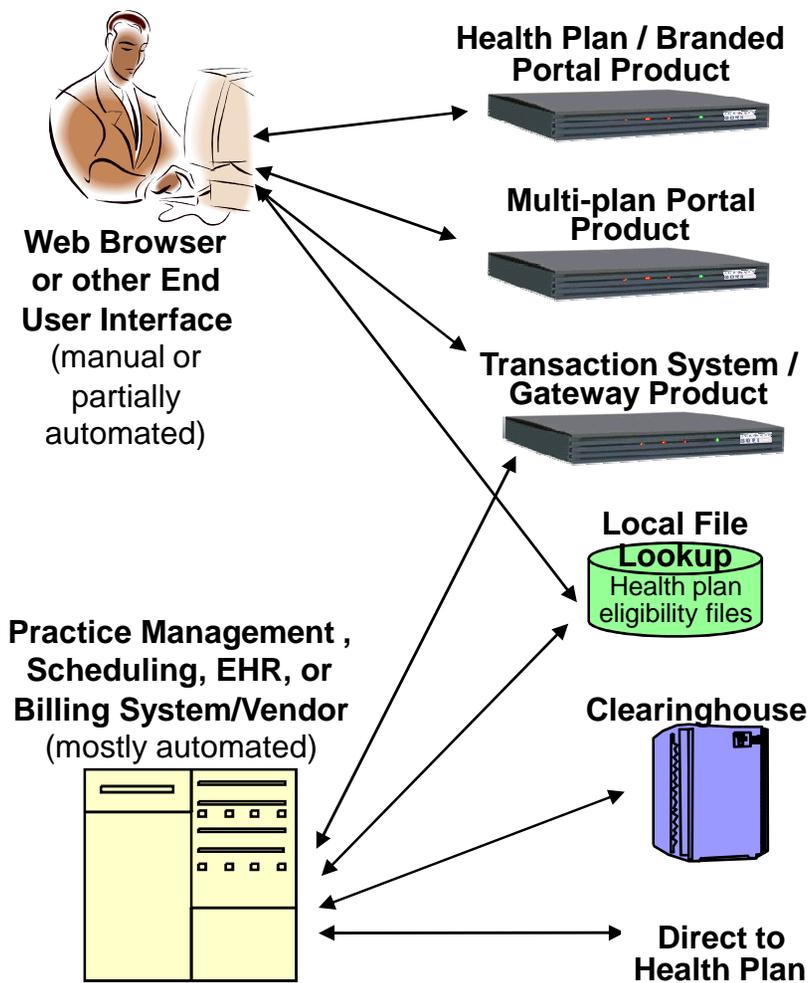
Advantages / Features for Providers

- *Simple technology solution, accessible to very small provider with no systems other than internet*
- *Low cost connectivity, no transaction fees*
- *Current info*

- *Simple technology solution, accessible to very small provider with no systems other than internet*
- *Low cost connectivity*
- *Access many plans on one site*
- *Less expertise / single sign-on*

- *Adds capability missing from operational systems*
- *Validate / scrub transactions*
- *May reduce transaction fees*
- *May integrate with provider operational systems*

- *Fast response*
- *No connectivity or health plan response capability required*

- *Access to many plans through one connection*
- *Validate / scrub transactions*
- *Reformat / translate transactions for health plans*
- *May integrate with provider operational system*

- *No transaction fees*
- *Current information*
- *Integrate with operational systems and workflows*
- *Minimal office staff time and effort*

Disadvantages

- *Not integrated with other systems for transaction creation or update*
- *High office staff time*

- *Not integrated with other systems for transaction creation or update*
- *High office staff time*
- *Transaction fees*

- *May be difficult or costly to implement / integrate*

- *File currency lags*
- *Requires file downloads and maintenance*

- *Transaction fees*
- *May require IT staff to setup, maintain or to take full advantage*

- *High IT skill to set up, maintain and integrate*

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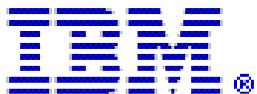
Vendor and Clearinghouse Results

- Vendors and clearinghouses play a crucial role in accelerating adoption of electronic transactions
  - Extend the reach for health plans
  - Give providers access to transactions

- Operational benefits
  - Simplified operations, fewer custom and proprietary connectivity solutions
  - Easier to integrate/automatically update client systems with patient eligibility and benefits info

- Example of results

  Time to implement a connection with a   **1 week vs. 6-12 weeks**
  CORE-certified health plan vs. time to
  connect to a non-certified health plan

- Why they seek certification
  - Competitive success depends on staying at leading edge for interoperability
  - They anticipate that CORE certification will become a foundation standard for interoperability in the industry

- Risk: Direct connectivity can cut into business

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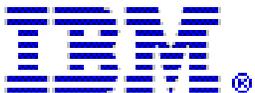
Lessons Learned for Health Plans Seeking CORE Certification

- Project management and planning
  - Strong project management needed to coordinate across many departments and systems
  - Don't underestimate time and resources

- Performance and capacity
  - Volumes can ramp up very quickly and real-time peaks can drive need for more capacity
  - Back end systems affect ability to meet response time rules
  - Comprehensive testing should include backend systems, performance, and user acceptance testing over and above CORE testing

- Accelerating provider adoption
  - Use multiple communication vehicles for provider outreach
  - Focus on large submitters and those with many claim eligibility errors
  - Collaborate with wide range of vendor and clearinghouse partners

- Determine how you will measure success and ensure that data is captured
  - Methods, volumes and associated costs
  - Claim rejects / denials
  - Connectivity costs
  - Time and effort to set up new partners
  - Call center
  - Provider/customer satisfaction

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Savings Projection for Industry-wide Implementation of CORE Phase I: Assumptions

- 1.3 billion eligibility verifications per year in the US
  - Approximately 200m commercial covered lives, 2.6 billion claims per year, assume only 50% of claims are verified for eligibility

- Current average percent of eligibility that occurs electronically: 40% (per CHT; CAQH pilot group was higher)

- Projected growth in electronic eligibility
  - Assume a baseline increase 10% per year
  - Impact of CORE: increase electronic eligibility by 25% per year (study participants averaged 33% one-year increase in electronic transactions)

- Savings per transaction: $4.60
  - Electronic vs. telephone transactions
  - Health plans $2.50, Providers $2.10 (CAQH CORE study – conservative estimates, actual averages reported by study participants were $2.72 for health plans, $2.60 for providers)

- Other Impacts
  - For each 10% increase in electronic eligibility transactions, there is an increase of 3 percentage points in the total number of eligibility verifications (electronic plus manual)
  - Eligibility denial write-offs as % of net patient revenue: 2.5%
  - Impact on other 8 main administrative transactions
    - 25% of impact on eligibility (assumes other phases of CORE, which address the other transactions that are not mandated) given mix of adoption and mix of use/volumes, e.g. every claim does not generate prior authorization check

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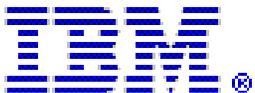
Potential Savings Due to Industry-wide CORE Phase I Certification

Savings 2010 – 2012, using $4.60 per transaction, 2.6b claims

	2010	2011	2012	3-year Total
Savings / Electronic Eligibility Volumes				
Estimated Number of Electronic Eligibility Transactions, Baseline 10% CAGR	572 m	629 m	692 m	1,893 m
Estimated Number of Electronic Eligibility Transactions with CORE, 25% CAGR	650 m	813 m	1,016 m	2,478 m
Additional Electronic Eligibility Transactions due to CORE	78m	183 m	324 m	585 m
Savings due to additional electronic transactions due to CORE	$359 m	$843m	$1,488 m	$2,690 m
Foundation for other administrative healthcare transactions	$90 m	$211 m	$372 m	$673 m
TOTALS	**$449 m**	**$1,054 m**	**$1,860 m**	**$3,363 m**
Other Impacts				
Percentage of visits verified with CORE (target 100%)	55%	61%	69%	n/a
Reduced Claims Denials due to eligibility	**10 to 12% reduction denials; .5% to 1.5% of net patient revenue**			
Reduced time to set up new information exchange partners	**20% to 80%**			
Reduced connectivity costs	**t.b.d.**			

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Appendix

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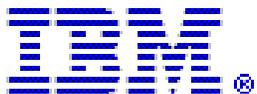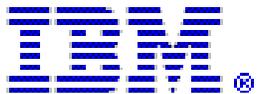
Cost of CORE Certification for Health Plans

- For most health plans, reported total costs of adoption and certification were moderate

Cost	Average	Low	High
Total cost of adoption	$542,800	$8,000	$1,720,000
Per member costs of adoption	$.0852	$0.0005	$0.4886
Ongoing annual costs *	$49,200	$ 0	$79,000

- IT staff expense was the largest cost

- Factors affecting reported costs

  - Complexity, especially the number of systems that must be modified

  - Starting point: the gap between capabilities and the CORE standards

  - Expense allocation practices: plans may allocate some costs to CORE implementation or to IT overhead

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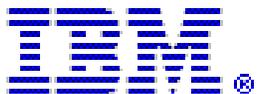
* Revised 5/1/09 ongoing cost average

Health Plan Telephone Verification:
Costs and Estimated Savings Due to the Shift to Electronic Methods

- For participating plans, the shift away from telephone verification yielded estimated average savings of $2.7m, over 17% of telephone verification costs
- Assumption/Caveats:
  - Estimated savings assume total verifications would be unconstrained by health plan or provider staff resources. However, without adoption of electronic methods, total inquiries would not have grown so fast as call center wait times and abandoned calls would have increased, and provider staffs could not have performed that number of verifications via telephone.

	Prior to CORE certification (baseline actual)	One year after CORE certification (actual)	Projected post-certification telephone verifications without shift (hypothetical)	Avoided telephone verifications and costs savings (estimated)
Annual number of verifications - all methods	204,560,940	266,339,732		
Annual number of telephone verifications	17,225,304	18,506,780	22,428,470	3,921,690
Telephone verifications as % of total verifications	8.4%	6.9%		
Cost per telephone verification	$ 2.72			
Annual cost for telephone verifications	$46,852,827	$50,338,442	$61,005,438	$10,666,997
Average per plan	$11,713,207	$12,584,610	$15,251,360	**$2,666,750**
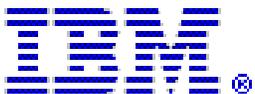
Verification in a non-CORE Environment: Inconsistent and Mostly Manual

Provider "Current State" Eligibility Process Flow

Start

Schedule patient visit or admission

Provider

Automated for this plan?

Determine method (based health plan/ product)

Refer to manuals, "cheat sheets"

or

Verify via phone

Update patient financial record

End

No

No

Okay ?

Yes

Yes

Verify via portal product or health plan portal

Determine routing (local copy/ direct/ clearinghouse) and format (HIPAA/ proprietary)

or

Local copy of eligibility files

Send electronic eligibility request direct or via clearinghouse

Review response

Received timely?
Eligibility dates?
Covered services?
Co-pays?

Efficiency Issues
- *Highly manual process*
- *Multiplicity of formats*
- *Varied response content by plan*
- *Different responses from the same plan by different methods*
- *Availability*
- *Response time*

Legend
- Manual Activity
- Automated Activity

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Non-integrated Verification in CORE Environment: Consistent and More Efficient

Provider Eligibility Process Flow using Direct Data Entry Methods
(CORE End-to-End without Provider Integration)

Start

Provider

Schedule patient visit or admission

Web Browser or vendor package

Registration staff inquires using portal product, health plan portal or vendor package

Errors returned for online correction

Vendor software / Clearinghouse validates & routes request & response

Same response regardless of method and channel

Health Plan responds

Member / Eligibility System

No Verification by Phone

View response with eligibility & benefits info

OK ?

Yes

No

Update record

End

Update record and follow up with patient

Legend
Manual Activity
Automated Activity
Area of Potential Benefit

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Fully Integrated Verification in CORE Environment: Highly Automated, Most Efficient

Provider "Ideal Future State" Eligibility Process Flow
(CORE End-to-End with Provider Full Integration)

Start

Provider

Schedule patient visit or admission

Automated Requests

PMR/EHR/vendor system generates electronic eligibility request

Clearinghouse validates & routes request & response

No Translating or Reformatting

Health Plan responds

Member / Eligibility System

No Verification by Phone

Update patient record with eligibility & benefits info

Automated Record Updates
enabled by
- consistent response content and format
- provider system integration

OK ?

No

Yes

End

Only exceptions handled manually

Follow up by provider patient access/ billing

Legend

Manual Activity

Automated Activity

CORE Benefit

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