Testimony of
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*Standard Acknowledgement Transactions*

Testimony Provided To The
Subcommittee on Standards
National Committee on Vital and Health Statistics
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Good morning. I am Gwendolyn Lohse, Deputy Director of CAQH®, a not-for-profit, multi-stakeholder alliance that is uniquely focused on simplifying administrative processes in healthcare. I appreciate the opportunity to provide this testimony today to the Subcommittee on Standards of the National Committee on Vital and Health Statistics (NCVHS). I also serve as the Managing Director of the Committee on Operating Rules for Information Exchange (CORE®). CAQH CORE was conceived and established by CAQH in 2005 to address the needs of health plans and providers to exchange more robust administrative transactions in real-time. CORE is the only national effort solely engaged in the development of operating rules for the facilitation of non-retail pharmacy, administrative healthcare transactions. CORE’s operating rules are created through an open, transparent, quorum-based voting process with a wide range of healthcare stakeholders. Participating organizations include health plans, providers, vendors, states, provider associations and standards development organizations (SDOs), including ASC X12 and the National Council for Prescription Drug Programs (NCPDP).

CAQH CORE is pleased to provide the Subcommittee with information about the CORE activities related to operating rules for Acknowledgements, including the ASC X12 acknowledgement standards. I would like to highlight some major themes when we consider Acknowledgements:

- **A robust business case** exists for Acknowledgements usage when electronically exchanging healthcare information; it extends to many of the electronic administrative transactions between trading partners.

- **Adoption of Acknowledgements needs to be national and accomplished in a phased, transaction-specific approach**, so that the focus for requirements is placed on the business work flow that the Acknowledgement standards aim to support. Such a national, phased, transaction-paired approach has been and is already occurring with all of the CORE Operating Rules.

- **The use of acknowledgements must be business-driven, not technically-driven.** For example, it is technically possible to send Acknowledgements at every single point in the submission/receipt chain – physicians, clearinghouses, practice management systems (PMSs), payers – every time a transaction is touched by any system in the chain. Such an approach is not only unnecessary, but it is a waste of time and money. It could also lead to “acknowledgement fatigue” and a devaluation of the business case.

- **Standards and operating rules are separate but complementary tools**, and both are needed with regards to Acknowledgements. Operating rules are defined as “the necessary business rules and guidelines” required to operationalize a HIPAA adopted standard – which may include incorporation of widely used, non-mandated standards outside of HIPAA or data elements not required by HIPAA, provided there is no conflict with an underlying HIPAA-mandated standard. Social Security Act (SSA) § 1171(9), added by the Patient Protection and Affordable Care Act (ACA) § 1104(b)(1). For example, CORE Operating Rules have helped drive adoption of non-mandated aspects of v4010 – a Health Insurance Portability and Accountability Act (HIPAA) standard – thus helped lay the groundwork for implementation of v5010 in advance of the implementation deadline. CORE Operating Rules are also driving the adoption of ASC X12 acknowledgements, which are also not required under HIPAA.

- **The healthcare community needs to have infrastructure, communication and interoperability within and across its sectors while also considering interaction with other**
industries – Acknowledgements are part of this. We must leverage efforts to create an electronic environment that quickly and accurately get providers the information they need – and integrated operating rules that build upon interdependencies within work flows are critical to this. Examples of this larger picture include common communication approaches, the interaction between medical and pharmacy claims, and flow of data between healthcare and financial services.

- Online certification testing provides a tool for trading partners to understand their complementary roles in the acknowledgement process and to verify that their systems are ready to respond in both real-time and batch per the industry operating rules.

Before I provide the detailed portion of my testimony, I would like to thank the Subcommittee – as well as the full Committee – for recommending CORE as the authoring entity for operating rules for non-retail pharmacy-related transactions for eligibility (ASC X12 v5010 270/271) and claim status (ASC X12 v5010 276/277). CAQH CORE also appreciates the NCVHS recent endorsement of CAQH CORE as the potential operating rule authoring entity for the electronic remittance advice (ERA) transaction, as well as the potential authoring entity for operating rules pertaining to healthcare electronic funds transfer (EFT) in partnership with NACHA — The Electronic Payments Association. CORE is currently working with its stakeholders to meet the NCVHS requirement that CAQH CORE submit fully vetted operating rules for these two transactions for the Committee’s consideration by August 1, 2011. In the interim, we look forward to keeping NCVHS apprised of our progress and would be pleased to answer any questions that you may have.

Acknowledgements: A Long-Standing Business Need

The Business Case. Providers have a very basic business need to know as quickly as possible whether or not the health plan received the claim, eligibility inquiry or other initiated transaction, then whether the information they sent to the health plan was rejected or received into the health plan processing system. For example, often the claim is rejected early on in the information exchange path by intermediaries between the provider and health plan. Or, the claim does not enter the health plan adjudication system and disappears into what some providers call a “black hole.” When a “black hole” does occur, it encourages the provider to send the same claim or inquiry over again, thus adding costs and repetitive steps to an already overwhelmed system. When this occurs the provider does not know with certainty that a claim was received by the health plan, rejected or pended. Without receiving an electronic acknowledgements it can take a significant effort to get the status of the claim established, involving time, paperwork and phone calls by providers and health plans. This is costly for all parties in terms of workflow disruption. It can negatively affect provider cash flow and create patient uncertainty about their out-of-pocket costs and treatment.

Acknowledgements address such problems, which is why, in addition to the ACA mandate, operating rules must continue to address acknowledgements now as they have in the past. Their use can minimize the “black hole” that can be associated with claims adjudication and promote faster payments. Acknowledgements would be electronic, reducing the need for paper-based reconciliation, numerous phone calls and rework. Use of Acknowledgements can help providers and health plans meet timely filing and payment requirements. Acknowledgements also can
benefit patients by minimizing the hassles they encounter over insurance verification and determining the extent of their financial responsibility. As the healthcare industry relies upon electronic transactions to conduct business and reduces costs, the adoption of electronic acknowledgements must follow this change in work flow and national expectations should be established.

Uniform rules are critical to setting such expectations. In today’s healthcare environment some health plans and vendors use proprietary health plan formats. This means that physician practices and their vendors potentially have to deal with a variety of report formats from a variety of health plans, which is both administratively costly and burdensome. The variation in health plan acknowledgement formats also means that the claim reconciliation process is not interoperable, therefore cannot be easily automated. Providers’ business associates (i.e., clearinghouses, etc.) may receive a standard acknowledgement from a payer and then convert that into a proprietary, non-standard acknowledgement for the provider. The full business case for Acknowledgements can only be achieved by having market uniformity in the application of the Acknowledgements – expectations are set in real-time and batch for each work flow supporting a transaction. It is for all these reasons that the CORE Operating Rules have prioritized Acknowledgements and why certain state efforts have also recognized their value.

**Acknowledgements for Real-time and Batch Transactions.** Given the experts who have testified this morning, you have already heard that Acknowledgements are used to recognize the receipt of an electronic transaction and its potential rejection. Healthcare administrative processes require Acknowledgements from the beginning of the claim cycle (e.g., eligibility) to the end of the cycle (e.g., claim payment/remittance advice.) The technical specification and business use of Acknowledgements varies according to whether the transmission is real-time or batch. For example, in real-time, the provider would want one and only one response: either the actual response transaction requested or a rejection. On the other hand, for batch, Acknowledgements are always required due to the elapsed time between submission of a batch of transactions and the retrieval of the response. Diagram A and B below highlight examples of how some of the CORE Operating Rules have addressed the use of ASC X12 Acknowledgement standards in both real-time and batch.
Diagram A: Example of *Real Time* Eligibility/Claim Status Acknowledgement Information Flow Using Phase I/Phase II CORE rules updated for v5010

**ASC X12 Interchange Submitter (Provider)**

**ASC X12 Interchange Receiver (Health Plan)**

**ASC X12 EDI Interchange**

(270 Eligibility Inquiry or 276 Claim Status Request)

**TA1 Interchange Acknowledgement**

(returned ONLY when an EDI Interchange of 270s or 276s is Rejected)

(Not addressed in CORE Rules Pending availability of revised standard for use in health care)

**999 Implementation Acknowledgement**

(returned ONLY when a Functional Group of 270s or 276s is Rejected)

**ASC X12 EDI Interchange**

(271 Eligibility Response or 277 Claim Status Response)

Diagram B: Example *Batch* Eligibility/Claim Status Acknowledgement Information Flow Using Phase I/Phase II CORE rules updated for v5010

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(returned for all ASC X12 Interchanges of 270 and 276
To indicate Functional Group is Accepted, Accepted w/Errors, or Rejected)

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To indicate Functional Group is Accepted, Accepted w/Errors, or Rejected)
**Barriers to Adoption.** Despite the obvious business case, Acknowledgements have not been uniformly adopted. Since 2005, CORE has been the only national effort requiring Acknowledgments and conducting independent testing to verify use per transaction-specific operating rules[^1]. Based upon the business cases developed by the CORE participants regarding Acknowledgements, we believe there have been several key barriers to adoption. The first barrier has been the lack of a national mandate specific to the use of Acknowledgements, including a mandate under HIPAA. Without such a mandate, many providers and health plans saw no need to implement Acknowledgements as a national approach to drive the full benefit of such transactions. Similarly, vendors have been reluctant to build Acknowledgement standards that are not required for use by statute or regulation for each trading partner in the chain of exchange.

While some entities have implemented Acknowledgements on an ad hoc basis, their significant variations in implementation made cost/benefit analyses within industry segments and across the industry very difficult. This variability regarding when and how Acknowledgements are to be used is among the key reasons why addressing Acknowledgements on a national basis was required under Section 1104 of the ACA, clearly highlighting the connection between administrative simplification and Acknowledgements. See ACA § 1104(b)(2)(B) (amending section 1173(a) of the Social Security Act to include a new paragraph (4), “Requirements for Financial and Administrative Transactions,” which provides, among other requirements, that “[t]he standards and associated operating rules adopted by the Secretary shall . . . provide for timely acknowledgment, response, and status reporting that supports a transparent claims and denial management process”). Beyond the changes being driven by the ACA, Medicare also is helping to drive change. Previously, Medicare had not required the use of Acknowledgements; thus a national stage was not set. However, Medicare will be requiring the use of the TA1, 999 and 277CA as part of their v5010 implementation. Given the ACA, Medicare, related state-based efforts, and the significant adoption of acknowledgements under CORE, some of the key adoption barriers for Acknowledgements are breaking down.

Another barrier to the adoption of Acknowledgements has been implementation cost. Many clearinghouses, other intermediaries and vendors limit system enhancements to those mandated by Federal law. Further, software upgrades and potential clearinghouse fees for use of Acknowledgements add to the “visible” cost of doing business. In some instances system upgrades and remediation are needed by payers, providers and their vendors to handle Acknowledgements; however, should these entities not use industry-recognized EDI management systems/software, but use instead a mix of self-developed and purchased software, there is a significant lift to make system changes. Moreover, CORE-certification for vendors and clearinghouses has shown that providers and health plans have not necessarily established a defined role for working with intermediaries. As a result, it is a challenge to generalize any requirements for the use of Acknowledgements across the chain of data exchange. With the development of national operating rules setting national expectations, these implementation barriers are also evolving.

[^1]: Over 60 entities are currently CORE-certified, with the CORE-certified health plans representing more than 120 million lives. Return on investment (ROI) studies sponsored by CAQH on CORE rule adoption demonstrated the ROI health plans and providers experience from acknowledgements that are paired with transaction-based operating rules.
Finally, as always, change is not an easy process. With regard to Acknowledgements, many have focused on the inability to “jump” to the end goal, rather than their ability to meet valuable milestones that will lead to the end goal. As electronic data exchange replaces the paper-based process and thus transactions become more complex, many stakeholders – health plans, providers, vendors, etc. – will need to decide together which milestones are most feasible, given associated work flow redesign. With regard to Acknowledgements, this will be especially true when considering the ASC X12 v5010 837 Health Care Claim Payment/Advice. No matter, Acknowledgements play a vital role in EDI. The requirements of the ACA and the existing practice of CORE operating rules including acknowledgements provide a solution to embrace acknowledgements today – in a phased, national approach - rather than wait for a new opportunity to address this need.

**Standards and Operating Rules: Working Together**

Operating rules and standards are separate, but complementary, tools. Working in tandem, operating rules and standards create the electronic environment that drives standards adoption and moves the healthcare industry toward administrative simplification.

**Role of Standards.** Standards are created, updated and maintained by Standards Development Organizations (SDOs). In the HIPAA environment some SDOs work in collaboration with the Designated Standards Maintenance Organizations (DSMO), which includes three SDOs and three data content committees. See 45 C.F.R. § 162.910 and [http://www.hipaa-dsmo.org](http://www.hipaa-dsmo.org). Other SDOs create industry neutral, non-HIPAA standards that are used to help support HIPAA transactions, as well as many other transactions in and outside of healthcare. Standards are a necessary and critical tool to move healthcare forward in today’s information-based world. Acknowledgement standards published by a recognized SDO are an ideal example of the types of standards that healthcare will need to embrace over the coming years in order to achieve administrative simplification.

**Role of CORE Operating Rules.** National, phased-in operating rules, as outlined by the ACA, help accelerate standards adoption by requiring a range of standards working together to achieve administrative simplification and return on investment (ROI). CORE Operating Rules are developed through a transparent, multi-stakeholder, consensus-based process. The rules support the adoption of standards, including ASC X12 standards, industry neutral standards such as SOAP web services, and non-HIPAA mandated data elements of ASC X12 standards such as delivering year-to-date financials – all with the goal of administrative simplification. As noted, Operating rules are defined as “the “necessary business rules and guidelines” required to operationalize a HIPAA adopted standard – which may include incorporation of widely used, non-mandated standards outside of HIPAA. SSA § 1171(9), added by ACA § 1104(b)(1). A complete listing of CORE operating rules is on the web site at [http://www.caqh.org/CORE_operat_rules.php](http://www.caqh.org/CORE_operat_rules.php).

**How Operating Rules Work with Standards.** CORE Operating Rules embrace HIPAA standards as well as industry-neutral standards and non-HIPAA-adopted standards. CORE Operating Rules work together with standards in the following ways – all of which are consistent with the scope of and the requirements for operating rules as set forth in ACA Section 1104: 1)
Clarify ambiguity in the standard’s Implementation Guide; 2) Fill gaps in the standard and Implementation Guide; 3) “Build on” data content specifications in the standard and Implementation Guide; 4) Address standards not mandated under HIPAA that are necessary for business functions; and 5) Incorporate industry-neutral standards not mandated under HIPAA that enable and facilitate operation of a HIPAA-adopted standard. As a result, health plans and providers can comply with both the underlying HIPAA standards, Implementation Guides and the CORE Operating Rules, which are revised as needed when standards are updated.

Based on the CORE experience, the use of Operating Rules can help drive the adoption of HIPAA standards in a number of important ways given today’s environment. First, the mandatory Operating Rules will be adopted and implemented through a process that is related to, but separate from, the process that apples—and has applied since HIPAA’s enactment—to standards adoption. For example, the Operating Rules will, per the ACA, be implemented very quickly over the coming years. Further, the Operating Rules can include non-HIPAA standards that are needed for transmission, security and other infrastructure needs, such as Acknowledgements. As seen with the CORE Operating Rules, the market is ready to adopt a range of standards – including Acknowledgements – if they achieve a shared goal and the business needs are well-outlined.

**CORE Operating Rules Related to Acknowledgements**

Since the inception of CORE in 2005, the participants have supported the use of Transaction Acknowledgement Standards as part of the necessary business processes required to improve daily electronic healthcare transactions. Several CORE Operating Rules incorporate Acknowledgement Standards that are already frequently used – with variation in implementation – or are in the process of being more broadly adopted; thus a uniform vision of implementation is needed.

The Acknowledgement Standards required by the CORE Operating Rules include those approved by ASC X12 through its standards approval process and were being used by the industry at the time of CORE Operating Rule writing development, either as a base ASC X12 standard or an ASC X12 Technical Report Type 3 (TR3) Implementation Guide.2 As with all CORE Operating Rules, the CORE Operating Rules related to Acknowledgements are updated as the version of the standards are updated by the respective SDO. For instance, under v4010, CORE Operating Rules require the ASC X12 997; however, under v5010, CORE Operating Rules will require the ASC X12 999 in place of the 997.

Highlights of current CORE Operating Rules relationship to Acknowledgement Standards include the following:

- All CORE Operating Rules support acknowledgements at several layers. Table 1 depicts these various layers and corresponding acknowledgements for a complete transaction exchange. Diagrams C and D provide detailed examples of exchanges being supported.
  - Payload layer (e.g., the X12 Interchange containing an eligibility inquiry, claim status request, remittance advice, prior authorization)

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2 Standards undergoing modification by the respective SDO are considered for inclusion in the CORE Operating Rules until the standard completion of their finalization, including modifications, by the SDO and thus their availability for use in healthcare.
- Message layer (e.g., a SOAP Web Services envelope)
- Transport layer (e.g., HTTP/S)

- All CORE Operating Rules, including those relating to Acknowledgments, support the consistent use of published standards by SDOs, whether or not required by HIPAA.
- All CORE Operating Rules consider the use of Acknowledgements for real-time as well as batch, and do so with regard to market maturity, business needs and the goal to reduce costs, understanding that Acknowledgements are not needed in every instance of an exchange of information.

<table>
<thead>
<tr>
<th>Table 1 Summary of CORE Operating Rule Requirements Related to Acknowledgements: Phase I and Phase II Rules updated for v5010 and draft Phase III Rules</th>
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<tbody>
<tr>
<td>Layer</td>
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<tr>
<td>Payload</td>
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<td>Claim Status (276/277)</td>
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<td>Health Care Claim (837)</td>
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<td>Prior Authorization (278)</td>
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<tr>
<td>Claim Payment/Advice (835)</td>
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<tr>
<td>Transport Layer</td>
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<td>Message Layer</td>
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3 In real-time, the goal of the CORE Operating Rules is for provider (submitter) to receive one and only one response, i.e., the HIPAA-adopted response transaction (271, 277, 278) or a rejection notice, i.e., the acknowledgement (TA1 or 999).
4 Standards undergoing modification by the respective SDO are considered for inclusion in the CORE operating rules until the standard completion of their finalization, including modifications, by the SDO and thus their availability for use in healthcare.
5 Ibid.
6 Ibid.
7 Ibid.
8 Ibid.
9 Ibid.
Diagram C
CAQH CORE® Phase I and Phase II Operating Rules
Transport, Message & Payload Acknowledgements Overview

- Public Internet (TCP/IP) – CORE Phase I Rule
- HTTP over SSL (HTTP/S) – CORE Phase I Rule (includes security of payload during transmission)
- Message Envelope & Message Metadata – CORE Phase II Rule (independent of payload – required by Phase I)
- HIPAA Administrative Transactions (X12)
  - HL7 Clinical Messages
  - Zipped Files
  - Personal Health Record
  - Other Content

Network
Message Envelope + Message Metadata
Message Payload (Content)

Communications (Transport) Protocol

ASC X12 Interchange (ISA/IEA Control Segments)
ASC X12 Functional Group (GS/GE Control Segments)
ASC X12 Transaction Set (ST/SE . . . 275)
BIN Segment in 275 (Encapsulates HITSP C62)

ASC X12 Standard TA1 Interchange Acknowledgement
ASC X12 Standard 999 Implementation Acknowledgement
HITSP C62 Error Handling Could be ASC X12 824 which is designed to handle the HL7 Clinical Document BIN Segment Payload

SOAP Envelope Acknowledgement, e.g., SOAP <fieldname> Required
HTTP Acknowledgement for Transport, e.g., 200 OK
Diagram D

Use of v5010 277 Claim Acknowledgement (277CA) and v5010 999 Implementation Acknowledgement for v5010 837 Health Care Claims in Draft Phase III CORE Acknowledgements Rule for v5010 Health Care Claims

- Patient Accounting System
- Health Plan EDI Gateway
- Health Plan EDI Management System
- Health Plan Pre-Adjudication System
- Health Plan EDI Gateway

**X12 Interchange (837 Claims)**

No specified elapsed time for each message is specified or assumed. All message exchanges are asynchronous with no service level either specified or assumed.

**HTTP OK**

Successful connection to Communications Server; no transport or payload envelope errors

**X12 TA1**

Returned Only to Indicate Interchange Rejection

**X12 997**

Returned to indicate Functional Group Acceptance/Rejection Based on X12 Syntax Only

**X12 999**

Returned to indicate Functional Group Acceptance/Rejection Based Compliance with v5010 837 TR3

**X12 277CA**

Returned to indicate Claim Acceptance/Rejection Based on Health Plan's Pre-Adjudication Business Edits

**X12 Interchange (276 Query)**

Uniform use of code sets address in a separate draft Phase II CORE Rule

**X12 Interchange (277 Response)**

Query/Response to Determine Status of Claim in a Health Plan's Adjudication System, i.e., a finalized claim (paid, denied, pending)

**X12 Interchange (835 Payment/Advice)**

Returned to indicate Results of Claim Adjudication Based on Health Plan's Business Edits, i.e., a finalized claim (paid, denied)

**Proprietary**

Use not mandated by HIPAA

Included to show end-to-end problem space

Included to show end-to-end process

Claims not yet in adjudication

Use of 276/277 applicable only for claims in adjudication system

Separate draft Phase II CORE Rules address 835
Moving Forward: Opportunities for Improvement

Meeting the Operating Rule Deadlines and Addressing the Transactions Outlined by the ACA. The countdown has begun for the healthcare industry to comply with a wide range of changes imposed by the ACA and other legislation, such as the recent ARRA HITECH law that incentivizes the transition to electronic health records. Among the changes is the ACA required use of acknowledgements in real-time transactions, beginning in 2012. (See Section 1104, (b), 4, (A), iii “... The standards and associated operating rules adopted by the Secretary shall ... provide for timely acknowledgment, response, and status reporting that supports a transparent claims and denial management process ...”). The deadlines outlined in Section 1104 of the ACA highlight the opportunity for operating rules to clearly address how and when Acknowledgements are used – The industry should not miss this moment, as it may be a number of years before another such opportunity is presented on a national scale. The healthcare industry should expect that for every deadline for operating rules in the ACA, one set of integrated, non-retail pharmacy operating rules be adopted, and that integrated set includes Acknowledgements. To fully realize this opportunity and its aggressive timeframes, industry coordination is necessary. This coordination will also be needed in order for system upgrades to be completed and in place so that the transactions flow smoothly once the compliance dates arrive.

Highlighting Return on Investment by Leveraging Interdependencies. Standards and operating rule adoption will occur more quickly when value has been documented – and the value of certain Acknowledgements (999, 277CA) for specific transactions has been demonstrated. Moreover, the cost of state-specific rules regarding Acknowledgements does not allow for a wait-and-see approach for the adoption of national operating rules: The operating rules required by the ACA should address the use of the 999 Implementation Acknowledgement and the 277 Claim Acknowledgement when supported by work flow requirements. The interaction across Acknowledgements and the other requirements of the operating rules drives the ROI that is achieved through implementation of the CORE Operating Rules. In order to continue to realize the ROI that results from such interdependencies, there must be one author for the non-retail pharmacy ACA operating rules.

That said, further ROI studies regarding operating rules are needed, and Acknowledgements should continue to be included in this process. The CORE Phase I Measures of Success study conducted by IBM Global Business Services, which assessed results achieved by six CORE-certified health plans that represent 33 million covered lives (Aetna, AultCare, BlueCross BlueShield of North Carolina, BlueCross BlueShield of Tennessee, Health Net, and WellPoint affiliated health plans), as well as leading provider groups and vendors, was a strong first step in this process. The study analyzed data from the three-month period prior to health plan certification and one year after. Study results showed that CORE certification and adoption of the CORE Operating Rules dramatically cuts administrative costs and accelerates HIT adoption by both health plans and providers. The study details can be downloaded from the CAQH website at [http://www.caqh.org/COREIBMstudy.php](http://www.caqh.org/COREIBMstudy.php).

Increasing Stakeholder Coordination and Awareness. Going forward, additional stakeholder collaboration and participation in the CORE Operating Rules process is needed to ensure a wider range of perspectives are reflected in operating rules. To that end, CORE is reaching out to organizations such as SDOs, states, state Medicaid agencies and providers to increase participation levels. For example, the recent CORE EFT and ERA Operating Rule Survey highlighted the work of several states and then was forwarded to each of the state Medicaid agencies. Also, an evolving understanding of how operating rules build upon standards is the basis for a continued discussion with the HIPAA-specific SDOs, while participation in rule writing by non-healthcare focused SDOs like NACHA, OASIS, and W3C is also important to embrace the full use of these standards. This will help ensure that operating rules continue to be developed through an open, collaborative and multi-stakeholder consensus-driven process. Since the launch of CORE, ASC X12 and NCPDP have been active CORE participants, voting on formal CORE rule-writing ballots and reviewing draft rules and research. NCPDP
and CORE are developing a Memorandum of Understanding (MOU) per the commitment of the executive leadership of both organizations. This MOU will reinforce the already significant collaboration of the two organizations through their work on Connectivity and their shared goals to assure the coordination of medical and pharmacy transactions. CORE and ASC X12 also have stated their commitment to work together, and have held two calls with CMS eHealth staff to explore additional methods to accomplish this goal beyond the significant existing approaches, including:

- ASC X12 representatives share the draft CORE Operating Rules on the ASC X12 listserves.
- CORE staff attend all ASC X12 in-person meetings and offer to share updates on CORE rule adoption with the leadership and/or the work groups focused on those related transactions for which ASC X12 has a standard.
- All CORE rules are free of charge and all CORE research related to gaps in the standards are shared with ASC X12 and the other CORE participants; similar approach are taken by state-based effort.

**Conclusion**

In conclusion, I want to again thank the Subcommittee for this opportunity to provide an update on CORE activities regarding the development and implementation of operating rules for acknowledgement transactions. CORE remains committed to moving forward with a wide range of stakeholders to realize the many benefits of administrative simplification.

Implementing the vision for improved administrative simplification is important work that must be accomplished within very short timeframes, which reinforces the reasons why it should be achieved through an integrated approach. NCVHS is charged with the very important task of recommending authoring entities for operating rules for transactions named in the ACA. CAQH CORE believes that only one entity should be selected to author non-retail pharmacy ACA mandated operating rules, and that this entity should address the use of Acknowledgements, by transaction, in those operating rules. To name multiple entities for authoring operating rules will create market confusion; add burden to providers, health plans and other stakeholders in negotiating across multiple entities and their unique processes; and increase costs due to duplication of efforts and lack of economic synergies and economies of scale. The Acknowledgements standards should be adopted within the context of the work flow envisioned for each operation rule set.

Thank you. I look forward to your questions.