



2016 CAQH Index Report

Overview of Key Findings

Webinar

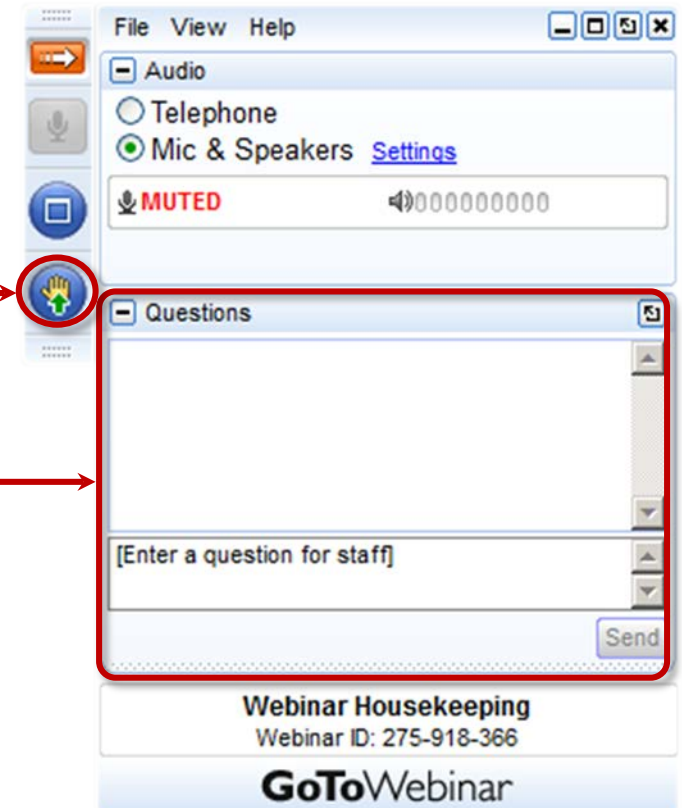
January 12, 2017

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Presenters



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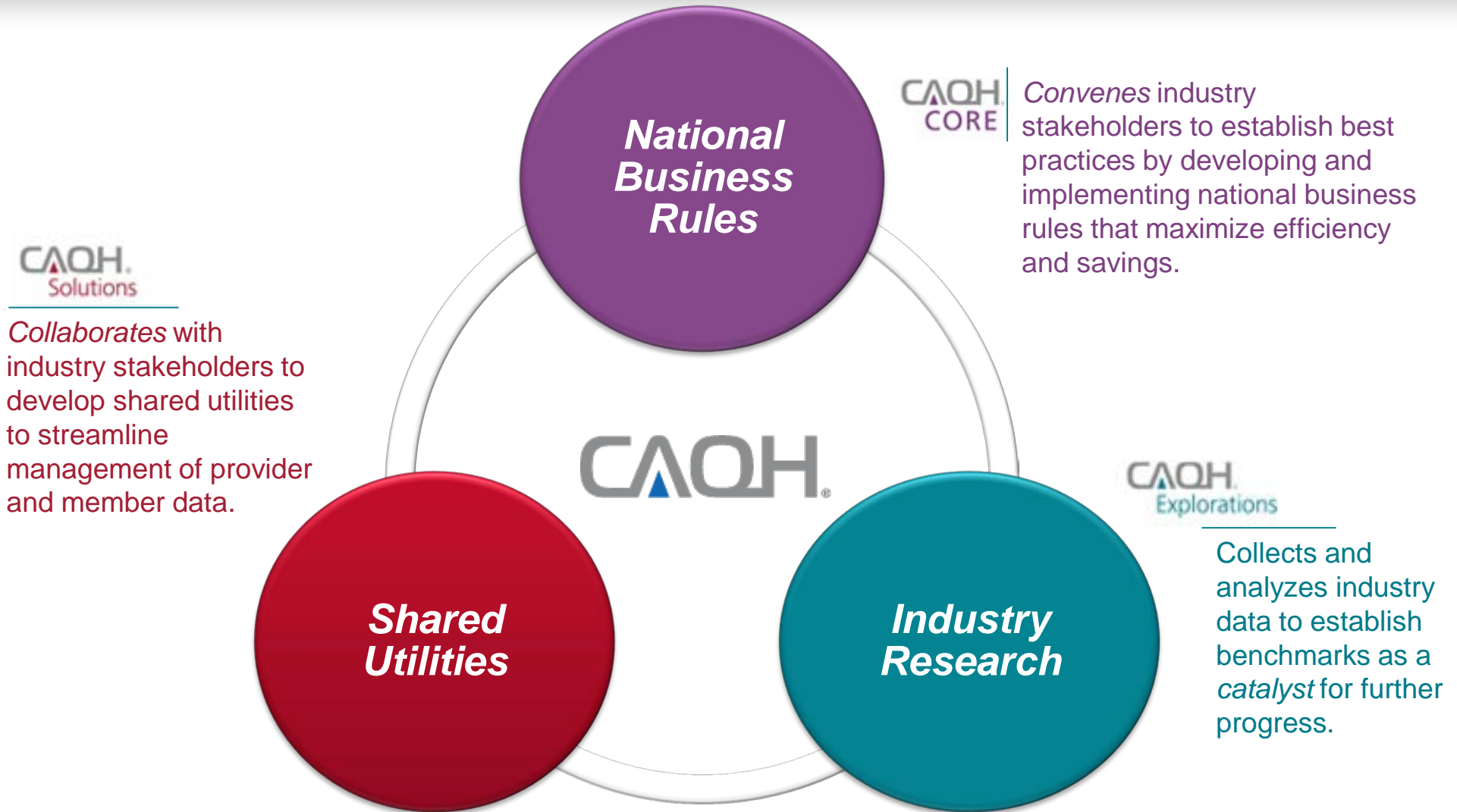
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Agenda

- 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 2017 Index
- Q & A

CAQH Overview | *Convener. Collaborator. Catalyst.*



CAQH Initiatives



COMMITTEE ON OPERATING RULES
FOR INFORMATION EXCHANGE

Maximizes business efficiency and savings by developing and implementing national operating rules. More than 140 participating organizations.



INDEX[®]

Benchmarks progress and helps optimize operations by tracking industry adoption of electronic administrative transactions.



COB SMART[®]

Quickly and accurately directs coordination of benefits processes.



PROVIEW[®]

Eases the burden of provider data collection, maintenance and distribution for more than 1.4 million providers and 800 participating organizations.



DIRECTASSURE[™]

Increases the accuracy of health plan provider directories.



SANCTIONSTRACK[®]

Delivers comprehensive, multi-state information on healthcare provider licensure disciplinary actions.



ENROLLHUB[®]

Reduces costly paper checks with enrollment for electronic payments and remittance advice for more than 500,000 providers.

What is the CAQH Index?

- A voluntary nationwide survey of commercial medical and dental health plans and healthcare providers.
- 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.

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-intensive 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 2016 Index?

- Health Plans

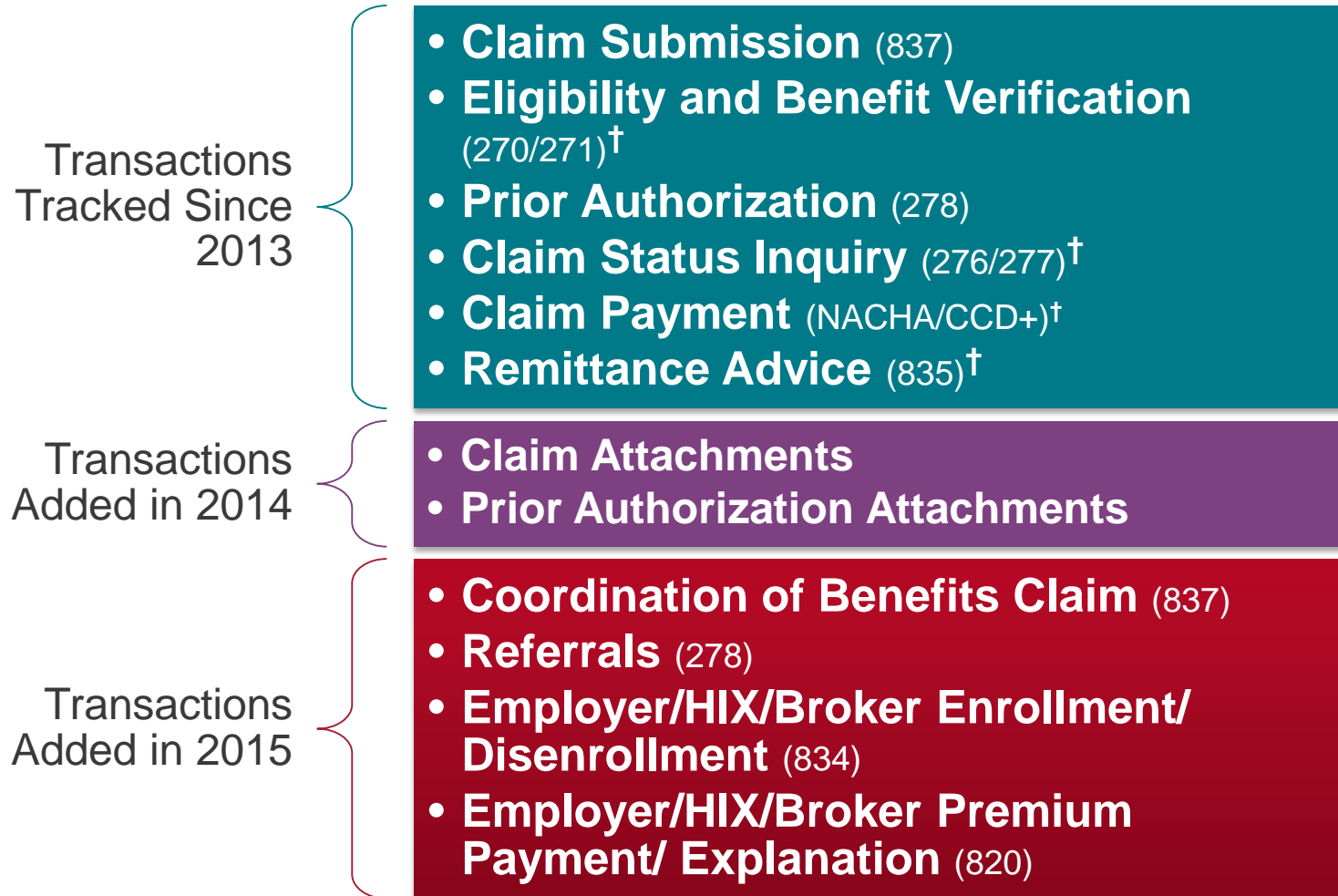
- Data for calendar year 2015 were collected from commercial medical and dental health plans, including managed Medicaid and managed Medicare.

- Healthcare Providers

- Partnered with NORC at the University of Chicago to manage 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	2015	2014	2015
Enrollment						
Covered Lives (total in millions)	104	112	118	140	93	112
Proportion of Total Commercial Enrollment (%)	41	42	45	46	44	46
Number of Claims Received (total in billions)	1.2	1.4	1.4	1.5	0.2	0.2
Number of Transactions (total in billions)	3.2	3.9	4.3	5.4	0.4	0.7

Which Administrative Transactions Were Analyzed?



[†] Both HIPAA standards and operating rules are federally mandated.

Adoption of Electronic Transactions

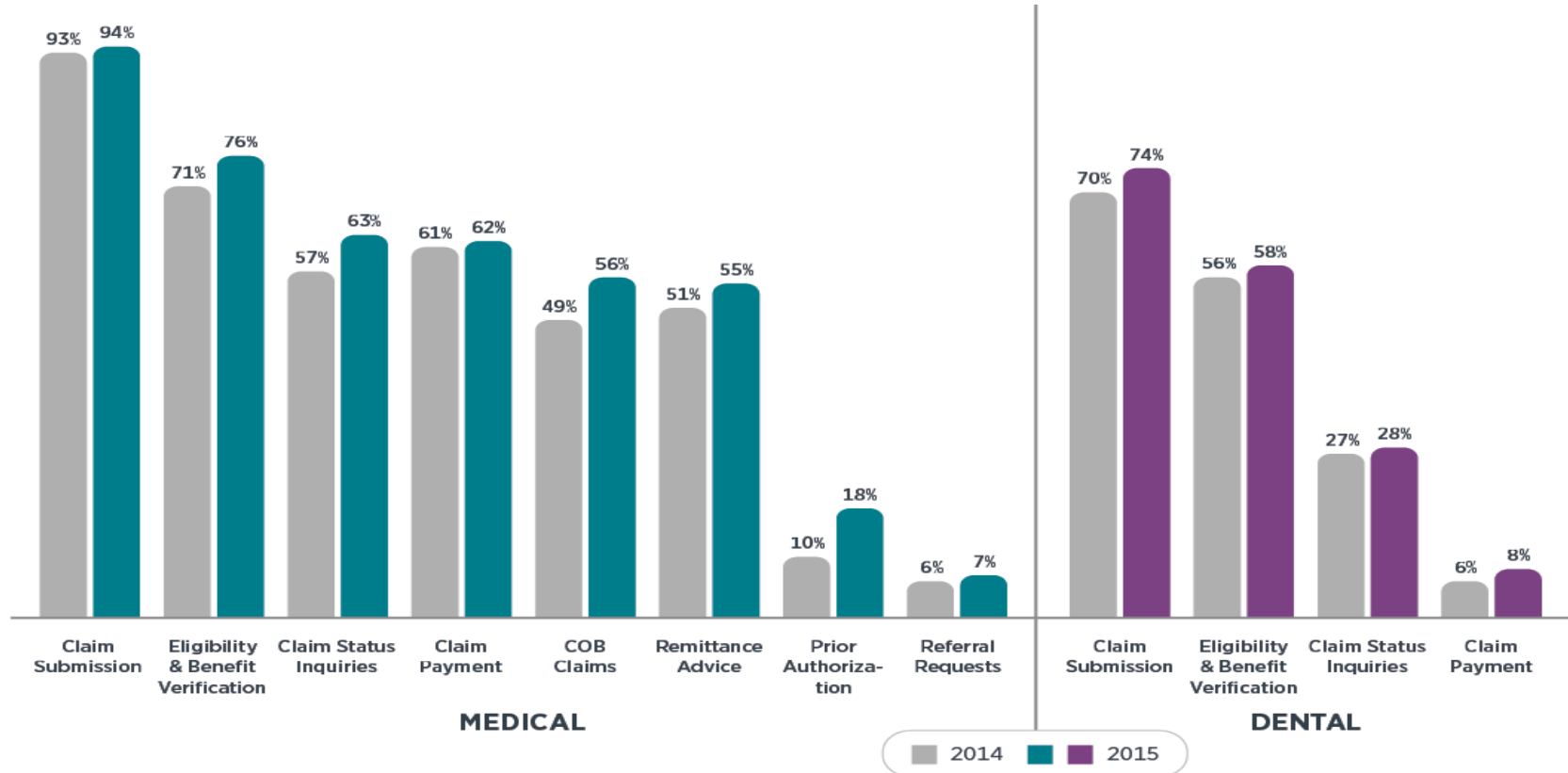
Data Overview

- Participating health plans reported the volume of administrative transactions conducted in 2015 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.

Trends show steady, but modest progress in adoption of fully electronic transactions, with promising accelerated growth for some transactions.

- On average, adoption of electronic transactions with commercial dental health plans was 30 percent lower than with commercial medical health plans.

FIGURE 1:
Adoption of Fully Electronic Administrative Transactions for Commercial Medical and Dental Health Plans, 2014 – 2015



For eligibility and benefit verifications and claim status inquiries, the use of electronic transactions is increasing rapidly, but telephone call inquiries are not declining as rapidly.

- While adoption of electronic eligibility and benefit verifications (76%) and claim status inquiries (63%) continues to increase by ~5% annually, the volume of manual inquiries (e.g. telephone calls) is not reducing as rapidly.
- As previously discussed, rapid growth in volume of electronic inquiries may be related to:
 - Coverage expansions, including more complex coverage types (e.g. high deductible plans).
 - Practice management systems with capability to routinely check eligibility for complete patient rosters and status of all unpaid claims.

	Fully Electronic (HIPAA) Volume in Millions		Fully Manual (Telephone) Volume in Millions	
	2014	2015	2014	2015
Eligibility and Benefit Verifications	1,260	1,822 ▲ 44%	87	72 ▼ 17%
Claim Status Inquiries	210	302 ▲ 44%	35	34 ▼ 3%

Adoption of EFT only increased slightly, while ERA adoption continues to increase by about four percentage points annually.

- **Adoption of electronic funds transfer (62%) only slightly increased.**

- This may be related to improvements in reporting accuracy across several plans that equated to lower adoption rates than previously estimated.
 - > Some plans were estimating the volume of EFT payments based on volume of claims submitted, average volume of claims paid per payment and the actual volume of paper checks printed. Improved tracking allowed for a more precise count of EFT payments in 2015.
 - > The Index Data Contributors Workgroup will further discuss approaches to ensure standardization of EFT reporting for the 2017.

- **Electronic remittance advice adoption (55%) continues to steadily increase, but more than a third are still being sent via mail.**

- The increase in ERA adoption may be related to the implementation and regulation of operating rules in 2014, which provide uniform specifications for claim denial and adjustment codes and require association of the ERA with the payment.
- For the first time this year, CMS reported to the CAQH Index 85% adoption of ERA for 2015 for Medicare Part A and Part B, up from 81% in 2014 and 31% in 2005.
 - > The higher adoption may be related to Medicare provider EFT requirements and the availability of the Medicare Easy Print Remit tool, which converts 835 remittances to easily read .pdf file.

Web portals are the predominant method for submission and approval of prior authorizations (46%) and referral certifications (86%).

- **A notable increase in fully electronic prior authorizations occurred during 2015.**

- There is growing industry-wide attention to how prior authorizations for medical services are managed. Some examples of potential contributors to the rising use of fully electronic prior authorizations include:
 - > Participating health plans reported significant investments in improving the efficiency of the electronic transaction by streamlining integration with provider systems and further automating review of requests, which greatly reduces response times.
 - > Several practice management system and clearinghouse vendors reported efforts to create and expand systems that support electronic submission of prior authorizations.
 - > Some plans no longer require prior authorization, or have limited the medical services that require them, or only require notification, resulting in an overall decline in volume of these transactions.
- 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 and cost of electronic claim attachments are reported for the first time.

- Only six percent of healthcare claim attachments are submitted to medical health plans electronically, with the remaining sent either via fax or mail.
- The adoption of electronic claim attachments is isolated, as most medical health plans report 100% of claim attachments are submitted manually.
- NCVHS recently recommended that HHS adopt the HL7 standard for claim attachments. Only use of the X12 standard for claim attachments was reported by participating health plans; no use of the HL7 standard for claim attachments was reported.
- Additionally, Meaningful Use requires electronic health records (EHRs) to use the HL7 standard used for clinical attachments (CCD+); currently no authoritative benchmark data is available on the adoption of this standard for EHRs.

Varying levels of adoption of the enrollment and disenrollment transaction have been anecdotally reported across the industry, but no measured benchmark has been established.

- Given the inconsistencies in these singular reports, it is critical that the industry measure progress of adoption to appropriately inform future efforts to drive adoption and regulatory decisions.
- Based on preliminary data from a single health plan, utilization of the transaction was near 50 percent – but the experience of a single plan is insufficient to report industry wide adoption levels, particularly given other reports of low adoption. Many health plans participating in the CAQH Index reported barriers to tracking and reporting adoption of the 834 transaction in the first year. These included:
 - **Reporting Coordination**– These transactions were primarily handled by health plan agents/brokers (e.g., third party vendors/clearinghouse) or another unit within the organization and coordination to report was not possible or included in contractual agreement with agents.
 - **No/Low Use of the Standard** – While health plans may have the capacity to conduct the transaction using the standard, entities predominantly use other methods to support these transactions, including health plan sponsored web portals, proprietary file layouts, and e-mail/mail/fax exchange of updated member rosters.
 - **Tracking Capabilities** – Individual tracking of enrollment/disenrollment transactions that do not use the 834 standard is complex because multiple transactions typically occur in a single interaction (e.g. email or fax) and disaggregating those transactions for tracking purposes is challenging or the capabilities are not available.
- CAQH is committed to working with health plans to overcome tracking-related barriers to allow for increased reporting of adoption of the 834 transaction in the future.

Cost of Electronic Transactions

Expanding Beyond the 2015 Index Industry Cost Estimates

- The 2015 Index cost estimates only represented a fraction of the true industry savings opportunity associated with adoption of electronic transactions:
 - Included direct labor cost for only six of the twelve key transactions for commercial *medical* health plans and providers.
- To expand beyond these estimates, the 2016 Index now includes:
 - Cost per transaction for seven of the twelve transactions with the addition of costs for claim attachments.
 - Potential savings opportunity for commercial dental health plans and providers for four of the twelve transactions (based on available data).
 - Preliminary exploration of practice management system and provider-facing clearinghouse vendor fees and pricing models to integrate into the 2017 CAQH Index provider cost estimates.

Producing Cost Per Transaction Estimates for Health Plans

- Participating health plans provide cost per transaction estimates, which are weighted and averaged.
- Health plans use 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.

Producing Cost Per Transaction Estimates for Healthcare Providers

- NORC recruited health care providers for 2016 CAQH Index cost survey
 - Targeted email and telephone outreach to a wide range of providers representing a variety of specialties and practice settings.
 - Data collection was completed August - December 2016.
 - Responding provider organizations completed a fillable questionnaire, a follow-up interview, and in some cases site visits.

- Healthcare providers use a variety of internal reporting systems to estimate:
 - 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.
 - > Amount of time spent processing each transaction type by mode.

New in the 2016 CAQH Index: On average, healthcare providers spend 8, and up to nearly 30, more minutes processing each manual transaction, compared to the time required for each electronic transaction.

- At least 1.1 million labor hours per week could have been more efficiently used providing patient care or doing other clinical tasks by achieving full adoption of only six of the twelve electronic transactions.

Transaction	Method	Time Providers Spend per Transaction (minutes)	
		Average	Minimum - Maximum
Claim Submission/ Receipt	Manual	5	4 – 9
	Electronic	1	<1 – 4.1
Eligibility and Benefit Verification	Manual	10	6 – 21
	Electronic	1	1 – 3
Prior Authorization	Manual	20	10 – 27
	Electronic	6	4 – 9
Claim Status Inquiry	Manual	12	9 – 29
	Electronic	5	3 – 8
Claim Payment	Manual	7	5 – 17
	Electronic	2	1 – 4
Claim Remittance Advice	Manual	15	6 – 31
	Electronic	3	2 – 7

On average, each manual transaction costs the healthcare providers \$4 more than each electronic transaction, a slight increase from last year.

Transaction	Method	Provider Cost	Provider Savings Opportunity
Claim Submission/ Receipt	Manual	\$2.02	\$1.43
	Electronic	\$0.59	
Eligibility and Benefit Verification	Manual	\$4.02	\$3.60
	Electronic	\$0.42	
Prior Authorization	Manual	\$7.50	\$5.61
	Electronic	\$1.89	
Claim Status Inquiry	Manual	\$5.40	\$3.59
	Electronic	\$1.81	
Claim Payment	Manual	\$2.89	\$2.20
	Electronic	\$0.69	
Claim Remittance Advice	Manual	\$5.69	\$4.74
	Electronic	\$0.95	
Claim Attachments	Manual	\$5.25	\$4.08
	Electronic	\$1.17	

- While similar, the cost estimates in 2016 reflect increases in the potential cost savings for providers.
- These differences do not reflect a true trend in cost over the years but are related to improvements in the survey methodology that resulted in more precise estimates this year, including modifications to the survey instrument and structured interviews with participating providers.

On average, each manual transaction costs health plans \$3 more than each electronic transaction.

Transaction	Method	Health Plan Cost	Health Plan Savings Opportunity
Claim Submission/ Receipt	Manual	\$0.62	\$0.52
	Electronic	\$0.09	
Eligibility and Benefit Verification	Manual	\$4.36	\$4.29
	Electronic	\$0.07	
Prior Authorization	Manual	\$3.68	\$3.64
	Electronic	\$0.04	
Claim Status Inquiry	Manual	\$4.39	\$4.35
	Electronic	\$0.04	
Claim Payment	Manual	\$0.57	\$0.48
	Electronic	\$0.09	
Claim Remittance Advice	Manual	\$0.50	\$0.45
	Electronic	\$0.05	
Claim Attachments	Manual	\$1.74	\$1.64
	Electronic	\$0.10	

On average, each manual transaction costs the industry \$6 more than each electronic transaction, a slight increase from last year.

Transaction	Method	Health Plan Cost	Provider Cost	Industry Cost	Health Plan Savings Opportunity	Provider Savings Opportunity	Industry Savings Opportunity
Claim Submission/ Receipt	Manual	\$0.62	\$2.02	\$2.64	\$0.52	\$1.43	\$1.95
	Electronic	\$0.09	\$0.59	\$0.68			
Eligibility and Benefit Verification	Manual	\$4.36	\$4.02	\$8.39	\$4.29	\$3.60	\$7.89
	Electronic	\$0.07	\$0.42	\$0.49			
Prior Authorization	Manual	\$3.68	\$7.50	\$11.18	\$3.64	\$5.61	\$9.25
	Electronic	\$0.04	\$1.89	\$1.93			
Claim Status Inquiry	Manual	\$4.39	\$5.40	\$9.79	\$4.35	\$3.59	\$7.94
	Electronic	\$0.04	\$1.81	\$1.85			
Claim Payment	Manual	\$0.57	\$2.89	\$3.46	\$0.48	\$2.20	\$2.68
	Electronic	\$0.09	\$0.69	\$0.78			
Claim Remittance Advice	Manual	\$0.50	\$5.69	\$6.19	\$0.45	\$4.74	\$5.19
	Electronic	\$0.05	\$0.95	\$1.00			
Claim Attachments	Manual	\$1.74	\$5.25	\$6.99	\$1.64	\$4.08	\$5.72
	Electronic	\$0.10	\$1.17	\$1.27			

Full adoption of electronic processes for the transactions studied could save commercial medical (\$9.4B) and dental (\$1.9B) industry billions in direct cost each year.

- The potential cost savings for medical health plans and providers exceeds previous CAQH Index estimates due to the addition of claim attachments and improved measurement of per transaction cost for providers.

	Medical			Dental		
	Health Plan Savings Opportunity (in millions \$)	Provider Savings Opportunity (in millions \$)	Industry Savings Opportunity (in millions \$)	Health Plan Savings Opportunity (in millions \$)	Provider Savings Opportunity (in millions \$)	Industry Savings Opportunity (in millions \$)
Eligibility & Benefit	\$649	\$4,391	\$5,040	\$273	\$794	\$1,067
Claim Status	\$309	\$1,375	\$1,684	\$87	\$260	\$348
Remittance Advice	\$65	\$906	\$972			
Claim Attachments	\$155	\$385	\$540			
Claim Payment	\$71	\$324	\$395	\$62	\$284	\$346
Prior Authorization	\$90	\$323	\$412			
Claim Submission	\$88	\$240	\$328	\$57	\$156	\$214
Total	\$1,427	\$7,944	\$9,371	\$479	\$1,495	\$1,974

Exploring PMS and Provider Clearinghouse Vendor Costs

- Current CAQH Index cost estimates focus on direct labor costs. In addition to labor, there are other indirect cost like overhead (e.g., supplies, equipment), additional labor to follow-up on initial transactions, and vendor fees.
- This year the CAQH Index began efforts to include more of these cost components, focused on provider-facing vendor fees.
- Partnered with Milliman to complete an environmental scan of pricing models of PMS and provider clearinghouse vendors.
 - The information was acquired through systematic review of available web resources and requests for pricing and quotes from 16 vendors.
 - A brief overview will be noted in the 2016 Index Report, and actual estimates of vendor costs will be integrated into overhead costs for providers in 2017.

Industry Call to Action

- While the healthcare industry has made significant progress, the transformation is far from complete. These findings demonstrate a significant opportunity remains and more efforts are needed to drive adoption further to maximize cost savings and increase efficiency. Some key industry actions include:
 1. Share and expand best practices to increase adoption of electronic transactions and reduce utilization of manual transactions among industry stakeholders by accelerating industry- and government-led outreach and education for health plans, providers and their agents, including practice management system vendors.
 2. Increase targeted industry-led efforts to reduce adoption barriers for health plans and providers, including consideration of financial incentives and contractual requirements.
 3. Continue systematic review of business processes for potential improvements in technical and policy requirements that can improve efficiency and reduce cost.
- As the national benchmark, the CAQH Index will continue evolving each year in order to inform industry efforts that are targeted towards increasing adoption.

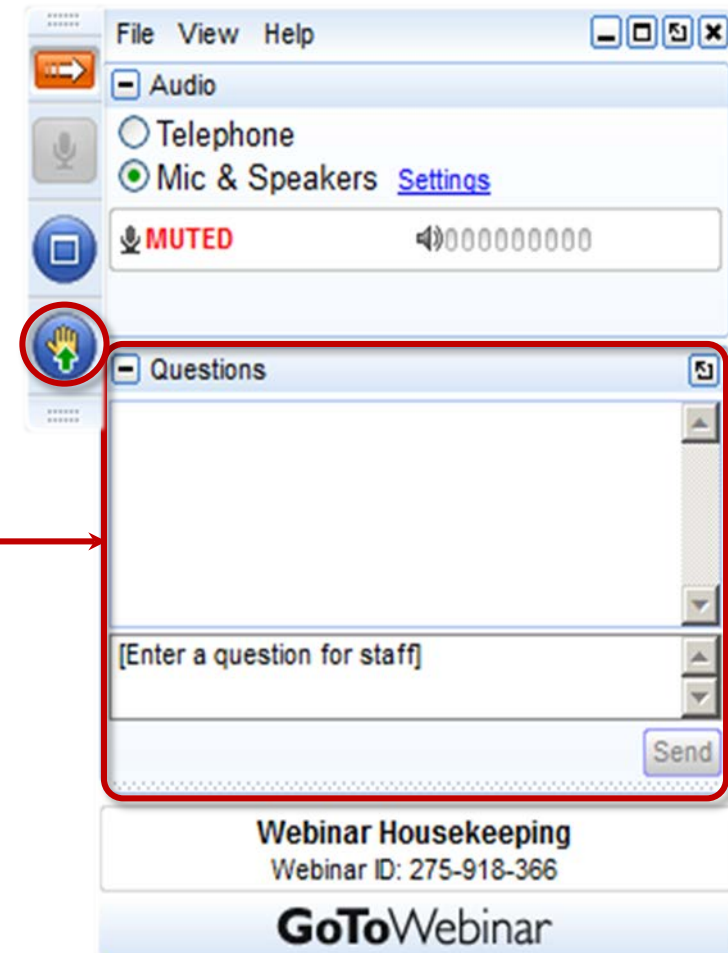
Participate in the 2017 CAQH Index

- Health plans and healthcare providers (practices and health systems) can participate in the 2017 Index by submitting data for calendar year 2016.
- Vendors may also participate in the Index by:
 - Sharing the call for data submissions with healthcare providers in your network.
 - Completing the new 2017 vendor cost survey.
- For more information:
 - Contact Raynard Washington (rashington@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?

How to Ask a Question

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**The 2016 CAQH Index Report and Webinar
Recording is available at www.caqhindex.org.**