Measuring the 2016 CAQH Index:

Impact of Recent Industry and Regulatory Efforts to Increase Automation of Routine Healthcare Administrative Transactions

CAQH Explorations

Executive Summary

Administrative costs in the U.S. healthcare system consume well over $300 billion annually, or nearly 15 percent of all healthcare expenditures by some estimates. A portion of this expense is related to use of resource-intensive manual processes to conduct business transactions between providers and health plans, such as phone calls to verify patient insurance coverage or mailing claim payments. The 2016 CAQH Index findings identify more than $11 billion annually in savings, however this is just a piece of a greater savings opportunity for the healthcare industry.

Transitioning from manual to electronic processes for the transactions studied in the 2016 CAQH Index could save medical health plans and providers an estimated $9.4 billion in direct cost each year. This is even greater than previous CAQH Index estimates, due to the addition of claim attachments to the estimates and more precise per transaction cost savings estimates for providers. Additional transactions including prior authorization, coordination of benefits claims and referrals will be studied in 2017.

For dental health plans and providers, full adoption of electronic transactions for the transactions studied could save over $1.9 billion annually. While dental health plans and providers conduct fewer transactions—on average adoption is 30 percent lower overall compared to medical—the adoption of fully electronic transactions equates to a large potential savings opportunity for a subset of transactions types.

About the CAQH Index

The CAQH Index® is the industry source and national benchmark for monitoring the transition of manual to electronic business transactions between payers and providers. This annual report presents trends in adoption rates and cost savings associated with the shift to electronic transactions, based on surveys of providers as well as medical and dental health plans. Participating medical health plans represent over 140 million covered lives—nearly 46 percent of the commercially insured U.S. population—and 5.4 billion transactions conducted in 2015 (Tables 1 and 2). Participating dental health plans represent 112 million covered lives—about 46 percent of the commercially insured U.S. population—and 564 million transactions conducted in 2015. Some estimates contained in this report focus on specific subsets of transactions types, based on the availability of data from participating health and dental plans.

Industry Initiatives

Voluntary industry-led initiatives, as well as regulatory actions, have established standards and requirements to facilitate an industry-wide transition from these costly manual processes to electronic, real-time transactions (Figure 1). Measuring the progress of this transition helps identify which electronic transactions are being adopted successfully and which are being adopted at a slower pace, highlighting opportunities for further industry action.

Given the variable adoption reported by participating health plans, it is critical that entities share and adopt best practices to further drive adoption, as some entities are excelling compared to others. Industry and government entities must collaborate to provide ongoing outreach and education for all HIPAA-covered and non-HIPAA-covered entities about the value of, and immediate need for, adoption of electronic transactions, reduction of manual processes and compliance with standards and operating rules. Additionally, the industry must continue to monitor progress and evaluate the impact of initiatives to drive adoption in order to identify successful strategies to accelerate adoption.

TABLE 1:
Basic Characteristics of CAQH Index Contributing Medical Health Plans, 2012 – 2015

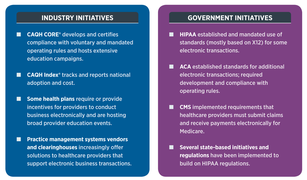
	MEDICAL			
	2012	2013	2014	2015
Enrollment (total covered lives in millions)	104	112	118	140
Proportion of Total Commercial Enrollment (%)	41	42	45	46
Number of Claims Received (total in billions)	1.2	1.4	1.4	1.5
Number of Transactions (total in billions)	3.2	3.9	4.3	5.4

TABLE 2:
Annual Volume of Administrative Transactions Reported by Medical Health Plans, by Enrollment and Claim Volume, 2015

	NUMBER OF TRANSACTIONS (in millions)	NUMBER OF TRANSACTIONS PER MEMBER	NUMBER OF TRANSACTIONS PER CLAIM SUBMITTED
Claim Submission	1,473	11	–
Eligibility/Benefit Verification	2,403	17	1.7
Claim Status Inquiry	489	3	0.2
Claim Payment	173	1	0.1
Remittance Advice	173	1	0.1
Claim Attachments	48	<0.1	<0.1
COB Claims	42	<0.1	<0.1
Prior Authorization	32	<0.1	<0.1
Referral Certification	9	<0.1	<0.1
Total Transactions*	**4,844**	**36**	**–**

* Total Transactions does not include enrollment and disenrollment transactions reported by participating health plans.

FIGURE 1:
Overview of Key Industry- and Government-Led Initiatives to Standardize and Increase Adoption of Electronic Administrative Transactions



Public and private entities both provide education and awareness to key stakeholders.

Both health plans and providers have provided feedback that the cost of initial implementation is a barrier to transitioning to fully electronic transactions. The 2016 CAQH Index demonstrates the immense opportunity to reduce costs by adopting fully electronic transactions. Industry stakeholders should consider innovative investments, including how financial incentives could be applied, or how stakeholders could more actively conduct cost-benefit analyses to demonstrate the value of adoption. Notably, some payers, including the Centers for Medicare and Medicaid Services (CMS), have begun requiring adoption of certain transactions as part of contractual agreements with providers. Access to IT systems and software capable of consistently executing and updating fully electronic transactions is critical. Administrative simplification must be an ongoing improvement process. As such, industry stakeholders should embrace ongoing, proactive maintenance that is built into regulations, rather than wait for new mandates. The industry should also establish a regular schedule for reviewing and updating, as necessary, current standards, codes, operating rules and policies. This can accelerate the identification of opportunities to further increase efficiency or reduce cost.

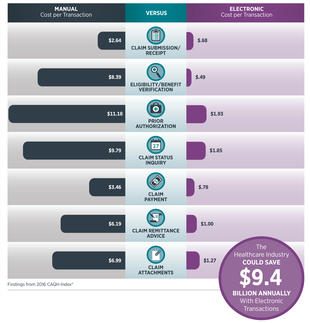
Principal Findings—Cost Savings

On average, each manual transaction costs providers and health plans approximately $3 more than each electronic transaction. This cost difference represents an incredible savings opportunity, given the more than three billion manual transactions conducted annually between commercial medical health plans and providers (Figure 2).

These estimates clearly show the potential for greater efficiency and improved workflow for providers by adopting electronic business processes. A sustained effort by providers, health plans, related business partners, government agencies and other key stakeholders is essential to propel the transition to electronic administrative transactions successfully forward.

Table 3 shows the estimated cost of each transaction, by type (manual vs. electronic), and reports the per transaction savings opportunity for health plans, providers and the industry combined, including for the first time claim attachments. Cost per transaction estimates for health plans are very similar to previous reports. The cost per transaction estimates for providers are based on a diverse sample of providers surveyed during 2016. 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.

FIGURE 2:
How Much Does the Healthcare Industry Spend on Claims-Related Business Transactions?



Findings from 2016 CAQH Index®

TABLE 3:
Average Cost per Transaction and Savings Opportunity for Commercial Medical Health Plans and Providers for Manual and Electronic Transactions, 2015

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			

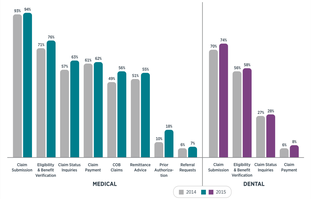
TABLE 4:
Estimated National Volume of Administrative Transactions and Potential Savings Opportunity for Commercial Medical Health Plans and Providers

	TRANSACTION	METHOD	HEALTH PLAN NATIONAL VOLUME (in millions)	PROVIDER NATIONAL VOLUME (in millions)	HEALTH PLAN NATIONAL SAVINGS OPPORTUNITY (in millions)	PROVIDER NATIONAL SAVINGS OPPORTUNITY (in millions)	INDUSTRY NATIONAL SAVINGS OPPORTUNITY (in millions)
MEDICAL	Claim Submission/ Receipt	Manual	168	168	$88	$240	$328
		Electronic	2,723	2,723			
	Eligibility and Benefit Verification	Manual	151	1,220	$649	$4,391	$5,040
		Electronic	4,901	3,832			
	Prior Authorization	Manual	25	57	$90	$323	$412
		Electronic	47	14			
	Claim Status Inquiry	Manual	71	383	$309	$1,375	$1,684
		Electronic	956	644			
	Claim Payment	Manual	147	147	$71	$324	$395
		Electronic	240	240			
	Claim Remittance Advice	Manual	145	191	$65	$906	$972
		Electronic	281	236			
	Claim Attachments	Manual	94	94	$155	$585	$540
		Electronic	6	6			
	Seven-Transaction Total	**Manual**	**802**	**2,261**	**$1,427**	**$7,944**	**$9,371**
		Electronic	**9,154**	**7,697**			

Principal Findings—Adoption Trends

The healthcare industry, including medical and dental, continues to make modest progress toward full adoption of electronic transactions. Increases in adoption of electronic transactions varied across transactions and ranged from 1 to 8 percent (Figure 3).

FIGURE 3:
Adoption of Fully Electronic Administrative Transactions for Commercial Medical and Dental Health Plans, 2014 – 2015



- Fully electronic prior authorizations submitted to commercial medical health plans had the most accelerated growth in adoption (8 percent increase).
- On average, adoption of electronic transactions with commercial dental health plans was 30 percent lower than with commercial medical health plans. This lag in adoption for dental health plans and providers continues to be a significant opportunity for industry action.
- For eligibility and benefit verifications and claim status inquiries, the use of electronic transactions is increasing rapidly, but use of manual transactions, particularly telephone calls, is not declining as rapidly. Participating medical and dental health plans alone fielded over 106 million telephone calls for these types of inquiries in 2015, necessitating costly call center operations (Figures 4 and 5).
- For other transactions, growth in adoption of electronic transactions represents comparable costs savings because manual transactions are declining and electronic transactions are increasing at a similar pace.
- Only 6 percent of healthcare claim attachments are submitted to medical health plans electronically (using the ASC X12N 275 transaction standard), with the remaining sent via fax, mail or email. Adoption and cost of healthcare claim attachments are reported in the CAQH Index for the first time this year. Adoption is isolated, as many participating health plans report 100 percent of claim attachments are submitted manually. Every manual claim attachment costs nearly $6 more to send and receive than an electronic claim attachment.
- Health plans often offer web portals and interactive voice response systems as an alternative to using fully manual processes. These partially electronic methods remain the most common way providers submit referral requests (84 percent) and prior authorizations (47 percent).

FIGURE 4:
Adoption and Volume of Electronic Eligibility and Benefit Verifications for Commercial Medical Health Plans and Providers

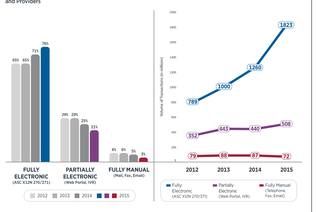
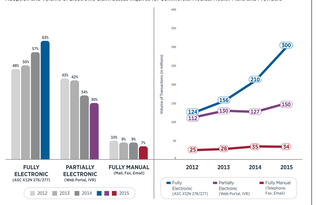


FIGURE 5:
Adoption and Volume of Electronic Claim Status Inquires for Commercial Medical Health Plans and Providers



These estimates clearly show the potential for greater efficiency and improved workflow for providers by adopting electronic business processes.

Principal Findings—Time Savings

Providers spend many hours interacting with health plans. This time could be used more efficiently, on patient care or other business needs, particularly in settings where clinical staff are involved in conducting these business processes. Providers were asked about the average and range of time it takes to conduct each transaction type. For eligibility and benefit verifications and claim status inquiries, these time estimates include both transmission of the transaction and receipt of a response. For the other transactions, the time does not include additional follow up that may be involved, such as managing claim denials, responding to health plan requests for additional information, or sending attachments. The results are presented in Table 5.

- On average, providers spend 8.5 more minutes conducting manual transactions compared to electronic transactions. Depending on the transaction type, this time difference can be as high as 29 minutes.
- Processing for a single claim that required one of each of these six transactions electronically instead of manually could save a provider a minimum of 51 minutes if providers fully adopt automated processes for these six transactions.
- In 2015, a minimum of 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 the transactions studied.

TABLE 5:
Average Time Providers Spend Conducting Manual and Electronic Transactions

TRANSACTION	METHOD	TIME PROVIDERS SPEND PER TRANSACTION (minutes)	
		AVERAGE	MINIMUM - MAXIMUM
Claim Submission/ Receipt	Manual	5	4 - 9
	Electronic	1	<1 - 4
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

Future Research

As the national benchmark, CAQH is committed to evolving the CAQH Index each year to address the need for robust data that can further inform industry efforts to increase adoption.

- Expanding the Representation of Smaller Health Plans

  Currently, the majority of health plan respondents are large national and medium-sized statewide plans that may be able to more readily invest in automation. CAQH will target additional health plan data contributors, particularly smaller-sized regional health plans, to participate in future submissions.

- Exploring Provider Practice Management Systems and Clearinghouse Vendor Fees

  This year, CAQH began engaging practice management systems and clearinghouse vendors to better understand the various pricing structures of vendors' services and systems to support automated transactions, and the various costs associated with establishing and maintaining these vendor relationships. The goal is to eventually integrate vendor and overhead fees into the cost estimates.

- Adding Government Programs

  This year, the CAQH Index includes comparable adoption data for two transactions, claim submission and remittance advice. The claim submission adoption for Medicare fee-for-service was publicly available on the CMS website. The remittance advice data was provided to CAQH by special request. The CAQH Index Advisory Council is working to include additional comparable Medicare and Medicaid data to provide more complete results for the entire covered U.S. population in future reports.

- Improving the Precision of Savings and Cost Estimates

  The potential savings estimates assume a one-to-one conversion of manual to electronic transactions. In reality, the availability of inexpensive, electronic transactions and market trends, such as increased use of high-deductible health plans, may sometimes lead to additional numbers of transactions—not an exact one-for-one replacement. Additional approaches to more precisely estimate the direct and indirect cost of administrative transactions for providers and health plans are being explored. The 2017 CAQH Index will begin to study prior authorization, coordination of benefits claims and referrals.

- Further Understand the Impact of Alternative Payment Models on Adoption/Tracking

  Current federal and industry initiatives to boost adoption of electronic transactions are primarily applicable for interactions between the health plan and healthcare provider in the traditional fee-for-service payment environment. The U.S. healthcare payment system continues to evolve and innovate. As the industry adopts alternate payment models that require different types of information exchange and payment, transacting business is becoming more complex. Going forward, these will impact the use of business transactions currently tracked by the CAQH Index.

Industry Call to Action

The 2016 CAQH Index shows measurable progress in the transition to conduct routine business electronically and spotlights remaining opportunities to reduce cost and improve efficiency. This report highlights that there is a role for all industry stakeholders to collectively and actively engage in substantive solutions to propel this transition forward. The following actions outline practical opportunities to deliver on the promise envisioned decades ago by the enactment of HIPAA.

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.

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