

The Next Step: Easier, Faster, Affordable Web-Based Claims Processing

BY JAMES P. BRADY



In the swirl of debate over electronic medical claims processing—fueled both by federal requirements and the need for physician practices to streamline processes and improve cash flow—a key ingredient has been overlooked. *Not all electronic claims processing solutions are the same.* Just as the Internet has changed the way we access information and communicate with each other, it can also change the way we process claims. Web-based claims processing offers great advantages over PC-based claims processing—and with these improvements comes

the possibility of increased adoption by sometimes-reluctant physician practices.

There's no doubt that electronic claims processing is here to stay, and there's also no doubt that adoption has been limited. Of the approximately six-billion claims processed every year, only half are filed electronically. While the Health Insurance Portability and Accountability Act (HIPAA) mandates standardized electronic transmission of data, it stops short of requiring across-the-board electronic claims processing (if providers

submit claims electronically, they must follow HIPAA guidelines). However, with a few limited exceptions, all Medicare fee-for-service claims must be submitted electronically. And that's where the real pressure comes in for physician practices.

With Medicare receiving as many as a billion claims each year, the push was on for physician practices to comply with the October 16, 2003 HIPAA transactions deadline. Despite a great deal of media attention and industry discussion, the Centers for Medicare and Medicaid Services (CMS) had to implement a contingency plan after the compliance deadline to ensure continued processing of claims from providers who did not meet the deadline and otherwise would have their medical claims rejected. Surveys by the American Medical Association (AMA) and the CMS show that physicians are not completely ready for the new standards. In fact, a recent study by the AMA's Market Research and Analysis unit found that more than one-third (35 percent) of 511 responding physicians said they do not have a good understanding of the HIPAA transactions requirements.

While some physicians may be less than enthusiastic about HIPAA transaction requirements, there is acknowledgement within the health care industry of the value of electronic claims processing. Industry-leading associations such as the AMA tout the virtues of electronic claims processing. According to the AMA,¹ "Physicians who conduct transactions electronically, whenever possible and appropriate, may achieve greater efficiencies and cost savings. It is estimated that processing claims electronically can result in considerable cost savings. In addition, prompt payment surveys of physicians have consistently shown that electronic claims are processed and paid considerably faster, sometimes twice as fast."

Groups Respond to HIPAA

Since an average of 26 cents of each health care dollar is spent on administrative overhead, it is not surprising that there is support for any system that will streamline claims processing and reduce claims turnaround time. Electronic claims processing not only allows providers to reduce processing costs, but also helps them eliminate the types of errors that lead to claim rejections. Automation of revenue cycle transactions, such as eligibility verification and claims submission, offers providers the potential to reduce such errors by 90 percent, according to some estimates.

The advantages of these benefits are obvious—and for that reason some physician practices have been eager to embrace electronic claims processing. Savvy practice administrators saw HIPAA as an opportunity to re-evaluate and possibly enhance their claims processing system. When Piedmont Healthcare, an 80-physician practice with 25 extenders in Statesville, North Carolina, heard about the HIPAA requirements, administrators immediately turned to a vendor with a HIPAA-enabled solution. Darlene

McLain, business services director, explains, “We wanted to make the change early and work out any problems well before the deadline. But after only two months, we found we had so much more than just a HIPAA solution.” Virginia Cardiovascular Specialists in Richmond, Virginia, a 33-physician practice, felt the same. “We wanted greater functionality as well as being HIPAA-prepared,” says Colleen Decatur, billing manager.

Both chose Payerpath’s Web-based claims management solution, as did Sentara Medical Group in Norfolk, Virginia, a 195-physician group practice. All three say the Web-based claims management system is much easier to use, with better editing and reporting capabilities than their previous PC-based systems.

Web vs. PC

Web-based claims management is a centralized, single-source solution. This means that claims information can be securely accessed from any PC with Internet access. Upgrades, such as changes in payer requirements, are made overnight without disruption to the practice. Web-based claims management systems are easy to use

and require less staff time. Best of all, the claims editing function can be customized to the particular practice or payer, allowing for greater control over the claims submission. To this point, it is not unusual for 98 percent of claims to be accepted on first submission. Reports can be pulled that show all claims across the practice or by payer, provider, or status, which offers more comprehensive data. The system is reasonably priced and works well for small or large practices.

In contrast, a PC-based system requires software upgrades for each PC whenever payer requirements change. Claims information can only be accessed via the PCs in the practice, and often there are different software systems for different payers. Reporting is limited to the claims for a particular payer. And the cost is generally prohibitive for a smaller practice.

At Sentara Medical Group, which processes about 90,000 claims per month, electronic claims filing has increased from 70 percent to 91 percent since the Web-based claims management system was implemented. Payerpath was one of many key changes that enabled Sentara to reinvent its billing processes and drive accounts receivable (A/R) days from 75 to 28. In addition, claims processing that used to take 6 full-time employees now only takes 1, due to the ease of use.

Chris Cousins, director of patient accounts, says the practice performed a national search for a new system in the spring of 2000, and “function by function, nobody could compare to this solution. What we reaped from it was far more than we envisioned. The more sophisticated editing and reporting tools enable us to better manage our claims and ultimately improve cash flow.”

“Previously, every time we had an update from a payer, each of the six PCs had to be manually updated via diskette, and the employee who used that PC had to wait for the update to

FIGURE 1:

Web-Based vs. PC-Based Claims Processing

Web-Based Claims Management System	PC-Based Claims Processing System
Accessible from any Internet-connected PC	Accessible from PCs in practice that have particular software loaded
One system for all major payers	Often different systems for different major payers
Comprehensive reporting by payer, provider, or status	Reporting by payer only
Sophisticated editing capability	Little or no editing capability
Upgraded from central location, overnight	Upgraded separately per PC, during business hours
All practices can benefit	Typically only for larger practices
Easy to learn and use	Difficult to learn and use
Requires less staff time	Requires more staff time

be completed. Now it's done centrally overnight, and is seamless to us," says Doris Prince, billing manager. "Claims are uploaded in the morning and, within a few minutes, the payer edit reports are available so our staff can start making corrections. Payer response reports that detail both approved and rejected claims are sent back the next day. Under our former system, claims wouldn't bounce back to us for two to three days or even a week."

"We are able to custom-edit our system and run claims against these edits, and then correct any errors," explains Erick Vitug, billing team coordinator. "This is very helpful—our old system did not allow editing. It was very labor- and process-intensive due to the manual tracking and lack of comprehensive reporting."

"We can even dial in from home

and upload claims, if for some reason we can't get into work. Previously, if one of the six PCs went down, we would have delays. It's a much more reliable process," Prince says.

McLain also noticed that she is receiving fewer complaints from payers that they did not receive claims: "I wish we had made this change a long time ago."

The Next Step

When it was introduced, PC-based claims processing offered many advantages over paper-based processing. It decreased the time it took to be paid for a claim from months to days, reduced the number of late and inaccurate claims being submitted, lowered paper and postage costs, and reduced staff workload. As these real-life cases show, Web-based claims management is the next step

in the evolution of electronic claims processing. It offers great advantages over PC-based claims processing—all the benefits of PC-based claims processing and more. With its ease of use, quicker and "cleaner" claims submission, and affordable price, a Web-based claims management system is the right solution for practices both large and small that are reluctant to jump on the HIPAA bandwagon. Or for any provider looking to streamline claims processing and improve cash flow.

References

1. AMA Web site: *HIPAA Oct. 16 deadline is here; Tips for the transaction, code set standards deadline.* <www.ama-assn.org>.

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