



Streamlining the Repricing and Adjudication Process for Payors

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Today, three of the biggest issues impacting most payors are the time, the cost and the internal resources associated with managing the repricing and adjudication process. In the years prior to the advent of PPOs, HMOs, defined contribution plans, FSAs, HSAs and OWAs (other weird arrangements) life was so much simpler (though more manual). Paper bills were received, data entered, adjudicated and paid. Now a TPA or other payor usually will have contracted with multiple PPO networks on behalf of their clients, requiring them to load some fee schedules, fax claims to other PPOs, go online to reprice yet other networks, and connect EDI with still other PPOs.

There are payors that have relationships with upwards of 50 PPOs nationwide! Now they must be PPO contracting, management and repricing organizations in addition to being experts in claim adjudication. And this does not even include the expectation of managing down the cost of out-of-area/out-of-network medical bills. Add on to their burden the requirements of HIPAA and there is no wonder so many companies are looking for solutions to reduce or eliminate their administrative pain.

The New Dynamic- “Will that be paper or electronic?”

We are seeing a significant push by payors to be able to receive and transmit claim data electronically. HIPAA has certainly pushed this evolution faster than would have occurred naturally, which may be advantageous in the long run. The challenge we see in working with the payor community is that there are significant variations in capabilities and knowledge. Some payors are able to receive proprietary EDI but cannot transmit EDI; others are able to transmit and receive 837 4010 formats. The following represents several of the key

“electronic” options we are seeing today:

■ **Internet Repricing Solutions:**

Today, the vast majority of the payors do some type of Internet repricing of claims. Many PPOs offer this as an alternative to faxing or mailing claims. There are a number of repricing vendors that offer this solution to discount Primary PPOs, and/or out-of-network medical bills using Supplemental PPOs. This option offers real-time repricing capability but is labor intensive since it requires entering claim information into the vendors repricing system. Some vendors offer very simple and user friendly services that do not require any software loading to access the repricing technology, whereas others may require some initial investment in software by the payor. In either case, we see this as a “starter” solution for most payors with an evolution to some form of EDI transfer.

■ **Proprietary EDI:** Most payors can receive claims in some form of proprietary format developed for them by their adjudication system vendor. Many can also send claims in this format. Those that cannot will require assistance either from the adjudication system vendor, the repricing vendor or outside consultants to facilitate this process. The advantage of any type of EDI is that it eliminates the double data entry associated with Internet repricing, and the manual efforts of faxing and mailing information. This process is usually done in a batch mode and can enable the payor to track outgoing and incoming repricing. If the system is sophisticated enough it can also automate the process of “resending” claims to other repricing vendors if the claim is not discounted through the Primary PPO or network.

■ **HIPAA Compliant EDI:** This is a more sophisticated version of EDI specified through HIPAA. It requires modifications to the EDI output to accommodate the fields mandated.

Many of the adjudication system vendors are just now working on an 837 version for outbound and inbound EDI transmissions, so it should soon be widely available. However, there are vendors that can assist in this process (sometimes at no cost). Like proprietary EDI formats it is typically transmitted in a batch mode.

■ **XML EDI:** This is a relatively new option, though XML has been around for several years. This option allows the payor to send and receive claims information for repricing on a real-time basis, claim by claim if they desire. This can have a positive impact on the turnaround time for payors.

The Impact of Third Party Repricers

It was challenging enough for payors when they had to juggle multiple PPOs and coordinate Primary PPO repricing for their clients. Now they are faced with new options, some of which can add work to their process, but some which can also significantly streamline the process.

There are a number of “repricing” organizations that offer solutions ranging from Primary PPO management and discounting, to out-of-network claim discounting, to all of the above. These vendors may offer an ability to discount multiple Primary PPOs with one connection. Others can discount out-of-network medical bills. A few can offer both services through a coordinated process. All promote some form of Internet and/or EDI connection. So while you may be able to discount more claims faster, you are now faced with developing multiple connections with multiple repricing vendors to offer solutions that make you more attractive than your competitor.... or do you? There is a relatively new trend in the market which is focusing on options that enable a payor to reduce the internal costs and manual processes involved with managing the wide range of repricing options.

Streamlining the Repricing and Adjudication Process

The fact that there are so many different PPO options and repricing solutions typically requires a payor to work with multiple vendors to remain competitive. The end result is that the resources and costs associated with the repricing and adjudication process can increase significantly, reducing their overall margins.

However, there is good news on the horizon. There are a number of entities that have recognized the opportunities in providing streamlined and cost effective solutions to managing all or a significant portion of the repricing process. I have listed below several of the more notable solutions that may be available to you.

■ **Claim Adjudication System Modifications:** several claim adjudication systems are now taking an aggressive approach of building “routing” capabilities into their software to enable payors to send claims for Primary PPO discounting and “resend” undiscounted claims to one or more repricing vendors. The modifications can allow the payor to designate which PPOs and/or Repricers to send claims by client. One of the first to venture offer this level of automation is Trizetto. They have created a solution called Claims Exchange that enables a payor to connect with multiple PPOs and Repricers through one connection to send in-network and out-of-network medical bills. Since then other adjudication systems have recognized the needs of their clients and are developing options to assist them in pulling and sending claims EDI in a more automated fashion.

● **Pre-adjudicated vs. post-adjudicated claim transmission-** some systems vendors are now recognizing there is a value to sending claims to the PPOs and Repricers on a post adjudicated basis, reducing the number of credits and revisions associated with sending ineligible medical bills. Until recently most claim transfers were done on a pre-adjudication basis, which may not even include an eligibility check prior to sending the claim to the Repricer.

✦ We have identified that there appears to be greater interest in post-adjudication among payors. However, this can vary depending on the specific modifications and the adjudication system - the modifications need to automate the process for receiving the repriced claims information back into the system and allow it to send the claims through final adjudication with minimal oversight or manual intervention. Currently, some payors have concerns with the delays and resources needed to manage claims sent for repricing on a post-adjudication basis for these reasons.

✦ The range of pricing is varied - from set up fees and per claim charges to no charge for the application and no fees per claim (the adjudication vendor may receive fees from the PPOs or Repricers in lieu of charging their clients).

■ **EDI Vendors:** There is a new genre of companies that have developed to provide programming assistance or direct solutions for EDI claim transfer. Some of these vendors offer programming assistance only and may work with the adjudication system vendor to assist you. Others may have the expertise enabling them to make programming modifications directly to the adjudication system without the assistance of the vendor. Still others offer solutions like online eligibility for providers, but can also assist in transmitting claim information from your adjudication system in a HIPAA compliant format to payors.

● It is recommended that you choose your solution carefully. Many adjudication vendors are very sensitive to an external party making modifications to the adjudication system without their input or approval. Additionally, your contracts with the vendor may preclude an unapproved resource making changes to the coding.

■ **Paperless Solutions:** There are organizations that can now provide solutions for receiving paper or electronic claims from providers, turning the paper claims to electronic claims, applying eligibility, sending the claims to PPOs or Repricers for discounting, and then sending the repriced claims to the payor for auto-adjudication.

● Many of these solutions are made up of strategic relationships between Scanning/OCR or Clearinghouses and Repricers, with the goal of significantly reducing or eliminating mail room and data entry costs and increasing auto-adjudication rates. This can be a very successful solution for many TPAs, and for self-insured, self-administered organizations. NOTE: this solution does require that the organization make process changes, including the potential of eliminating positions, to receive the full impact of the cost savings on their bottom line.

■ **In-Network and Out-of-Network Repricers:** There is a relatively new breed of companies that can provide a solution for repricing Primary PPOs as well as out-of-network medical claims through a streamlined solution. Although there are a number of organizations that focus on repricing either Primary PPOs (through direct loaded fee schedules, EDI connection to the PPOs, or a combination of both) or out-of-network claims, there are also a handful of organizations that can offer a one-stop solution to repricing Primary

PPOs and claims from non-participating providers through one electronic connection.

- These organizations can provide a significant impact on internal resources by eliminating the need for managing multiple PPO and vendor contracts for Primary PPO access and discounting out-of-network claims.
- They can potentially improve the turnaround time for the repricing and adjudication process, especially when combined with one of the other solutions mentioned above.
- They may be able to provide additional cost savings through discounting a greater number of out-of-network medical bills through one solution, rather than multiple vendors.

How do You Choose the Right Solution?

How do you know what solution(s) may be best for your organization? Listed below are several questions and suggestions as you consider the needs of your organization.

1. Are you a TPA with multiple clients in differing geographic areas or do you focus on small to medium sized clients with lives in one region?

- a. Larger TPAs with high claims volume will certainly want to consider an EDI solution to streamline their repricing process. If your adjudication system is making modifications to accommodate multiple vendor connections and can streamline the transmission and receipt of claims to multiple vendors, this may be an option you should consider. If this is not in their foreseeable future, you may want to consider vendor options that can reduce the number of direct PPO and repricing links you will have to connect EDI.
- b. Smaller, regional TPAs can more easily use a repricing vendor with multiple PPO options because they may have fewer network requirements due to the limited geographic diversity of their clients. Additionally, for clients with traveling employees some Repricers offer a Travel Network offering in-network benefits and provider access for covered lives traveling outside their state of residence.

2. Are you a self-insured self-administered organization?

- a. If so, working with a single repricing entity that can handle your Primary PPO(s) and out-of-network claims could provide a significant cost reduction. Alternatively, you could work with a vendor that provides Primary PPO management but also has the technical ability to connect with out-of-network Repricers so that you have one solution for managing the claims flow.

- i. A paperless solution that eliminates your mail room and data entry costs could be very valuable as well.

3. Do you want to control the repricing and adjudication process?

- a. If the concern is insuring you are getting the claims into your system for tracking prior to sending to PPOs and Repricers, you may want to work with your adjudication vendor to gain access to any modifications they are using to transmit claims for repricing in a more automated process. This will enable you to manage the claims flow on the front end, including providing scanning/OCR services in house, but also reduce your administrative costs on the back end.
 - i. If your adjudication system vendor is unable to provide a solution to you today, there are many vendors, including repricing companies that can make the connection on your behalf. The decision you will need to make is how many connections are you willing to make with multiple entities, or can you identify one or two that can impact your process effectively.

The Bottom Line

The payor market is changing rapidly, and there are new options available to payors and employers that did not exist even 6 months ago. The key is determining the end result you are looking for and to find the right vendor or combination of vendors that will meet your needs, now and into the future. Short term costs, though important, cannot always be the determinant of long term strategy. Additionally, no matter the solution chosen, if you do not make the appropriate internal process changes you will most likely not reap the benefits you were anticipating.

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