



# **Real Time Adjudication of Healthcare Claims**

**HIMSS Financial Systems  
Financial Transactions Toolkit Task Force White Paper**

**August 2008**

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## **Introduction**

*The real-time adjudication (RTA) of healthcare claims is growing as more payers offer high deductible health plans that involve increase patient responsibility for the payment of healthcare services. RTA represents a sea change for not just payers, but providers and the healthcare consumer. This white paper concludes that the industry is not prepared, technologically or from a process perspective for this change and offers a number of recommendations to close the gap.*

Real-Time Adjudication (RTA) of claims is a relatively new concept in the healthcare industry. RTA refers to the immediate and complete adjudication of a healthcare claim upon receipt by the payer from a provider. Unlike the current method of submitting and processing claims in batches over a period of weeks to months, RTA, as it implies, anticipates that the complete process from billing to patient payment occurs during the patient visit to the healthcare provider's office or other facility.

The example below illustrates one approach to RTA.

- After being examined by her primary care physician for flu like symptoms, Mary Smith is given her chart and asked to take it to the office check out clerk. The clerk, realizing that Ms. Smith is a member of a health insurance plan operated by a payer who supports RTA, logs into the payer's website and enters the information on the visit. Upon receipt the payer's system calculates the payment to the provider and the amount owed by Ms. Smith, and displays them on the screen for the clerk. The clerk requests payment from Ms. Smith for her share of the visit cost and records in the office practice management system the amount paid by the patient and the anticipated amount from the insurer. All of this occurs prior to Ms Smith leaving the office. The only remaining item is the payment from the insurer which occurs the next day in an electronic funds transfer (EFT) payment deposited to the provider's bank account.

There are several important and widely agreed on characteristics of RTA. The provider who submits a claim via RTA would expect a response from the payer within seconds. The adjudication is also expected to be complete which includes all checking required by the payer to determine eligibility for service and final payment for the claim. In addition, the response from the payer will be sufficiently complete and detailed to allow the provider to understand the amount of provider payment, adjustments, and contractual allowances. The response will also include sufficient information to allow the provider to explain information used to determine the patient's responsibility and collect payment including deductibles, co-pays, and the total amount due to the provider at the time of service. Thus in a number of ways, RTA represents a significant change in how healthcare claims are submitted, adjudicated, remitted and paid today.

## **RTA Transactions**

As an emerging technology the application of RTA has at least three variants for how the provider and payer transact the information.

**Portal Method.** Most examples of RTA today involve a portal method for communication between the provider and payer. In this method, the provider is required to log into the payer's secure website to submit a claim for adjudication. Essentially the information entered by the provider in the system would be the same as if using a direct data entry screen for batch adjudication for claims. However, the portal should deliver an immediate response with the information needed.

**Transactional Method.** Ideally, RTA would be supported through an approach that integrates the payer and provider systems through use of standard HIPAA 837 (claims submission) and 835 (remittance advice) transactions. This approach has had limited adoption due to the need for significant changes to payers claim adjudication software systems and provider billing and practice management systems. In addition, while the existing HIPAA transaction set appears to support RTA, implementation issues remain such as how to indicate whether the 837 represents an actual "claim" or is a request for an estimate.

**Member Liability Estimate.** One major variant with RTA that some payers offer is a real time estimator of the cost of the healthcare service. Often referred to as a "Member Liability Estimator" (MLB), it does not fully adjudicate the claim but rather estimates the financial responsibility for the patient. In this respect it supports the ability of the patient to understand what their responsibility is (or will be) and the ability of the provider to collect payment from the patient. This is particularly important when the patient is enrolled in a high-deductible health plan where the patient's responsibility for payment may be significant and the impact of non-payment to the provider is significant. However, in the MLB approach, the provider continues to submit the claim through the normal batch or paper process.

## **High Deductible Health Plans and RTA**

The initial major driver for RTA relates to the rise of the High Deductible Health Plan (HDHPs) and the exposure it puts providers at for collecting sizable amounts from patients. HDHPs are plans that must follow strict Federal rules offering members lower premiums while requiring them to pay a relatively high annual deductible (\$1,100-\$5,200 for an individual). This means the plan member will be responsible for all or most of the cost of the initial healthcare services received. Therefore, the provider may need to collect all or most of the cost for initial services directly from the member. As a result, the provider and member need to know the patient financial responsibility amount for the rendered service, ideally at the time of the service. This not only includes what remains on the deductible but also what the service will cost. Thus health plans offering HDHPs need to offer RTA, or at the least, an estimator of the cost of the service. This allows the provider to collect the patient amount up front and reduce their exposure to increasing bad debt. However, though HDHPs may have given impetus to RTA, providers and payers are seeing other potential benefits, as well as challenges, in RTA.

## **Provider Perspectives on RTA**

Providers see numerous benefits and well as challenges in adapting to RTA. The prospect of improving both cash flow and total cash estimates is attractive to any organization. A provider's finance department can understand the reimbursement of a procedure and compare it to the costs, before the costs are incurred. RTA can enable this by processing claims quickly and identifying both the total reimbursement the provider will receive as well as the patient's responsibility. All identified based on contracted discounts and plan benefits.

Providers should also enjoy operational efficiencies from RTA. The overall process of producing claims will be simplified in several respects. It will significantly reduce the need for claims monitoring from determining if a claim has been received by a payer to following up on overdue claims. Providers typically have developed a range of complex and labor intensive systems/processes for this purpose alone. In addition, efficiencies should be gained by eliminating the calls between the provider's billing office and the payers. Finally, patient billing inquiries should also be reduced as the patient will typically know the status of the claim before leaving the providers office.

RTA will, however, require provider investments not just in technology, but also process change, personnel and even physical space. Technology investment will include customization of existing patient accounting systems to accommodate the RTA requirements. It will be important for an organization to work with their software vendor to clearly understand these new and emerging requirements to ensure the software enhancements match the organizational needs as well as supported by the vendor in future releases. Currently, the process of adjudication is a back office process, RTA brings that function to the front office and face-to-face with the patient and a financial counselor. Moving these financial council functions to the front office may require new skills for existing staff. Changes of workflow and personnel, a provider's physical workspace may need to be enhanced to offer more privacy between the patient and financial counselor.

It will be important for provider organizations to balance the care needed by the patient with the costs presented to the patients. A patient may decide not to proceed with the procedure based on costs, resulting in untreated conditions that could become more severe if left untreated. While this is not much different than today co-pay requirements, a patient faced with a high deductibles and high upfront costs may be more apt to defer treatment.

## **Payer Perspective on RTA**

As suggested earlier the initial impetus for RTA came from health plans offering HDHPs. Providers could no longer rely on the standard eligibility check with HDHPs to determine the patient liability for a service. As a result, payers were compelled to offer RTA as a solution supporting providers and consumers in management of HDHPs. However, the appeal of RTA for payers goes beyond the need to deliver information more rapidly to

providers for HDHPs. RTA creates efficiencies for payers by reducing the volume of pre and post claim inquiries by surfacing questions and disagreements at the time the service is delivered. Disputes over months-old or year old claims should not occur with RTA. RTA should also reduce the frequency of duplicate claim submission which is typically a response to delays in adjudication of the initial claim. Depending on how implemented, RTA should support payer efforts to increase the use of electronic transactions. These factors should improve provider relations overall, and at least initially, serve as a market differentiation for payers.

The challenges for payers for RTA implementation are significant. First, it involves the costly and time consuming retooling of complex claim adjudication systems. These systems have relied on batch processing for years and the migration to real-time will be difficult at best. Second, payers are likely to struggle with provider adoption. The lack of RTA enabled provider billing and practice management systems requires payers to offer multiple channels such as portals and transaction based offerings, to appeal to as broad a range of providers as possible. Finally, payer complexity may also be increased by the need to adopt proprietary approaches to exchanging RTA claims and remittance transactions if gaps in standards are not addressed.

### **Healthcare Consumer Perspective**

The impact of RTA on the healthcare consumer must also be considered. On the surface, RTA should reduce consumer confusion over billing and their liability for the cost of the services rendered. Consumers will know their total cost of a visit or procedure ahead of time and eliminate surprise and confusion later when an unexpected bill arrives. One would expect this to have a positive impact on patient satisfaction, but anecdotal data from HDHPs indicates some consumers are perplexed by the cost of the services and may be willing to delay treatment recommended by the provider. This creates a new dynamic between consumer, provider and payer that is not currently well understood.

### **Recommendations**

RTA is a new and valuable approach to claims processing for providers, payers and consumers. Short term, it has the potential to create significant inefficiencies. The following recommendations are focused on current deficiencies that must be addressed to move RTA to a level of maturity that will yield its potential benefits.

**1. Payers Must Migrate from a Real-Time Estimator to Real-time Adjudicator Approach.** Payers must move from an approach that only delivers estimates to one that allows providers to submit a real – time fully adjudicated claim for RTA benefits to be realized. While patient liability estimators are a valuable tool for providers and consumers, they do not deliver many of the operational efficiencies to providers or payers that full real-time adjudication enables.

**2. Payers Need to Convert from a Portal to Transactional Model.** Payers must move beyond offering RTA through their web portal to offering the ability to accept real-time

transactions through standard HIPAA claim and remittance transactions. Today, most payers offer RTA through their secure provider website portal which does not integrate with provider billing and practice management systems. This requires providers to add another redundant time-consuming step to their workflow and procedures.

**3. Billing and Practice Management System Vendors Must Offer RTA Features.**

Billing and Practice Management System vendors must add features supporting RTA including the ability to generate HIPAA transactions directly to payer systems. Today's billing software vendors offer the capability to "batch" claims transactions for claims submissions to payers. These systems need to be updated to allow the provider to enter claims, run various edits on claims, submit claims and handle the immediate response back from the payer.

**4. Standards Setting Organizations Must Clarify Methods for Transacting RTA**

**Claims and Remittances.** While the 837 claims submission and 835 electronic remittance advices represent the basic transactions needed to implement RTA, there are deficiencies such as the lack of a flag for indicating if a claim is being submitted or an estimate is being requested. Use of the 835 should also be more fully examined to determine if the response is adequate to support the type of patient financial counseling that may occur when the patient is present in the physician practice or facility.

**5. Provider Organizations Should Establish RTA Best Practices Around Office**

**Workflow Redesign.** The significant changes envisioned to be needed in the provider office setting to accommodate RTA warrant the development of a practice impact assessment tool and best practices model to assist providers in effectively implementing RTA.

**6. Understand and Develop Tools to Address the Consumer's Needs Relative to**

**RTA.** RTA, particularly as it is implemented with HDHPs, will represent a significant change for consumers. The better the consumer perspective is understood, the better prepared payers, practices and facilities will be to support this change.



## **Credits**

Special acknowledgment and appreciation is extended to Joseph Miller, member of the HIMSS FS Financial Transactions Toolkit Task Force, for his time, leadership and content contribution in the development of this white paper.

Members of the HIMSS 2007 – 2008 Financial Systems Financial Transactions Toolkit Task Force, who spearheaded the development of this white paper, include:

### **Philip Bradley**

Vice President, Information Systems  
Harris County Hospital District  
[philip\\_bradley@hchd.tmc.edu](mailto:philip_bradley@hchd.tmc.edu)

### **Jeffrey Huxley**

Director  
United Healthcare  
[jeff\\_huxley@uhc.com](mailto:jeff_huxley@uhc.com)

### **Joseph Miller**

Director - Ebusiness I  
Amerihealth Mercy  
[joe.miller@amerihealthmercy.org](mailto:joe.miller@amerihealthmercy.org)

### **Charles Perkins, MBA**

Children's & Women's Physicians of Westchester  
[himss@tedperkins.com](mailto:himss@tedperkins.com)

### **Pam Matthews, CPHIMSS, FHIMSS**

Senior Director, Healthcare Information Systems  
HIMSS – Staff Support  
[pmatthews@himss.org](mailto:pmatthews@himss.org)

### **Holly Gaebel**

Coordinator, Healthcare Information Systems  
HIMSS – Staff Support  
[hgaebel@himss.org](mailto:hgaebel@himss.org)

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