



White Paper



Repricing & the Art of Automated Claims Processing

Claim repricing represents a significant revenue stream for many preferred provider organizations (PPOs). To take full advantage of this opportunity for increased profits, organizations must have automated systems that are fast, accurate and include electronic data interchange (EDI) and comprehensive reporting functionality.

Claim repricing refers to the process of applying a fee schedule, such as the Medicare fee schedule or a preferred provider organization agreement, to a medical claim. The result of repricing determines how much the provider of service should be paid for the claim, as well as how much the PPO can keep.

This white paper examines several issues associated with repricing claims. This examination discusses the importance of EDI in solving many of the concerns with repricing, as well as the information system functionality required to maximize repricing efficiency. In addition, it provides a model for optimizing the repricing process by utilizing available technologies.

Repricing Problems: Inefficiency, Expense, Lack of Standards

Efficient claim repricing relies upon the payor's need to access a healthcare network's contracted discount rates. Once the payor has identified the rates for a particular network, then the claim may be repriced for payment. In some cases, a paper claim must be faxed from the payor to the health plan for repricing, and then it is faxed back for manual entry into the system. Furthermore, there are typically several layers of personnel involved in the repricing process. From staff that check and verify claims, to claims processors, help desk staff, supervisors and other staff assistants, the cost of repricing can quickly rise, and the time it takes to reprice claims can grow.

Of the nearly 3 billion claims processed every year, many require repricing that may add weeks to the adjudication process and require many hours of call center intervention to settle disputed claims – particularly if there is no audit trail. Although precise industry figures are not available at this time, some analysts estimate that repricing administration costs exceed \$1 per claim for payors and networks.

The problems inherent to manual claims repricing are related to inefficiency and expense. But even in the electronic realm of data interchange, the existence of different repricing "rules" for various payors and networks adds to the problem. With a variety of repricing contracts for different payors and networks, it has been difficult to automate the repricing process without major customization to many claim processing systems.



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Calculating Repricing Revenue for PPOs

Another issue that is critical to an efficient repricing system is the calculation of revenues. PPOs have three primary means of generating repricing revenue:

1. Charge a “percent of billed amount.” If a provider’s fee schedule calls for a billed amount of \$100 and the PPO had contracted for 2% of the billed amount, then the PPO would receive a \$2 fee for repricing the claim.
2. Charge a “percent of savings.” If a provider’s fee schedule calls for a billed amount of \$100 and the PPO had contracted for a 10% discount, then the repriced “allotted amount” would be \$90. If the PPO contracted for 20% of the discounted savings, the PPO would receive \$2 (20% of the \$10 savings from the original \$100 “billed amount”).
3. Charge a flat per employee/per month (PE/PM) fee.

In each of the models above, data must be collected and calculated according to the reimbursement methods agreed upon by the PPO and TPA, health plan or self-funded group. To maximize efficiency, it is essential that any system used for repricing and adjudication support this functionality.

The Perfect Repricing Process

Accurate, automated repricing that does not require human intervention is the first step towards a perfect repricing process. This requires the use of an EDI system that accommodates multiple networks with several different managed care contracts. The HIPAA mandates provided the electronic data interchange standards to make the efficient flow of healthcare data between organizations possible, and greatly reduced the number of paper claims that must be manually repriced. However, there are no mandates for the contractual terms that are applied to claims, so the repricing process is far from perfect in many payor and network organizations.

Because a single network can have hundreds of payors or administrators, it is essential that these representatives have access to the contracted rates in order to perform repricing. For many organizations, the Internet has provided a means for networks to access their rates. Although this eliminates the paper trail, using the Internet alone can result in representatives surfing several web sites to find the appropriate rates.

To reduce administrative costs associated with repricing, some organizations have loaded providers’ fee schedules and PPOs’ discount contract data into their processing system. This approach to repricing may eliminate some manual processes, but loading, maintaining, and accessing the fee schedules and contract data is a cumbersome solution.

In addition to EDI for receiving and sending repricing data, an information system must be flexible in order to handle the variety of rules associated with various contracts. A system with a rules-based processing engine allows programmers to write rules that



apply to the terms of these contracts, so the system can reprice and adjudicate claims based on these rules.

A streamlined, cost-effective repricing solution begins with a benefits administration system that provides a seamless flow of electronic claims data from the origin of a claim to preferred provider organizations to payors. With an automated, rules-based processing system in place, an efficient 6-step repricing scenario includes the following:

1. Health Plans/Self-funded employer groups contract with a PPO to receive discounts off the standard billed charges for its members' healthcare fees. The PPO maintains all fee schedules (in some cases, fee schedules may be loaded into a TPAs system).
2. Members of health plans/self-funded groups visit their physicians.
3. Physicians submit electronic claims to TPAs or health plans.
4. TPAs/health plans submit electronic claims to PPOs for repricing.
5. PPOs reprice the claim by applying the contracted discount rate to the physician's billed charges.
6. PPOs send repriced claims back to TPAs as "allowed" or "repriced" amount.

The typical repricing scenario described above is a vast improvement over the inefficient, paper-shuffling process that some firms continue to endure. However, an optimized repricing system also includes functionality that allows repriced claims to be distinguished as "matching" the original billed claim, thus eliminating the problem of duplicate claims. In addition, the repriced claim is recognized as the actual "allotted amount" of the claim and a repricing report is automatically generated.

Optimizing the Repricing Process: Essential Elements of Repricing Functionality

The ideal repricing process depends upon the ability to send and receive electronic data. For TPAs, a seamless, fully automated repricing process includes sending an 837 via EDI to a PPO for repricing, having the claim repriced and returned to the TPA via EDI as an 837.

Using EDI, PPOs can accept an electronic claim, reprice it in seconds, and return it to the payor. A fully-automated, optimized repricing system includes the following components:

- EDI application that seamlessly integrates with processing system's database
- Rules-based processing engine that allows for creating and maintaining repricing rules (including calculation of repricing fee options)
- Auto-adjudication claim processing/benefits administration system
- Ability to distinguish "billed amount" from "allowed amount" to eliminate the problem of mistaking repriced claims for duplicates.
- Robust reporting system to track and report on all repricing activity



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Conclusion

Inefficiencies associated with paper claims, manual entry, and disparate repricing contracts are the key obstacles to cost-effective repricing. The use of an EDI application that integrates with a rules-based processing system's database is essential to an efficient and cost-effective repricing process. Combined with comprehensive reporting, an efficient repricing system represents a significant revenue stream for many organizations.

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Built with the very latest Microsoft technology, Plexis software ranked #1 in functionality in an independent industry study. Plexis solutions have reduced costs, streamlined claims operations, and enhanced customer satisfaction for healthcare organizations since 1996.