

HHS Calls for New Electronic Transaction Standards

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The U.S. Department of Health and Human Services (HHS) recently issued an [Interim Final Rule](#) which creates a uniform standard for health plans to pay electronic claims, assisting health care providers match payments with remittance advice. HHS anticipates that these new standards will reduce up to \$4.5 billion of administrative costs for doctors and hospitals, private health plans, states, and other government health plans, over the next ten years.

The current Interim Final Rule represents the second in a series of regulations that are required under Section 1104 of the Affordable Care Act. Comments are due March 9, 2012 and, once finalized, all health plans covered by HIPAA must comply by January 1, 2014.

Presently, health plans send providers electronic fund transfers (EFT) and remittance advice separately. This method requires manual reconciliation, which creates a large administrative burden on providers. In fact, HHS cited a 2010 *Health Affairs* study that stated physicians spend 12 percent of their revenue on filling out forms and other excessively complex administrative tasks, which includes billing and collection. The Interim Final Rule seeks to reduce the administrative burden of processing health care transactions by requiring the use of a trace number that allows for the linking of the EFT and the remittance advice, essentially eliminating the need for manual reconciliation.

In order to meet the new standards, most health plans will experience some direct costs affiliated with upgrading software, training workforce members and maintenance. Officials estimate that the costs of implementation range from \$4,000 to \$6,000, or \$18 million to \$28 million industry-wide. However, officials estimate that the overall savings ultimately will outweigh the costs to health plans. Commercial health plans may save upwards of \$40 million over the next ten years. Various federal health care programs also will realize savings of upwards of \$31 million. Additionally, officials expect that providers will incur little to no costs under this new rule, and estimate that savings for health care providers could reach upwards of \$4.5 billion over the next ten years.