UNITEDHEALTH GROUP®

Timothy Kaja
SVP, UnitedHealth Group and President, Network Service Operations, UnitedHealthcare
9900 Bren Road East
Minnetonka, MN 55343
262-510-8213

June 20, 2012

Walter Suarez, MD, MPH
Director, Health IT Strategy & Policy
Kaiser Permanente
2221 Broadbirch Drive
Silver Spring, MD 20904

Judith Warren, PhD, RN
Director of Nursing Informatics
University of Kansas School of Nursing
KUMC Center for Healthcare Informatics
3901 Rainbow Blvd., Mail Stop 4043
Kansas City, KS 66160-7502

RE: National Committee on Vital and Health Statistics (NCVHS)
Subcommittee on Standards June 20, 2012
Administrative Transaction Standards, Code Sets and Operating Rules
Industry Status of Planning, Transitioning and implementation

Panel 2: Operating Rules for Eligibility and Claim Status – Preparing for Implementation

UnitedHealth Group is pleased to provide an update to the Subcommittee on the status of our implementation of the Operating Rules for Eligibility and Claim Status.

UnitedHealth Group is dedicated to making our nation's health care system work better. Recognized as America's most innovative health care company by *Fortune* magazine, our highly-diversified and comprehensive array of health and well-being products and services empowers individuals, expands consumer choice, and strengthens patient-provider relationships. Our nearly 115,000 employees serve the health care needs of more than 75 million individuals, develop and advance new health technologies and enhance financial and operational connectivity across the health care system. Our role as a national leader in both private and public health benefits programs and services enables us to continuously foster innovative health solutions aimed at creating a modern health care system that is more accessible, affordable and personalized for all Americans.

Transition to new required Operating Rules – a Payer Perspective:

UnitedHealth Group (UHG) made an enterprise decision to voluntarily become CORE Phase I and II Certified influenced by the benefits that becoming CORE certified would bring to EDI exchange for both providers and UHG. The effort of becoming CORE Phase I and Phase II certified was concurrently addressed with our existing v5010 implementation project. We were able to leverage synergies between the two efforts into an overall business strategy and system enhancement plan (2 year project). Today, as providers are able to send v5010 transactions to UHG, we are able to respond with v5010 + CORE Phase I and II transactions. As part of this project, UHG developed a business case to evaluate the return on investment (ROI) we expect to see from implementation of the Operating Rules that includes a projected return dependent on increased adoption of the Eligibility and Claim Status transactions by the provider community. The driving force is the conversion of phone calls to EDI. For the majority (85%) of our systems, we are already administering the Operating Rules requirements for these two transaction types and all systems will be ready by the January 2013 compliance date.

Concerns:

- Providers who continue to send v4010 transactions (which are up-converted by clearing houses to v5010 post 7/1/2012) will not be able to realize the performance and data content advantages facilitated by the CORE Phase I and II requirements. Example:
    - HIPAA mandated response components require a generic response, e.g., status of eligibility, dates of eligibility and base contract financials
        - CAQH CORE Operating Rules further support standard to drive better information for the physician practice, e.g., require name of health plan, patient financials for key services and benefits
- Practice Management System Vendors may have challenges with moving to the connectivity and performance rules which are incorporated into the Operating Rules. Examples:
    - System Availability – a minimum of 86% availability per calendar week;
    - Publishing regularly scheduled downtimes;
    - Providing one week notice for non-routine downtimes.
- Adoption – Can the industry really align to realize the significant benefits that the v5010 CORE enabled transactions can bring to administrative costs? I will talk more on this in a few minutes.

UHG's experience with internal preparation and transition to the new required operating rules – including business and technical process changes:

Once UHG made the commitment to become voluntarily CORE Phase I and II certified, we developed an internal process whereby the requirements were reviewed at an enterprise level and decisions were made about how to best incorporate these requirements into our business processes and system infrastructure. The project required the dedication of a team of individuals who understood the CORE requirements and the implications to our internal processes and systems. We were also able to leverage the broad experience of CAQH resources and their existing tools, lessons learned and staff to make this transition and identify internal resource gaps.

The biggest challenge for UnitedHealthcare was the complexity and number of systems that required analysis and redesign to become v5010 and CORE ready (approximately 22 systems and over 150 applications). Although the business case that was used to make to the commitment to become CORE Phase I and II certified resulted in significant return, the v5010 transition alone would have resulted in a considerable net cost (loss) to our organization. The value of the combined v5010 and Operating Rules project sits squarely with the addition of the Operating Rules enhancing the functionality of the standard transactions. From a business perspective, implementing v5010 alone would have been a significant loss of valuable healthcare dollars.

Recommendations:

- We would recommend that before a new phase of ASC X12 standards is adopted by HHS, that we take advantage of the returns that can be realized through the development of Operating Rules to accompany and enhance each of the standard transactions.
- Beyond the ASC X12 standards, the Operating Rules support a range of underlying standards such as NACHA's Electronic Funds Transfer (EFT) or the World Wide Web Consortium's Simple Object Access Protocol (SOAP) and business requirements like response time. By rolling out an integrated package that is focused on transaction flow, the Operating Rules can help drive adoption of the administrative transactions. Mandating another version of the data content standards will not get us to this end goal.

Business and Technical Issues Identified and Advice for other entities:

UHG continues its commitment to the CAQH CORE process and encourages other entities, covered and non-covered, to go through the process of becoming voluntarily CORE certified. We have participated in several industry presentations to share our lessons learned and provide guidance on program management, the importance of tight trader partner testing initiatives as well as the value we realized from the real end-to-end testing process required through the CORE Certification process. Having both a technical owner of the process as well as a business owner within an organization is essential to the success of the implementation. Implementation of the Operating Rules is not just a technical change, it requires business owners to be involved and provide guidance on the implementation to ensure financial optimization and ease of adoption by the provider community of the combined standard and operating rules.

- In the area of eligibility, from a business perspective, the Operating Rules will allow for a 70% solution to why providers call UHG today. Without the Operating Rules, no additional calls could be converted to EDI. That said, it is important to get at the remaining 30% for eligibility currently not covered in the transactions or Operating Rules. This can only be done if ASC X12 and CORE develop a strong rapport to help remediate the remaining reasons for calls in the 270/271 standard. In the rules development process, it is critical to look at the requirements from a physician practice and hospital back office perspective. We first need to meet the needs of physicians and hospitals with useful and accurate information that reduces their administrative costs before we address efficiencies in the payer space.

- In the area of claim status, our data shows that – if adopted and utilized by the providers, the Operating Rules will facilitate the removal of 27% of the calls UnitedHealth Group receives regarding the status of a claim.
- A key point for both Eligibility and Claim Status transactions and their value is that non-covered entities may not be incented or required to incorporate the functionally provided in the Operating Rules environment. The Practice Management System vendors and clearing houses need to make it easier and less expensive for the provider practice to submit an EDI transaction versus placing a call. Until this is the case for all practice sizes, it is futile to drive further transaction efficacy in the standards/operating rules.

    - Example - Our data shows that the information provided in the Eligibility transaction would be able to remediate 70% of all calls related to eligibility in a CORE Phase I and II operating environment, but we are currently only seeing a 40% adoption rate for these transactions, and an even lower – and yet to be quantified – utilization rate from our providers. We see providers "adopting" these transactions, but continuing to make the same level of call to our call centers for the same information. Through our direct work with provider groups and Practice Management System vendors, we see a significant opportunity in the industry to help providers make the behavioral changes necessary to rely on the information made available through the v5010 CORE transactions.

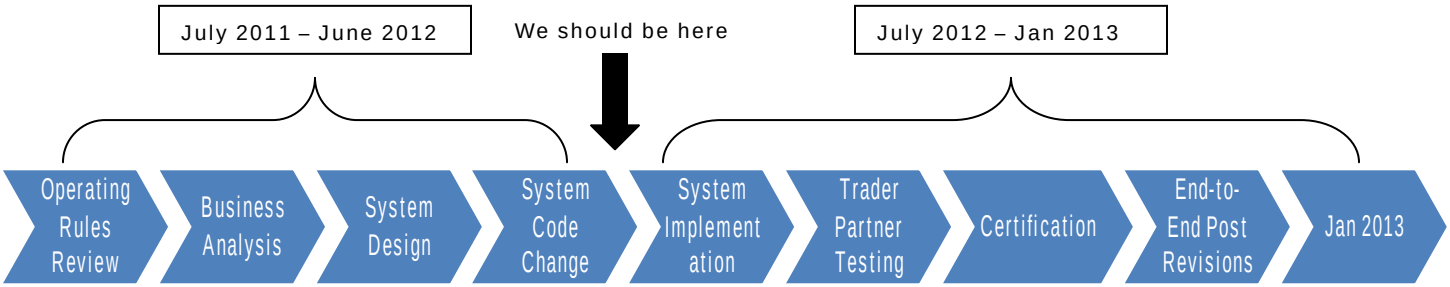
Opportunities and Milestones

Opportunities:

- Prior to the industry wide implementation effective date, we would highly recommend a mandatory registration of readiness by covered entities.
- Covered entities (and non-covered entities handling transactions) should go through the voluntary CORE Certification process. It would be our preference that the testing process be mandatory to ensure that the significant investment made by covered entities is validated through an industry discipline that recognizes the importance of this investment and the impact a collective effort across the industry can have on administrative costs for physicians/hospitals and Payers.
- The considerable fines outlined in the Affordable Care Act should be based upon fines for not registering/passing certification.
- Entities who hold CORE Phase I and II Certification should be grandfathered into the voluntary (or mandatory) CORE Certification process. All entities (including those currently Phase I and II certified) should be required to register with readiness for all systems/applications.
- Practice Management Systems and clearing houses should be required to create, pass, receive, and post standard ASC X12 transactions with the regulatory mandated Operating Rules. Without this, it is hopeless to expect that adoption in the industry will occur. It is unclear why only Health Plans are included in the mandatory process.

Milestones:

- Below, we provide potential steps that covered entities will be required to complete as they ensure compliance with the Operating Rules. We recommend that entities should be at the internal validation and system implementation phase by June 2012 and show the additional work that will be required to ensure compliance by January 2013.



Other Feedback

UnitedHealthcare fully supports CAQH CORE as the authoring entity for Operating Rules. We also support work done to further CAQH CORE's multi-stakeholder approach. The work completed by ASC X12 and CORE can create a meaningful environment to drive change in how healthcare is transacted in this industry. UnitedHealthcare does not endorse or recommend layering other parties onto the already collaborative operating rules process either in the role of decision makers or with special authority. The established working relationship with and processes used by CAQH CORE is essential for the successful implementation of the Operating Rules. It is further recommended that Operating Rules for the remaining standard HIPAA transactions be completed by CAQH CORE. We have served on the CORE Transition Committee and we strongly support the efforts to further CORE's focus on engaging multi-stakeholder, executive leadership that can commit to and drive adoption as proposed in the model created by this Committee.

Separately, UnitedHealthcare recommends a beta test group to drive solutions that will enable the industry to more broadly adopt and utilize Eligibility and Claim Status transactions in full and eliminate the need to use the more costly phone call channels except in certain situations. UnitedHealthcare volunteers to participate in and help coordinate such a beta test with HHS, CAQH/ASC X12 and the appropriate Practice Management System and clearing house vendors to create a white paper on how far we can take EDI while understanding the cost/benefit of doing so in the industry.

We have learned that the pure implementation of the technology is not the lever to shift provider practice workflow from manual processes to the utilization of the enhanced information available through the standard transactions and Operating Rules. As the industry coalesces around the need for Operating Rules in conjunction with the standard transactions, we can enhance efforts to modify provider back office behavior. In order to reach a critical mass that will drive a different back office workflow for provider offices, we must ensure that federal and state payers, in additional to the commercial payers are ready to provide HIPAA compliant transactions with the associated Operating Rules. If a significant portion of the provider's payer base (e.g., State Medicaid Agencies) continues to force them to a manual process, providers will not develop

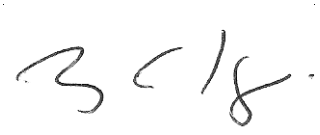
processes that adopt and utilize the standard transactions and Operating Rules as a key staple in their practices related to claims administration.

Conclusion

In conclusion, UnitedHealth Group is supportive of the Operating Rules created for Eligibility and Claim Status. Further, UnitedHealth Group remains complimentary of the CORE Operating Rule process for their discipline around industry collaboration and sensitivity to the needs of physicians and hospitals to minimize administrative expense for exchanging healthcare transactions. We recommend that future iterations of Operating Rules for all HIPAA ASC X12 transactions be authored by CAQH CORE. From a business perspective, it is the Operating Rules that have created value from a data set that remains a significant compliance financial drain on this industry with the conversion to v5010. We encourage HHS to apply the same standards of compliance to all entities that exchange HIPAA based transactions (not just Health Plans) to ensure the value in the enhanced v5010 CORE data set can be realized. We also encourage the NCVHS Subcommittee to recommend a registration and certification process that recognizes the significant investment complying entities have made in adopting Operating Rules. The process of building the Operating Rules into systems requires a vigilant discipline in the business as well as IT. By this time, all covered entities should be in the programming phase with internal testing completed by the end of July. Sufficient time is needed to ensure that trading partners can exchange transactions in a v5010 CORE environment prior to the January 1, 2013 effective date. We request that the NCVHS Subcommittee support joint surveying of covered entities by CAQH CORE and others to gauge where the industry is with adoption plans and communicate with CMS OESS regarding the continued viability of a January 1, 2013 effective date. There are significant penalties associated with the January 2013 implementation date, and although UHG is close to complete, many of its provider trading partners may not have the vendor support necessary to take advantage of the increased functionality. Lastly, it would be advisable for the NCVHS Subcommittee to recommend a white paper study that would review the rules and transaction standards required for future iterations of the Eligibility and Claim Status transactions and Operating Rules data set that would move this industry to a 95% solution for exchanging Eligibility and Claim Status in a fully interoperable electronic environment**.**

We appreciate the opportunity to present our response today. Thank you.

Sincerely,



Timothy Kaja
Senior Vice President
UnitedHealth Group and
President, Network Service Operations
UnitedHealthcare