

**Testimony presented by:
The Rawlings Company, LLC**

to the:

National Committee on Vital and Health Statistics

Hearing on NCPDP Standards Update

Re: NCPDP Subrogation Standard

March 26, 2018

The Rawlings Company LLC appreciates the opportunity to provide testimony to the National Committee on Vital and Health Statistics (NCVHS) regarding consideration of the new NCPDP Subrogation Standard for use between all payers (Medicare, Medicaid and Group Health Plans) in the healthcare industry. We support the adoption of the NCPDP Subrogation Standard as a HIPAA transaction to significantly improve the efficiency and effectiveness of data exchange and transaction processes for payer involved in post-payment subrogation or “pay and chase” activities.

The Rawlings Company LLC is one of the nation’s largest providers of payment integrity services with over 1400 employees focused solely on payment error avoidance, detection and correction for many leading national health plans.

Summary of Comments

- The Rawlings Company LLC strongly supports adoption of the Subrogation Standard.
- The Subrogation Standard will produce significant bottom line savings for healthcare payers and third party processors by both reducing administrative expense and increasing the effectiveness of payment reconciliation between payers.
- The standard is critically needed by industry because the functions it serves are currently handled largely through manual and ad hoc processes.
- The probability of success of this standard is high because the Subrogation Standard is modeled from the well-established Medicaid Subrogation Standard.

Responses to Questions

Question #1:

The Subrogation Implementation Guide addresses the industry need to standardize the exchange of claim information between payers. How is this activity being handled today?

Response #1:

The processes utilized by payers to submit claims to other payers for claim adjudication and reimbursement are handled through a variety of non-standard paper and electronic submission processes. These processes are largely manual or ad hoc, and have been created outside of existing point-of-sale and subrogation methods available. As a result, the processes are highly ineffective and thus inefficient for all parties involved. We believe the subrogation standard will reduce the administrative costs and improve payment accuracy between payers.

Question #2:

By adding the subrogation standard to the broader public sector payer community, who benefits? Who is at a disadvantage?

Response #2:

All stakeholders involved in the pharmacy claim overpayment reconciliation process will benefit, and there is no party that will be disadvantaged. The subrogation standard will build upon the model created for Medicaid subrogation and provide a mechanism available for all industry payers (Medicaid, Medicare and Commercial) to accomplish payment accuracy and claim reconciliation when correct payer billing information at the point-of-sale is not available or not known. In addition, the expanded subrogation standard will provide more effective processes for Medicare sponsors to update downstream prescription drug events (PDE's) to achieve payment accuracy for the beneficiary, the Plan and the Medicare Trust Fund. For other stakeholders such as claims processors and pharmacy benefit managers, the NCPDP subrogation standard will significantly reduce administrative burdens by eliminating ad hoc requests of claims processing that these entities receive under the current system.

Question #5:

What type of education and orientation for use of the standard will be required, and which covered entities will be most in need of this education? Who are the best subject matter experts to provide the needed education if the standard is recommended and adopted?

Response #5:

While not insignificant, the education and orientation required for use of the subrogation standard is appropriate and reasonable, in part because the standard is modeled on the existing Medicaid subrogation standard. Generally, most covered entities understand the concept of payment accuracy and payment reconciliation between payers. The required additional education and orientation should focus on how these concepts apply specifically to Medicare and Commercial pharmacy claim payments, and the applicable federal and state laws and regulations.

The NCPDP is well positioned to develop education and orientation materials, as it regularly draws upon subject matter experts to reach consensus on key industry issues and then provides guidance to the industry. The Rawlings Company LLC has significant experience in these areas, and would be pleased to assist NCPDP to develop these orientation and education materials.

Question #8:

What are the financial benefits to the payers who adopt this new version of the standard? On average, what kind of savings can subrogation bring to a payer? Are these savings based on claim volume, enrollment, claim totals?

Response #8:

The Council for Affordable Quality Healthcare, Inc. (CAQH), a leading industry organization has determined that on average approximately 5% of health insurance members (Medicaid, Medicare and Commercial) have multiple insurance plans. In addition, health plans participating in CAQH found that when overlapping coverage exists between plans, the occurrence of primary or secondary coverage is evenly split. Therefore, based on these statistics the exposure to subrogation claims can be as high as 2.5% of paid claims. With national drug spend estimates well exceeding \$300 billion, the overall savings to the industry will easily be in excess of \$1 billion.