



## **Support HB 1332 and Reduce Health Care Costs and Administrative Hassles**

Administrative simplification is a priority for all stakeholders from health plans to consumers. Policy makers have been trying to achieve these goals since the mid '90's with the passage of the Health Insurance Portability and Accountability Act (HIPAA). HIPAA's promise was to significantly reduce the administrative costs in the health care industry by moving to standardized electronic transactions for health care billing, payment and claims reconciliation. To date, HIPAA has standardized nearly every aspect but one: how a claim is paid.

### **The Problem**

Currently, each health plan uses its own proprietary process for paying claims, called payment rules and claims edits. To date there are approximately 800,000 rules and edits. As a result, instead of one unified predictable process, health care providers must track multiple, frequently-changing processes. This adds significant time and expense to the health care system. Establishing a uniform and transparent process is estimated to reduce the cost physicians incur just to get paid from a current industry average of 10-14% of revenue to 1% of revenue<sup>1</sup>. That's why many health plans and providers agree that we must standardize the payment rules and edits and are in discussions on the national level on how to make it happen.

### **The Solution**

HB 1332 maps out a process to create a standard set of payment rules and edits for processing claims that all payers must use through a task force (funded through gifts, grants and donations) made up of industry experts including payers and providers. The task force will meet over a three-year period to:

- Incorporate the Medicare NCCI edits that all payers are currently required to use for their Medicare business as a base;
- Fill in the "gaps" for those edits that don't exist within the NCCI by collecting all others used by national industry sources that payers currently use; of those sources, create a standard set to be used in conjunction with the NCCI edits

The task force will track the national efforts in standardizing payment rules. Should such efforts achieve this goal within the same timeframe as the Colorado task force, the Colorado task force will defer to those edits for implementation in Colorado.

**Vote YES on HB 1332**

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<sup>1</sup> James G. Kanh, Richard Kronick, Mary Kreger and David N. Gans, "The cost of health insurance administration in California: Estimates for Insurers, Physicians and Hospitals." Health Affairs: 24.6 2005; 1629-1639