

## Real-time, point-of-service financial settlement: why health plans will lead the next revolution in healthcare

BY: DAWN BURRISS, MANAGED HEALTHCARE EXECUTIVE

As the nation faces a healthcare affordability crisis, market forces are driving changes such as consumer-directed healthcare, which is fueling the next revolution: real-time transactions. At the center of this momentous change sits the health plan and its enterprise systems.

Healthcare is shifting to a “retail” model. In the retail world, you always know how much that new pair of pants cost. You also know that you must pay for them before leaving the store. In the same way, healthcare is moving to real-time transactions, where consumers, responsible for more of the cost of their care, will be asked to settle their bill at the time of service.

Accustomed to little or no additional payments beyond nominal copays, these patients are in for a shock. Complex new benefit plans require members to pay a greater share of the billed charges, and payment will be expected before the member leaves the provider’s office. In some cases, patients will be required to pay a percentage of estimated charges before they check in for a planned hospital stay or doctor’s visit, as providers strive to limit their exposure for receivables collections.

The irony of this complicated technology necessary for real-time transactions is that, in some ways, healthcare is returning to a much simpler time, based on the old-fashioned notion of “pay as you go.” While online claims processing may be light years removed from paying the village doctor or medicine man with cash or a sack of crops, the basic principle is the same.

The surge of consumer-directed healthcare and high-deductible benefit plans are one factor driving this “back to the future” movement in healthcare IT. As patients shoulder more of the actual cost of their healthcare services, providers face an alarming rate of growing accounts receivables and bad debt. If a provider fails

to collect full payment prior to the patient’s check-out (and very few do), the chance of recovering full payment drops substantially.

But how will the provider’s staff know what to collect?

The provider’s system will link directly to the health plan’s information system via the Internet, where the office staff will submit the patient’s procedure or claim information, and receive a real-time response with accurate charges owed by the member. If the patient is enrolled in a consumer-directed benefit plan with financial accounts, this live systems link will also determine from which of the members’ healthcare accounts the funds should be withdrawn.

Here’s one example of how a typical real-time, point-of-service transaction will work in a physician office setting:

1. A health-plan member goes to the doctor or other medical provider.
2. A staff member at the provider’s office enters the claim in the provider’s system.
3. The physician’s management software submits the claim to the health plan in real time.
4. The health plan’s administrative system then performs tasks, including:
  - Validating provider, member, and claim data
  - Applying any network discount
  - Checking any deductibles, copayments or coinsurance that may apply
  - Adjudicating the claim
  - Calculating the member’s financial responsibility
5. If the patient is enrolled in a benefit plan

with financial accounts, such as a Healthcare Reimbursement Account (HRA) or Healthcare Savings Account (HSA), the system also will check the funds available in the member’s account(s). This may involve a real-time link with the financial institution where the account resides.

6. The health plan’s system then transmits back to the provider information on what amount the patient owes the doctor, as well as a final, accurate explanation of benefits.

7. The member will then pay the provider, either out of pocket or using a debit card linked to the member’s healthcare finan-

**As patients shoulder more of the actual cost of their healthcare services, providers face an alarming rate of growing accounts receivables and bad debt.**

cial account(s) Healthcare providers, at least initially, have the most to gain from real-time, point-of-service capabilities—and they are beginning to view them as essential to their financial survival. But the technology needed for real-time transactions is unlikely to be developed or funded by doctors and hospitals, because of limited resources and dwindling IT budgets, and the dependency on the health plan’s enterprise systems to provide the accurate information to complete the transactions.

### HEALTH PLAN’S ROLE

Providers are already requesting tools from health plans to help them with accounts receivables issues. Ultimately, health plans will bear the responsibility of providing the technology to make re-

tail healthcare transactions a reality. This is because while the practice of medicine still takes place in the provider's office, the business of medicine now rests squarely in a health plan's information systems. And,

**Healthcare providers, at least initially, have the most to gain from real-time, point-of-service capabilities—and they are beginning to view them as essential to their financial survival.**

as providers demand real-time patient and financial transactions, plans will feel pressure to provide these tools to keep the best providers in their networks, and to support members as they navigate the complex healthcare system.

Because health plans are uniquely positioned in the center of the healthcare supply chain, their IT systems must provide the backbone for real-time information exchanges with virtually every major healthcare constituent. That said, the technological challenges that health plans face are tremendous. Plans will need to deliver enormous amounts of administrative, clinical and financial information through software that is readily accessible to providers, yet secure. Data transparency—across medical records, members' financial accounts, claims history, and more—will be crucial. Plans also will need to develop easy-to-use interfaces for providers, as well as ensure secure, stable, real-time connectivity.

Electronic health records are critical to

this piece of the puzzle. These include two different kinds of records. The first is the patient's electronic medical record, which contains comprehensive medical information that can be updated from a variety of provider sources throughout the health plan network. The second is the member's personal health record, which is owned by the individual and maintained within the health plan's system.

#### **REAL-TIME IN THE FUTURE**

Real-time financial settlement is just the beginning. While automation of the retail-like administrative transactions in healthcare is critical, it is a significant stepping stone to linking constituents in the seamless exchange of information, via administrative, financial and clinical transactions. The ultimate goal? An integrated healthcare

supply chain, where these participants—providers, payers, members, and employers—support a value chain that includes service delivery, administration, and disease and care management. Ultimately, the end result is quality care and reduced healthcare costs.

Related to this issue of data sharing and real-time transactions is the U.S. Department of Health and Human Services' effort to develop a National Health Information Network (NHIN). The goal of this initiative is to "give every American an electronic record of their healthcare by 2014, and link all the records into one giant medical Internet." (Business Week Online, 10/31/2005).

With their current IT capabilities and vast amounts of data, health plans already possess the means for accomplishing much of the NHIN's goals. As health plans develop real-time transaction capabilities, it will be important to stay abreast of regional efforts to develop this network—and, whenever possible, get involved.

Real-time financial and administrative transactions will pave the way to a new, rational world of healthcare: a world where patients make informed decisions, providers are paid promptly, and quality

**Real-time financial and administrative transactions will pave the way to a new rational world of healthcare: a world where patients make informed decisions, providers are paid promptly, and quality of care is paramount. It's all about giving everyone the right information at the right time—that is, right now.**

of care is paramount. It's all about giving everyone the right information at the right time—that is, right now.

**Dawn Burriss is vice president of Business Solutions for The TriZetto Group Inc., a healthcare IT company.**

© Reprinted from MANAGED HEALTHCARE EXECUTIVE, September 2006 AN ADVANSTAR ★ PUBLICATION Printed in U.S.A.



567 San Nichols Drive  
Suite 360  
Newport Beach, CA 92660  
1-800-569-1222  
www.trizetto.com