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STANDARD MEDICAL CLAIM FORM

House Bills 5272-5274 as passed by the
House
Second Analysis (9-9-92)

Sponsor: Rep. Alma Stallworth
Committee: Public Health

THE APPARENT PROBLEM:

A recent article in the Wall Street Journal calls the processing of medical claims "one of the most intractable problems in the war on health costs." By some estimates, administrative costs gobble up 20 percent or more of health care dollars, and a major factor in these high administrative costs is the cost of the paperwork involved in processing medical claims. A major problem with paper claim forms is their sheer multiplicity. There are problems enough when handling a high volume of claims, but those problems are multiplied when the claim forms are not standardized.

THE CONTENT OF THE BILLS:

The bills would require medical care insurers to use a standard medical claim form (except for dental work) developed by the state insurance commissioner.

House Bill 5274 would amend the Insurance Code (MCL 500.2240 and 500.2241) to require the insurance commissioner to establish a standard medical claim form to be used by all disability insurers, by all HMOs, by Blue Cross and Blue Shield of Michigan, and by all medical insurers. If someone with disability insurance requested a copy of his or her standard medical claim form, the disability insurer would have to give him or her a copy, along with an explanation of the codes on the form.

The form, which would not be used in claims for dental work, could be made specific for the various kinds of health care providers and would be used for paper billing. It would have to be written in plain English, and providers would have to list each procedure and service under the appropriate code (either as found in the Physician's Current Procedural Terminology or in some other appropriate and commonly accepted coding approved by the insurance commissioner). (Note:

The word "approved" was apparently inadvertently omitted [from the section referring to coding other than that found in the Physician's Current Procedural Terminology] in Substitute H-2 for House Bill 5274.)

The commissioner would have to promulgate rules establishing the form, and hold public hearings on the proposed rules by October 1, 1994. The bill also would require the commissioner to encourage the development and use of regional claims centers and "other means to reduce the administrative expenses of disability insurance."

House Bill 5272 would add a new section to the Public Health Code (MCL 333.21055a) requiring health maintenance organizations (HMOs) to use the standard medical form and to provide, upon a subscriber's request, a copy of the subscriber's form to him or her. The bill would not apply to hospitals or health care providers who had contractual relationships with HMOs. House Bill 5273 would amend the Nonprofit Health Care Corporation Reform Act (MCL 550.1405) to require Blue Cross and Blue Shield of Michigan to use the standard medical claim form.

Each of the three bills is tie-barred to each of the others.

FISCAL IMPLICATIONS:

The House Fiscal Agency says the bills would result in minimal costs for rules promulgation. (9-3-92)

ARGUMENTS:

For:

Medical claims forms should be standardized, both to speed the settling of claims and to help lower

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high health care administrative costs. The number of different claim forms can delay the billing and reimbursement process, and requires training of staff to handle the various forms. For example, the federal Health Care Finance Administration (HCFA) has a standard professional billing form that is used to bill worker's compensation claims, but the Medicare carrier for Michigan, Blue Cross and Blue Shield, has modified this form for use in Michigan and it reportedly is this form that is used for Medicare. Delays in billing also may arise when the insurer requires the patient to fill out additional forms and additional documentation from the provider in order to verify the claim. A single, standard medical claim form could speed the process and result in lower overall health care costs by reducing the time and special training of the people handling the paperwork.

Against:

While a problem certainly does exist with the current medical claims processing system, the major costs of such a system have more to do with the labor-intensive, error-prone features of paper operations than simply with the number of different paper forms. The problem with paper-handling operations, which certainly is exacerbated by the multiplicity of paper claim forms, is that they are loaded with redundancies. Providers pay clerks to file claims, insurers pay other clerks to process the claims, and, increasingly, employers or their carriers pay still other clerks to process claims again for analysis. In the process, the same data are repeatedly transferred from paper to computer storage and back to paper again. To really reduce the costs of processing medical claims, the health care system ought to replace paper claims altogether, going instead to the sort of electronic technology used by banks and airlines.

Response:

Insurance industry officials are working with the American National Standards Institute (ANSI) to come up with a standard electronic claims format, hopefully by the end of this year, which they hope will lead to significant cost savings. Currently there are 400 different electronic data formats on the market to transmit medical claims, and just five to ten percent of all claims paid by major commercial insurance carriers are processed by computer. The United States Health Care Financing Administration (HCFA), which administers Medicare, already processes 89 percent of hospital bills and 47 percent of physician claims electronically, and has pledged to adopt an institute

standard when one becomes available (perhaps even as soon as by the end of this year). Reportedly, HCFA is requiring that all Medicare claims be filed electronically.

However, such a standard has not yet been adopted, and even when it is, other problems with electronic claims processing remain to be solved (such as lingering skepticism among some insurers and providers, as well as worries about confidentiality). Until an electronic claims processing system is in place, as it seems likely will happen, it will be beneficial to both patients and providers to have a uniform paper claims form.

POSITIONS:

The Michigan State Medical Society support the bills. (9-3-92)

The Henry Ford Health System supports the bills. (9-1-92)

Blue Cross and Blue Shield of Michigan has no position on the bills. (9-9-92)

The Michigan Hospital Association supports the concept of a universal claims form. (9-3-92)