



**House
Legislative
Analysis
Section**

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STANDARD MEDICAL CLAIM FORM

House Bills 4745 and 4747 as
introduced
Sponsor: Rep. Alma Stallworth

House Bill 4746 as introduced
Sponsor: Rep. Paul Baade

First Analysis (5-19-93)

Committee: Public Health

THE APPARENT PROBLEM:

A 1992 article in the Wall Street Journal called 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 paper medical claim form (except for dental work) developed by the state insurance commissioner and to provide copies of these forms to patients upon request.

House Bill 4747 would add two new sections to the Insurance Code (MCL 500.2240 and 500.2241) to require the insurance commissioner to establish a standard medical claim form for paper billing to be used by all disability insurers, by Blue Cross and Blue Shield of Michigan, by all HMOs, and by all medical insurers.

The commissioner would have to promulgate rules establishing the form, and hold public hearings on the proposed rules by October 1, 1994. The form could be made specific for the various kinds of health care providers but would not apply to dental claim forms. It would have to be written in plain English, and providers would have to list each procedure and service under a standard code (either as found in the Physician's Current Procedural

Terminology or in some other appropriate and commonly accepted coding selected by the insurance commissioner).

Disability insurers would have to provide copies of the standard medical claim form explaining the coding for procedures or services upon the request of someone with disability insurance.

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 insurers."

House Bill 4745 would add a new section to the Public Health Code (MCL 333.21055a) requiring health maintenance organizations (HMOs) to use the standard paper medical form established by the insurance commissioner under House Bill 4747, and to provide, upon 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, nor to dental claim forms.

House Bill 4746 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 paper medical claim form established by the insurance commissioner.

Tie-bar. Each bill is tie-barred to each of the other bills.

BACKGROUND INFORMATION:

Reportedly, a number of third-party payors currently are using a standard claim form known as

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"UB-82" for hospitals, long-term care facilities (nursing homes), home health agencies, and some health maintenance organizations (HMOs). The payors include Medicare, Blue Cross Blue Shield, worker's compensation, and some commercial carriers. However, the form is not used by all payors and it currently is not being used by Medicaid, though possibly Medicaid will begin using this uniform billing form early next year (1994) for inpatient services.

An updated form ("UB-92") was approved by the National Uniform Billing Committee last February and is supposed to be implemented in the fall of 1993. The State Uniform Billing Committee (which includes representatives from the Michigan Hospital Association, Blue Cross Blue Shield of Michigan, Medicaid, Medicare, Travelers, and some HMOs) also has been involved in the development of the new form and will be involved in its implementation.

Virtually identical legislation, House Bills 5272 through 5274, passed the House last session.

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 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 Hospital Association supports the concept of the bills but would also like uniform

payment vouchers and the issue of standard electronic claims format to be addressed. (5-17-93)

The Association of Health Maintenance Organizations in Michigan supports the bills. (5-18-93)