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From the Editor

An ATM for Healthcare?

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From the Editor:

An ATM for Healthcare?

Like most readers of the newsletter, I hardly ever interact with a human bank teller these days and prefer to do most of my transactions on an Automated Teller Machine or ATM. For most of us, the ATM represents the ultimate in convenience and efficiency – open virtually any time under any conditions ready to serve the customer. Contrast the ATM of banking with the transactions that are a core component of the outpatient practice of medicine in the era of managed care, namely, pre-authorizations for hospitalization, pre-certification for particular tests and procedures, verification of benefits, and the like. Currently, it's estimated that these transactions have about a $250 billion share of the $1.2 trillion healthcare industry. An ATM solution to this dilemma sounds intriguing.

That's why, in part, I am interested in the growth of a new company created in November of 2000 called MedUnite – appropriately named because it represents the foresight of seven founding managed care companies including Aetna, Anthem, Cigna, HealthNet, Oxford, PacifiCare, and Wellpoint, and other carriers which joined later, including Mutual of Ohio, Nationwide Health Plans, QualMed, Tricare, and United Healthcare. The seven original founders bring significance to this issue as they represent nearly 61 million covered lives or 22% of the total United States population. These founders also represent the top six of seven publicly held managed care plans in the country.

According to information on their own website (www.medunite.com), the mission of MedUnite is to "eliminate billions of dollars in provider and health plan costs by developing and operating an easy to use, standardized, all insurer, Internet enabled connectivity system to handle claims processing, referrals and authorizations, eligibility, verification, formulary compliance, and rapid electronic payments." What does this corporate speak really mean?

I believe it means that for a modest $30 per month and a basic set-up fee, physician practices will be able to streamline their back office functions for many patients and simultaneously improve the efficiency of their practices and reduce administrative costs. Specifically, the MedUnite transaction system has been designed to bring about four early and primary outcomes for providers and health plans including: 1) reduced costs for eligibility verification, referrals and authorizations; 2) reduced costs per claim; 3) improved "clean claim" rates; and 4) lower "clean claim" processing times.

Let's examine each of these in turn. By creating an effective and timely exchange of information at the point of care in the doctor's office, the company believes that administrative costs associated with eligibility, referrals and authorizations will be reduced by more than 50%. That's because, currently, each paper claim costs health plans and providers a minimum of $5 to process. The MedUnite solution will decrease the cost per transaction by at least 50%. As to the second point, paper claims have many errors that are tedious to correct. MedUnite will handle patient-specific edits

online, and the goal is to shorten error correction from days to minutes or even seconds.

Processing paper claims is time consuming, convoluted, and has a high error rate. It can take over eight weeks to correctly process a paper claim. Electronic claims can also be incomplete. By improving the accuracy and overall quality of claims, MedUnite's goal is to process claims online in a matter of days or faster. It is hoped, eventually, that the MedUnite "transaction model," when fully deployed, will connect most access points within the healthcare continuum including hospitals, IPAs, health plans, labs, pharmacies, and other ancillary providers such as durable medical equipment companies. If MedUnite can make good on these four outcome-based transactions, they might really be able to transform the business side of health care and potentially cut billions of dollars in waste out of the system. This would be welcome news to most employers who have seen their premiums rise precipitously, especially in the past 18 months.

There are several challenges to the MedUnite model, not the least of which is the current ill will between providers and managed care organizations. Will providers trust a major national entity uniting the seven founders and the five additional health plans? To wary practitioners, these 12 managed care organizations represent a formidable alliance with potentially questionable goals and objectives. MedUnite has a major educational challenge ahead to convince thousands of small practices of the value of their new ATM-like services.

Another potential limitation is the lack of an interface between MedUnite's services and legacy practice management systems. Simply put, the data one downloads from MedUnite's website will not automatically flow into the thousands of data fields in currently existing patient billing records. As a result, remittance advice from MedUnite's website must be manually entered into current accounts receivable programs. Also, MedUnite and many practice management software systems are not integrated, and staff members have to jump back and forth between the two. A third challenge may be simply maintaining the unlikely partnership amongst the founders and the newcomers. In an increasingly competitive managed care market characterized by national consolidation and layoffs, this may be an increasingly fractious marriage.

What does this mean for Thomas Jefferson University Hospital and the Jefferson Health System at large? Clearly, for many of our outpatient practices and especially the Jefferson University Physician Faculty Practice, cost savings through administrative efficiencies would be welcome. Aetna is particularly active in our marketplace and our success may be uncomfortably and inextricably linked to theirs. For many of our community physicians throughout the broader Jefferson Health System, I'm sure they would welcome even marginal administrative savings over their current cumbersome and expensive processes.

On a different level, future applications of the MedUnite ATM philosophy may hold other benefits including the application of formulary guidelines with minimal hassle. Imagine each practice electronically linked over the Web to a large national formulary. This might end second guessing as to which drug is covered by which plan and the manual referencing of paper-based note books delivered annually by each plan to every doctor.

In a telephone interview, Mr. Dave Cox, the president and CEO of MedUnite, explained that more than 27 national managed care plans already have their formularies online via the MedUnite portal. Perhaps a more efficient office with accrued cost savings will enable practitioners to spend more time doctoring and less time filling out forms.

I am sure everyone would welcome these kinds of advances. For me, personally, I haven't spoken to a bank teller in years and, quite frankly, I don't miss the dialogue. My interaction with most ATMs is quick, easy, and satisfying. I'd be thrilled to apply these adjectives to the administrative functions in our Division of General Internal Medicine faculty outpatient practice! As usual, I would be interested in your views. You can reach me at david.nash@mail.tju.edu. You can also contact MedUnite directly at Sandra.Yacura@medunite.com.