Chapter VI

Provider-Payer Transactions

Learning Objectives

• Assess costs of transactions
• Delineate the different parts of transaction and code sets standardization
• Analyze the alternatives for implementation of provider-payer transactions
• Construct a sketch of an X12 message based on Implementation Guide details and certain data content
• Describe different code sets and issues relevant to mapping terms from one code set to terms in another code set
• Distinguish “identifiers” from “code sets” and illustrate the complexities of creating a neutral identifier, but a rich associated file
• Differentiate whistleblowers from fraud investigators
• Demonstrate that controlling health insurance fraud is a higher-level concern than controlling health insurance solvency
• Construct a model for software for fraud control
• Construct relationships between software to support coding and software to support fraud detection
• Demonstrate that shared information among payers can increase the ability of fraud investigators to successfully, semi-automatically detect fraud
The key financial transactions in U.S. healthcare occur when the provider sends a claim to the payer and the payer adjudicates the claim. This chapter first explains the history of electronic data interchange (EDI) and then shows the powerful, cost-saving impact that it can have on healthcare. One bottleneck to EDI in healthcare has been the lack of standardization. This problem was addressed with a law passed in 1996, with which the healthcare industry was still grappling a decade later. The standardization of these transactions will be explored in detail in this chapter. After that, a different aspect of provider-payer transactions is examined, namely, the temptation to cheat and the role of software in combating fraud.

Standardizing Transactions

Standardizing transactions has practical value:

- Forms with erroneous data will be readily recognized and returned to the sender to fix
- Fraud surveillance will be facilitated
- Claims that need to go to multiple health plans can be automatically routed
- Eligibility inquiries should be readily answered automatically, and providers could thus avoid long delays and high costs of making eligibility inquiries by phone

The list of benefits to standardized transactions is long.

EDI

A business transaction is an interaction between two parties where one party agrees to do something for the other party in return for some kind of compensation. The goal of business-to-business e-commerce is to enable companies to perform business transactions electronically. Thus activities of human actors need to be transferred to the computer. When human actors are directly involved in a business transaction they have an understanding (often implicit) about the context of the transaction. E-commerce captures the context of the transaction from the real-world and brings it to the system level in a structured way (Biagi, 2004). Standards for business transactions strive for electronic interoperability between organizations (Stegwee & Lagendijk, 2001). Business transaction standards are a set of definitions, specifications, and