

In 1994, the Under Secretary for Health approved a Health Administration Center (HAC) request to support Electronic Data Interchange processing and payment for health care claims. The initial focus was placed on pharmaceutical claims because 40% of HAC claims are prescriptions submitted in behalf of our beneficiaries. HAC had established a trading partner agreement with a third-party benefit management company in late 1994. In 1995, the average monthly receipt of electronic claims was \$2,193. Those receipts have risen significantly throughout 1996 to 1998 to an average of \$16,800 per month. Analysis of the data reveals in excess of a 60% reduction in processing time, with projected cost savings of \$181,500 annually. In 1995, HAC successfully developed an electronic interface with the Kansas City VAMC and the Leavenworth Consolidated Mail Outpatient Pharmacy (CMOP) in support of a Meds by Mail service for CHAMPVA beneficiaries in a limited test area. Benefits realized in the initial year of operation included a cost savings on drugs alone of 49% (both beneficiary and HAC payments). The Meds by Mail Service was expanded to 6 additional states in October 1996. The servicing center responsibilities were transferred from Kansas City to Cheyenne VAMC in July 1998, and the final phase of expansion, to include all states and Puerto Rico, was completed in May 1999. In addition to savings in excess of 40% of HAC's drug costs and reducing claim processing time by at least 60%, this initiative will realize a projected cost savings directly attributable to electronic claims processing of approximately \$90,000 annually.

Two legislative mandates in 1996 had a significant impact on health care EDI: the Debt Collection Improvement Act (DCIA) and the Health Insurance Portability and Accountability Act (HIPAA). DCIA mandates the implementation of electronic funds transfer (EFT) in the payment of health care claims; HIPAA mandates that all payers must be capable of receiving and sending health care related data electronically in the required format from any provider wishing to conduct healthcare transactions electronically within two years of the final rule. Because of HAC's comprehensive implementation of EDI, it is in a position to meet the mandate of the laws, benefit from the associated monetary savings, and reduce claims processing time while improving our service and quality.