

# CONDUCTING BUSINESS ELECTRONICALLY WITH MICHIGAN MEDICAID

# MORE INFORMATION

## How to Conduct Business **ELECTRONICALLY** With Michigan Medicaid

### HIPAA's Impact on Electronic Business

HIPAA-mandated transactions will revolutionize healthcare administration for providers, payers and patients. HIPAA was designed to speed up the adoption of electronic data interchange. National standards were

developed to unify formats and code sets, to simplify transactions and to reduce expenses. As a result, the practitioner-patient relationship will benefit greatly through the portability of patient records.

### Benefits to the Healthcare Industry

Converting to electronic transactions will lead to improved business practices through administrative simplification. EDI allows for multiple transactions, streamlines processing, lowers operating costs, simplifies the exchange of information, and reduces paperwork.

#### Save Time and Money Submitting Cleaner Claims

Electronic formats are pre-edited to reduce common claims data entry errors. Therefore, providers will be able to submit "cleaner" initial claims to payers resulting in a faster payment cycle, less frustration and lower administrative costs. This eliminates the administrative time wasted on manual tasks like data re-entry saving money and increasing productivity.

#### Reduce Excessive Paperwork and Storage Needs

Conducting business electronically reduces the amount of unnecessary paperwork by exchanging and storing information electronically via computers. Accounts payable and accounts receivable will benefit, too. These functions are very labor and paper intensive. Documents such as paper checks, claims, and remittance advice reports are continuously shuffled between various healthcare organizations. The current method of information exchange requires extensive handling by administrative personnel in multiple departments with data entry at each healthcare organization.

#### Speed Up Cash Flow.

The speed of information delivery is greatly accelerated due to computer processing power and the Internet. Faster submission of accurate claims produces quicker payments and reduces days in accounts receivable.

#### Enjoy Improved Communications.

With electronic transactions, healthcare information will be more secure between trading partners. Overall, privacy will be enhanced and fortified; and, the portability of patient records will be easier to access for payers, providers and patients alike. Other improvements will also greatly benefit healthcare providers. For example, Michigan Medicaid will send an electronic acknowledgement upon receipt of a transaction into their system so that trading partners will be aware of their status. Also, coordination of benefits will be improved benefiting both payers and providers.



*The future of healthcare administration is available today with Electronic Data Interchange (EDI). Now Medicaid's trading partners can exchange critical data and transaction information quickly. Healthcare partners will enjoy an improved business relationship and reduced frustration with electronic transactions due to the streamlining of existing processes and procedures. This has been achieved by utilizing standard formats and code sets. The benefits of EDI include increased administrative efficiency, reduced transaction costs and a quicker payment cycle.*

### Reducing the Cost of Doing Business

Since the introduction of electronic billing, the healthcare industry has been able to reduce the costs associated with business-to-business communications. The tremendous growth in technology has made electronic transactions an essential tool for conducting business efficiently. Its advantages over submitting paper claims are indisputable. Electronic information is portable, re-usable, retrievable, storable, and interchangeable between partners. Paper billing, by comparison, is inefficient, slow, redundant, costly and frustrating. In fact, paper billing will soon become obsolete for most providers as many major payers will be eliminating paper transactions completely.

Two factors have contributed to increased viability of conducting business electronically: the Internet and HIPAA.

### How to Take Advantage of EDI

1. Hire a full service e-biller, one that can implement multiple transactions to take advantage of the many benefits of electronic data interchange. A good place to start your search for an e-biller is the approved vendor list on the MDCH web site.
2. Convert to Electronic Fund Transfer (EFT) to speed up your Medicaid payments. EFT is much quicker and the money is deposited directly into your business bank account. There's no need to go to the bank and it saves everyone time and money.

#### Michigan Department of Community Health

- [www.michigan.gov/mdch](http://www.michigan.gov/mdch)
- [providersupport@michigan.gov](mailto:providersupport@michigan.gov)
- To become an electronic biller contact [automatedbilling@michigan.gov](mailto:automatedbilling@michigan.gov)

#### mihealth.org — your Michigan health resources link

- [www.mihealth.org](http://www.mihealth.org)

#### Contract and Payment Express (C&PE) — signup for Electronic Fund Transfer

- [www.cpexpress.state.mi.us](http://www.cpexpress.state.mi.us)



# UNDERSTANDING MICHIGAN MEDICAID'S ELECTRONIC TRANSACTION CYCLE

## Which Transactions Occur Prior to Service?

### 270 — Eligibility Inquiry

Providers request patient eligibility, coverage, and benefit information from a payer.

### 271 — Eligibility Response

Payers respond to a provider's request for eligibility, coverage, and benefit information.

## Which Transaction Occurs with Every Provider Transaction?

### 997 — Confirmation

Trading partners will know when their transactions are in the system because Medicaid will send an electronic acknowledgement of receipt.

## TRANSACTIONS PRIOR TO TREATMENT



\*"Provider" or the provider's agent is the entity that submits the electronic transaction.

\* All provider-initiated transactions elicit a **997 Transaction Response** from MDCH to acknowledge receipt of the message.

### 278 — Authorization Request

From the provider to the payer for patient authorization or referral. A 278 request may not always include the necessary information for the payer to make a definitive authorization or referral determination. In such cases, additional information may be necessary and will be provided through paper submissions or 275 attachment transactions.

### 278 — Authorization Response

When the payer responds to the provider's request for authorization or referral it is also known as 278 transaction.

## Which Transactions Occur Any Time in the Process?

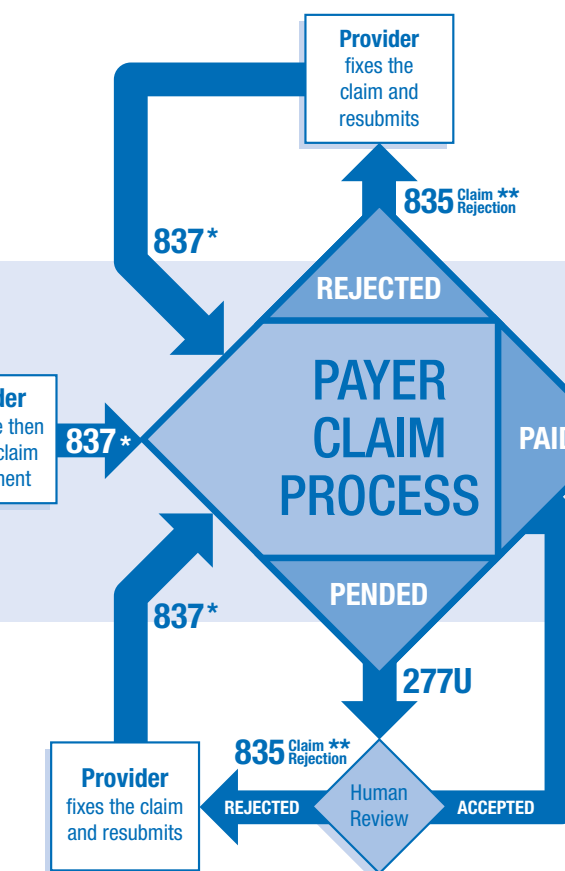
### 276 — Claim Status Inquiry

Once healthcare service has been rendered and an 837 claim has been submitted, the status of the claim can be tracked. The 276 provides partners the processing status of Professional, Institutional and Dental claims.

### 277 — Claim Status Response

The status of the claim is tracked by the payer and sent to the provider.

## CLAIM-RELATED TRANSACTIONS



\*\* If a claim is rejected, the provider must resubmit to receive payment.

At any point during the claim process:



## Which Transactions are Claim-Related?

### 837 — Claims

When healthcare service is rendered, the claim is submitted via as an 837. The HIPAA-mandated version of this transaction is the ASC X12N 837 v. 4010A1.

To cross-reference the 837 with the 835 Claims Remittance Advice, providers should include the following information on their 837: Patient Control Number; Patient Account Number; Medical Record Number.

### 835 — Remittance

Used to transfer payment and remittance information for adjudicated healthcare claims, only Paid and Denied claims can be reported in an 835 transaction using claim status codes. Pended information is transmitted via a 277 Unsolicited Claim Status (277U).

The 835 contains information about the payee (providers and/or their agents), the payer, amount, any identifying information regarding the payment, and detailed payment information including (if applicable) reasons why the total charges were not paid in full.

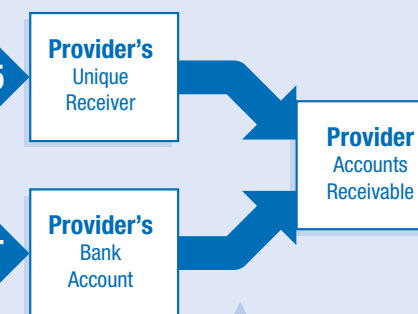
### 277U — Unsolicited Claim Status Response

The 277U identifies a pended claim — neither approved for payment nor rejected. Human intervention must take place to resolve its status.

### Electronic Fund Transfer (EFT)

EFT refers to the electronic movement of funds from one bank account to another. It's very much like direct deposit. EFTs reduce cost and paperwork, thereby improving operating efficiency and enabling trading partners to better control receivables and payables.

## PAYMENT TRANSACTIONS



## 835 Relationship to an EFT Payment Device

One 835 transaction corresponds to one payment device and one payee. Payment is sent from MDCH to a payee via EFT with a unique trace number for re-association.

The 835 serves as an input to the provider's billing and accounting systems. The transaction is designed to allow easier posting and reconciliation of remittance information. It includes a trace number to identify the EFT payment.