Real-time Pre and Post Claim Edits:
Improve Reimbursement, Compliance and Safety

An ESI Healthcare Business Solutions White Paper
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Healthcare Business Solutions

Introduction

Outpatient pharmacies submitting claims to third party payers constantly struggle with the accuracy of prescription data fields before submitting claims for processing at the maximum allowable amount. In a high volume pharmacy, this task is best accomplished through an automated system rather than depending on people to catch every rule and price update. If a claim is routed from the pharmacy to a processing switch before it is sent to the payer, there is an opportunity to edit the claim to ensure: 1) maximum reimbursement is paid, 2) legal and payer compliance rules are met, and 3) patient safety initiatives are implemented.

Pre and Post Edits (PPE) service evaluates submitted claims which are analyzed to maximize pharmacy reimbursements and reduce possible rejects by insurance providers. If adjustments need to be made, the claim will be stopped and sent back to the pharmacy with an indication of what information should be checked to allow the pharmacy to receive maximum reimbursement from the patients' insurance provider.

Problem Statement

The issue with trying to catch all of the opportunities for revenue improvement is that unless a pharmacy is only filling 50-75 prescriptions per day, there is not enough time or resources to do it effectively. There are over 100 possible edits that can be performed on a claim to enhance revenue, compliance, or safety. First and foremost, the pharmacist is concerned with clinical safety and to expect him/her to optimize the finer edits of claim adjudication is extremely difficult if not impossible.

Many billing algorithms use AWP (Average Wholesale Price) as a component in their formulas. AWP prices are very dynamic and at least some change every day. If the pharmacy system is being updated on a monthly basis for AWP pricing updates, there is a huge potential for under billing payers if the prices have gone up since the last update. Updating systems on a daily basis is not realistic for many pharmacies, especially in a hospital safety-net environment with limited IT resources.

Compliance rules and new safety measures are constantly being implemented and are difficult for pharmacists to monitor. The onus for ensuring all of these rules are followed is ultimately on the pharmacist in charge and automated reminders would be a welcome tool to help fulfill this task.

Solutions in the Market

To perform PPE claim adjudication, a pharmacy must have electronic prescription data that is being transferred to a payer via a switch. There are only a few switches in the country and most companies offering this service are affiliated with one of the switches.

The three largest Pharmacy Network Switches:

- RelayHealth
- Emdeon
- QS-1

Each of the respective providers offer a form of claim edit software (PPE). Product differences are largely related to the number of edits available and the cost of the service. Most models are charged on a transaction fee model with prices ranging from 4 to 25 cents per transaction based on volume. The ROI for these services ranges from 4:1, to all the way up to 25:1 for some safety- net sites.

All major retail pharmacy chains like Wal-Mart, CVS, Walgreens and others use PPE services to optimize their revenue and compliance. These for- profit entities do this because it makes good business sense and help keep their pharmacies compliant with new rules and regulations.

A pharmacy must partner with their primary switch for PPE as the analysis is done within the network before it is routed to the payer for processing. RelayHealth currently routes about 73% of all pharmacy claims in the U.S. and Emdeon captures 24% with QS-1 and others, the remainder. Pharmacies should always evaluate which network switch has the best PPE options available for them when deciding on a network provider.

ESI Rx Claim Advisor™

Outpatient prescription claims constitute an enormous risk or opportunity in terms of revenue for all pharmacies, but in particular, those associated with a large safety-net hospital system. These pharmacies often do not use a PPE service and only update AWP pricing on a monthly frequency.

ESI Rx Claim Advisor™ is geared for hospital associated ambulatory pharmacies. Any hospital that uses 340b pricing in their retail pharmacies and uses third party payers is subject to claim rejections from DAW (Dispense as Written) payer rules and needs a PPE service with DAW specific edits.

ESI Rx Claim Advisor™ has partnered with RelayHealth to provide customized edits for the safety-net community.

ESI Rx Claim Advisor™ General Features

- Is designed to optimize third party reimbursements and reduce submission errors that improve global profitability.
- Is comprised of over 50 edits that provide financial, administrative and legal compliance reviews on prescriptions prior to being sent to and received from the processor.
- Helps improve patient safety by providing reminders for dispensing Med Guide Sheets on certain drugs and prompts for Sound Alike drugs.
- Helps prevent errors such as improper DAW usage, incorrect pack sizes and use of discontinued NDCs.
- Allows pharmacies to compare U & C pricing to area competitors. This edit gives pharmacies valuable information for evaluating their retail pricing.
- Reports are available to evaluate savings.

ESI Rx Claim Advisor™ Pre and Post Edits

AWP Comparison: Compares the submitted AWP to the most current AWP available. In cases where there is a difference, PPE automatically substitutes the current AWP on the claim resulting in the new (higher) AWP is submitted to the payer for reimbursement.

DAW Appropriateness for Multisource Brands: Validates the appropriateness of a submitted DAW code of 0 for a multisource brand. If the submitted DAW is 0, PPE will return a reject message recommending that you substitute a generic or change to the appropriate DAW code. This edit is altered for 340b sites as often the brand could be cheaper than the generic product. DAW 5 is critical for safety-net hospital sites.

Usual and Customary (U&C) Market Comparison: Compares the submitted U&C price to the average market U&C based upon the NDC number and quantity being dispensed. The edit looks for claims from stores in the same three-digit ZIP prefix as the submitting pharmacy.

U&C Third-Party Paid: Identifies when the submitted U&C equals the third-party amount paid. Paid at Maximum Allowable Cost (MAC) Edit: For Brand and Multi-Source Brand drugs with a total reimbursement of worse than AWP negative 40% invoke, this edits normally indicates the transaction was flagged as a MAC.

Quantity/Days' Supply: Calculates daily dose based on quantity dispensed and days' supply to help prevent third-party audits, rejects, or inappropriate payments caused by an atypical daily dose being dispensed.

Medicare Verification: Identifies patients 65 years or older, and reminds you to ask if Medicare coverage exists when billing a Medicaid, to help prevent the erroneous submission of Medicare eligible claims to the Medicaid as the primary payer. The payer may audit for such claims post-payment and recoup the entire dollar amount paid, directing the pharmacy to bill Medicare as the primary and then bill Medicaid as the secondary.

NY Medicaid - Capture to Paid: Reformats a "Captured" response from NY Medicaid to a "Paid" response and populates the appropriate NCPDP paid response fields.

TX Medicaid - Prescriber ID Authentication: This edit validates the submitted Prescriber ID number and name against the appropriate prescriber file to ensure the name and number is valid for TX Medicaid claims.

Caremark Performance Drug Program: Assists enrolled Caremark Pharmacies with the administrative complexities (compliance rules, patient counseling and physician follow-up requests) of changing "non-preferred" drug prescriptions to an alternative "preferred" Caremark performance drug, while monitoring the submitted Conflict, Intervention and Outcome codes to ensure the pharmacist submits the appropriate

incentive payment codes for the Caremark PDP program.

DEA Authentication: Validates the presence and format of the submitted physician DEA number on claims of controlled substances. It also compares the DEA number against the federal National Technical Information Service (NTIS) file, which is updated weekly.

NDC Validation: Identifies when a submitted drug has been discontinued or has a new NDC number.

Quantity/Package Size: Verifies that a submitted quantity is an appropriate multiple of the package size for a unit-of-use package, which includes items such as oral contraceptives, oral and nasal inhalers, and ophthalmic solutions.

NPI Validation: Notifies your pharmacy when you are using an invalid, inaccurate or inappropriate prescriber National Provider Identifier (NPI) number.

Implementation

The ESI Rx Claim Advisor™ solution is a simple on/off configuration option within the RelayHealth Network. If your site currently uses RelayHealth as a switch, PPE can be activated and configured within a week and your pharmacy can begin realizing higher pharmacy margins.

Summary

To improve the accuracy and efficiency of retail pharmacy prescription claims, high volume pharmacies should look to an automated PPE Claim service to optimize those claims. PPE services utilize advanced rules logic between the pharmacy and the payer to ensure that each claim is optimized for maximum reimbursement and full legal compliance.

For pharmacies that have medium to high percentages of third party payers or struggle with compliance issues, PPE offers a tremendous tool to improve revenue and workflow. One safety-net client improved revenue for the first month of the service by $97,000 and the cost was $3,800. There are very few opportunities in the business world that create a 25 to 1 return on investment and hospitals should definitely investigate PPE if they have a large retail pharmacy operation.

About ESI Healthcare Business Solutions

ESI Healthcare Business Solutions (ESI) partners with safety net and academic medical hospitals to deliver clinical and financial solutions focused on pharmacy procurement, reimbursement and performance-based professional services agreements and end-to-end revenue cycle performance. With headquarters in Dallas, ESI Healthcare Business Solutions applies proprietary technology and solid industry expertise to help our clients achieve efficiencies and savings, drive revenues, and improve patient outcomes. For more information, visit www.esihealthcaresolutions.com.

About the Author

Tom Renshaw, R.Ph., M.C.S.D has more than 20 years of clinical systems management experience at a safety net hospital. He has been instrumental in developing pharmacy solutions designed to streamline clinical workflow, lower hospital costs and optimize patient and clinical outcomes in the inpatient and outpatient setting. He can be reached at tomrenshaw@esihealthcaresolutions.com.