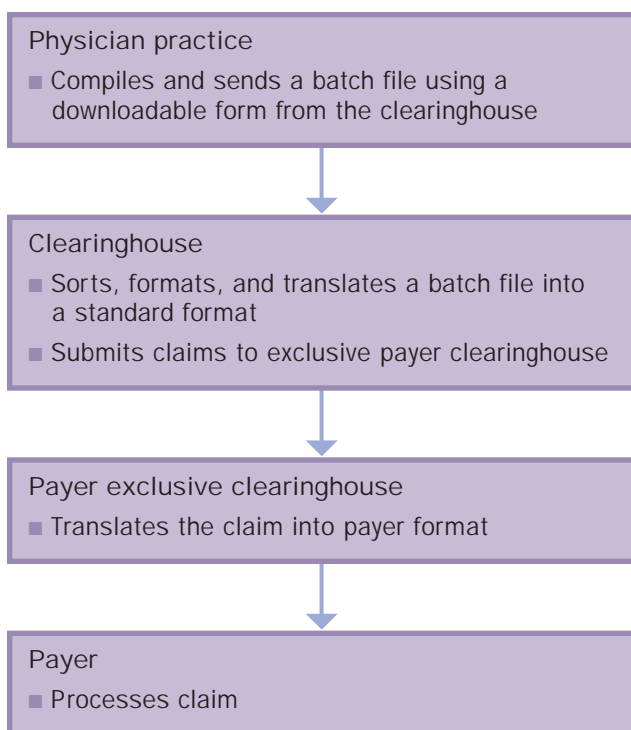


# What is a clearinghouse?

A clearinghouse is a private or public company that provides connectivity and often serves as a “middleman” between physicians and billing entities, payers and other health care partners for transmission and translation of claims information (primarily electronic) into the specific format required by payers. A contracted billing service, application service provider (ASP), or even a payer may meet the definition of a clearinghouse if it performs such translation services [The Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandates the implementation of standard transactions that might enable payers, as well as physicians, to submit claims without a clearinghouse because such translation services may not be needed].

## Submission/translation of claim information

The clearinghouse may provide a downloadable print image of a claim form. The physician practice completes the information for each claim and compiles a batch file (containing multiple claims, often to multiple payers) and electronically sends the print images to the clearinghouse. When the clearinghouse receives the submitted claims, it sorts, formats and translates the information into the standard format. The clearinghouse then translates the information into the health plan’s required format or submits the claims to the payer or clearinghouse designated by the payer for translation. The claim is then submitted to the payer for processing. Most clearinghouses can meet the claims edits of each participating (contracted) health plan using its specific computer formats.



## Clearinghouse Fees

Clearinghouses generally charge the physician practice for their services; fees may include a start-up fee, monthly flat fee, and/or per-claim transaction fee based on volume. The physician practice should confirm with the clearinghouse which services are included in the contracted fee, since clearinghouses frequently introduce new features that may include inquiries for eligibility, claim status, and secondary billing services. The clearinghouse may offer these services during a trial period only. Therefore, the physician practice should be sure to inquire about the fees that may apply after the trial period. Most clearinghouses mail paper claims to health plans that do not offer electronic billing options and handle secondary payer claims. These services may or may not be included in the contracted fee. In addition to charging the physician practice, clearinghouses generally charge payers a monthly flat fee and/or claim transaction fee based on volume.

## Clearinghouse Relationships

A physician practice may need to establish a relationship with only one clearinghouse, provided a payer does not require claims submission to a specific clearinghouse. An increasing number of payers require submission to specific clearinghouses, and some payers have launched their own clearinghouses that physicians must use to submit claims. In these circumstances, the clearinghouse is essentially working on behalf of the payer, not the physician. This may cause the clearinghouse to perform more extensive claims edits, and could result in higher rejection levels and delayed payment. The physician practice should request clarification from the clearinghouse regarding its payer relationships.

When contracting with a clearinghouse, there are a number of issues for a physician practice to consider. Careful evaluation is necessary to select one that supports most of the health plans billed by the practice. The reverse side of this flyer outlines questions a physician practice should ask when considering contracting with a clearinghouse.

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## Twelve questions to ask before contracting with a clearinghouse

- 1. How will the clearinghouse affect the current physician practice management system and workflow?**

The clearinghouse transaction service should successfully integrate with the physician practice management system and workflow.
- 2. Does the clearinghouse meet legal and regulatory requirements (eg, HIPAA, state and federal laws and regulations)?**

HIPAA regulations affect the privacy and security of the transmitted data, mandate the required standard data transaction sets and require a business associate agreement to be completed between an exclusive clearinghouse and a physician practice or payer. The clearinghouse and payer should also adhere to the applicable state prompt payment and processing laws affecting the handling of the physician practice's claims.
- 3. Who owns the clearinghouse (ie, payer, private or public company) and how long has it been in business?**

A clearinghouse owned or exclusively contracted by a payer may essentially be working on behalf of the payer, not the physician practice. This can mean claim edits are more extensive, resulting in higher rejection levels and delayed payment.
- 4. Does the clearinghouse offer access to payers that represent a significant portion of the physician practice? What is the relationship between the payer and clearinghouse?**

The physician practice should be sure to select a clearinghouse that supports most of the health plans billed by the practice. A clearinghouse may be required by a payer to send physician practice claim submissions to a specific clearinghouse contracted by the payer. The physician practice needs to understand the relationships between the clearinghouse and the parties involved in the claim submission to the payers.
- 5. How are the charges to the physician practice assessed (eg, monthly, per user, per transaction)? What is the typical term for payment (eg, net 10, 15, 30 days)? What method of payment is acceptable?**

Clearinghouses generally charge the physician practice or payer for their services; fees may include a start-up fee, a monthly flat fee, per-user fee and/or a per-claim transaction fee based on volume, etc. The physician practice should be aware of the required terms and methods available for payment. Some clearinghouses send invoices that require payment within 10 days and allow credit card payments to assist the physician practice in making timely payments.
- 6. What are the system requirements for the physician practice?**

The physician practice's current hardware, software and/or Internet connection may not meet the system requirements of the clearinghouse. In addition, special software, hardware or connection, such as a digital subscriber line (DSL) might be required.
- 7. What is the clearinghouse claims transaction process for gathering data from the physician practice and submitting the claim to the payer?**

The physician practice should understand the clearinghouse's claim submission requirements and the available claim formats of the payer, [eg, Centers for Medicare and Medicaid Services 1500 Health Insurance Claim Form (CMS-1500), American National Standards Institute Accredited Standards Committee Insurance Subcommittee X12N (ANSI ASC X12N) 837-Professional Health Care Claim, (ASNI ASC X12N) 835-Health Care Claim Payment/Advice].
- 8. What process does the clearinghouse offer to handle paper and secondary payer claims?**

Clearinghouses may offer different methods of handling paper claims and secondary payers. A paper claim may be mailed to a payer that does not offer electronic billing options, or the claim may be scanned or entered by the clearinghouse and electronically submitted to a payer. A secondary payer claim may also be handled differently by the clearinghouse. The physician practice should be aware of what the clearinghouse will or will not do with these types of claims.
- 9. Does the clearinghouse allow for real-time connection and resubmission of claims to all payers accessed through the clearinghouse?**

The physician practice should know the clearinghouse's policy regarding adherence to the contract provision of the payer's time submission requirements and clean or complete claim requirements.
- 10. What additional services does the clearinghouse offer and what are the charges, if applicable?**

Clearinghouses frequently introduce new features; many now offer additional services including inquiries for eligibility, claim status, and secondary billing services. The clearinghouse may offer these services during a trial period only. Therefore, the physician practice should be sure to inquire about the fees that may apply after the trial period.
- 11. What types of reports does the clearinghouse provide to the physician practice regarding claims submission and payment?**

The physician practice should be sure to understand the clearinghouse codes used on the generated reports and determine how these reports will integrate with the practice management software and physician practice workflow to ensure appropriate claim follow up.
- 12. What customer support services—including hardware, software and training—does the clearinghouse offer?**

The physician practice should consider the associated costs, hours and response times of the clearinghouse's customer support services.