

# What is a medical billing clearinghouse? And what do they do?

[Article]

## Why Clearinghouses Transmit Electronic Claims to Insurance Carriers, and Why the Service they Provide is Essential to Medical Practices.

The simplest way to explain what a medical clearinghouse is, and does, is to paint a picture of the problem they solve - their piece of the puzzle.

Imagine 3 to 4 million licensed healthcare professionals and facilities all using a different Practice Software, sending out claims to over 3000 different insurance carriers daily - across fifty different states -- each state having its own insurance regulations; and then each carrier having its own internal software infrastructure; In essence, what you have is the perfect recipe for an information super-disaster.

If on average just 10 claims a day were sent to 5 different insurance carriers by every practice, you'd have millions of claims daily heading to the four corners of the earth. Now compound this situation with the numerous phone calls and claim re-submittals that each claim error will produce until all reimbursement issues are resolved and the bill is paid.

For years these claims have gone to insurance carriers on paper - an absolute nirvana for the U.S. Postal Service. They have the infrastructure to handle it, and on a good day they do.

But the manpower required for thousands of insurance carriers to handle paper work and phone calls for each claim error, represents a huge cost to health insurance which we as individuals pay by way of insurance premiums (here, a medical office manager would argue: "Just pay the darn claim and I wouldn't have to call!) But that would eliminate the problem. Somehow, deep in our subconscious, it appears we really need all those auditors, adjusters, underwriters, actuaries, reviewers, and insurance bureaucrats et el.

### **GOING ELECTRONIC**

Enter the advent of health claims being transmitted electronically. You might say, "it sounds great". Except that you no longer have a US Postal Service available to do the transmitting. Electronic claims clearinghouses were devised by Medicare and insurance companies to step in electronically where the postal service was unable to - to act as air traffic controllers of electronic claim transmittal, so to speak, and prescreen for claim errors.

Most simply, medical claim clearinghouses are aggregators (senders and receivers) of mountains of insurance claim information, almost all of which is managed by software. Large clearinghouses today process trillions of transactions each year. They are essentially 'regional' post-offices that enable healthcare practices to transmit electronic claims to insurance carriers. Additionally, they provide a Biller or Office Manager a place to manage all their claims from one central location --usually an online control panel, similar to online checking.

### **How A Claims Clearinghouse Works**

Here's the nuts and bolts of how it works. The billing software on your desktop creates the electronic file (the electronic claim), which is then sent (uploaded) to your clearinghouse account. The clearinghouse then **scrubs** the claim checking it for errors (arguably the most important thing a clearinghouse does); and then once the claim is accepted, the clearinghouse **securely transmits** (very important) the electronic file to the specified payer with which it has already established a secure connection that meets the strict standards laid down by a HIPAA.

At this stage, the claim is either accepted or rejected, but either way, a status message from the carrier is sent back to the clearinghouse which updates that claim's status in your account. It then alert's you (e.g. by email) that you have an accepted or rejected claim. If rejected, you have a chance to make the needed corrections and re-submit the claim. Ultimately assuming there are no other corrections needed and the patient's insurance is valid, you'll receive a reimbursement check along with an explanation of benefits (EOB), all very simple. Not.

The same sort of activity takes place every night within the federal banking system as our checks and banking activities are sent electronically from local banks to central ACH repositories (Automated Clearing Houses) and then on to banks of origin across the country, and then back to local banks -- all done electronically, and somewhat instantly.

So today, you have dozens of regional medical clearinghouses throughout the country all serving the same role; that of scrubbing claims and transmitting that claim information securely to insurance carriers electronically.

### **You might think: "That's nice, but why do I need one?"**

The best clearinghouses offer additional features that can provide a whole new level of claim intelligence for revenue cycle management. This can make their services extremely compelling from a financial perspective, and as well highly desirable from an office-staff efficiency point of view.

Here are some highlights on what to look for regarding premium services:

- **Eligibility Verification** - Determine coverage before treatment
- **Electronic Remittance** - Have your patient accounting automatically updated
- **Claim Status Reports** - Know the status of a claim at all times
- **Rejection Analysis** - Have error codes displayed in plain English
- **24/hr Access** - Edit and correct claims day or night online
- **Printed Claims** - Have non-par claims automatically dropped to paper but still be able to track them electronically.
- **Patient Statement Services** - Have patient statements put on 'autopilot'
- **Real Support** - The best clearing houses offer one-on-one personal training and support, provided by billing experts.
- **Affordability** - When you take into consideration the purchasing of forms, printing, envelopes, and postage; a clearinghouse ends up costing about the same as sending paper claims.

### **Main Clearing House Benefits**

Here are the main benefits of using a claims clearinghouse - in a nut shell.

Using an electronic clearinghouse to send claims:

- Allows you to catch and fix errors in minutes rather than days or weeks
- Fewer rejected claims results in significantly higher claim success
- Rapid claims processing: Submitting claims electronically can reduce your reimbursement times to around ten days.
- Eliminates the need to prepare claims manually, re-keying transaction data over and over for each payer
- Submit all your electronic claims in batch all at once, rather than submitting separately to each individual payer
- It provides a single location to manage all your electronic claims
- Avoid long hours of being on-hold with Medicare and Blue Cross
- Vastly improve vender relationships with all insurance carriers.
- If you subscribe to a good clearinghouse, you'll be speaking with a knowledgeable support person within just a few rings
- Shorter payment cycles lead to more accurate revenue forecasts
- Reduce or eliminate need for paper forms, envelopes and stamps

Plain and simple, using a clearinghouse greatly simplifies your claims processing.

**But you may ask (legitimately) "If I can submit my claims directly to a payer for free, why should I pay a clearing house?"**

## **ADVANTAGES OF GOING DIRECT:**

Many large payers such as Medicaid, Medicare and BlueCross act as their own transmitting intermediary allowing you to submit claim information directly to them. Here are the advantages:

- Ability to submit claims directly to the payer without a middleman
- Free of charge. No recurring fees.

## **DISADVANTAGES OF SUBMITTING DIRECTLY TO PAYERS**

Each new payer that you want to send claims to directly can entail a potentially long and involved testing/certification process that can take weeks (or months) while you send (endless) test claims (and then live claims) which get rejected over and over until all the details unique to that payer are worked out. Going direct to each payer would mean repeating this process afresh each time you want to add a new payer to send claims to (here, a clearinghouse administrator would say: tell me about it).

Submitting claims directly to more than a single entity puts an extra, unnecessary burden on billing staff who are forced to remember multiple transmission methods, multiple logins and passwords, multiple file names and file types, and to memorize each carrier's often cryptic error codes, and interpret each carrier's often confusing claim status reports.

### **Here are a few disadvantage highlights:**

- Lack of centralization (claims and claim data at many locations)
- Hidden costs. Often additional software components must be purchased, which can impact your regular software support fees.
- The unnecessary added confusion of multiple accounts to log into, and multiple data entries, increasing the opportunity for errors
- Lack of effective claim management tools.
- Little to no support (Would you naturally really call Medicaid or Medicare for technical support?)

In the end, it becomes difficult to calculate **the actual cost of 'free'** when it translates so fundamentally to potentially wasted time, increased billing errors, frustrated staff, increased claim denials, and lengthened payment cycles. There may be good and bad clearinghouses, but submitting claims directly to more than a single entity begins to look like inefficiency gone to seed. Whereas the advantage of submitting claims to a single entity are many fold.

**CONCLUSION:** The vast majority of health insurance carriers do not have the manpower or the infrastructure to handle millions of medical practitioners (each using a different billing software) daily sending electronic claims (in slightly different ways) across 50 states that are each regulated differently. So there exist a desperate need for the centralization, standardizing, and the secure transmission of claims via these important intermediaries we call a clearinghouse.

## How To Tell If You Need One

You can easily tell if you would directly benefit from subscribing to an electronic claim clearinghouse service by answering a few questions:

1. Does your practice bill (or plan to bill soon) electronically?
2. Does your practice bill a number of insurances, ..or just one?
3. Is your staff experienced at billing electronically? (The less experienced, the greater the need, and greater the benefit).
4. What is your claim volume? The cost of a clearing house is often offset by no longer having to send in paper claims.
5. Would it help to quickly and greatly reduce claim errors?
6. Would it help to drastically shorten reimbursement times?
7. Do you have better things to do than to be on hold for hours with Medicare or Blue Cross trying to figure out claim errors?

## How to Select a Good Medical Claim Clearinghouse

How does one distinguish a good clearinghouse from a bad one? The answer is not always simple. But here are some important things to look for:

### **Payer List:**

First and foremost, make sure that the insurances you bill on a regular basis are on their payer list. This list is most often available online at their website.

### **Nationwide:**

Many clearinghouses are regional. Steer towards ones that operate nationally.

### **Office Software:**

Let them know what medical billing software you have and ask if they have people using it on their system (successfully we might add). This part can make a tremendous difference to avoid what billers call clearinghouse hell.

“Clearinghouse hell is when you call your clearing house about a claim error and they tell you that you absolutely have a billing software problem. Then you call your billing software company and they assure you that the problem lies with the clearing house. This circle of stupidity can go on for weeks making you insane, when all you want is the damn claim to go through, but no one will take responsibility and get to the bottom of it. Avoid clearinghouse hell when at all possible”.

### **Easy-out Contract:**

Most of the better services today offer a month to month subscription.

### **Support:**

Try contacting their support before you sign up.

**Error Reports & Control Panel:**

Most clearinghouses will offer you a quick tour of their control panel, (the location online where you'll be managing your claims). What you want here is easy navigation within the management area with claim errors and rejections reported in clear, concise language not merely as numbers which can be extremely confusing.

**Monthly Fees:**

Many of the best clearinghouses charge between \$85 and \$125 per month, per doctor (rendering provider in box 24-J). The ones that charge more are not necessarily worth the extra cost.

**Pets:**

If you're a pet owner, choose a claims clearinghouse that's pet friendly (..really :):)

**Advanced Features:**

Over and above just transmitting electronic claims, the best medical clearinghouses offer many highly desirable advanced features such as: Eligibility Verification, Sent File Status, Claim Status Reports, Rejection Analysis, Paper Claims (created for you and mailed when necessary), Secondary Claims Processing (cross-over), Electronic Remittance Advice (ERA), Patient Statement Services (you no longer have to mail out all those patient statements each month), Payment Processing, and finally, Transaction Summaries of all your clearinghouse activity. These advanced features can make a good clearinghouse worth its weight in gold.

## Clearinghouse Directory

Following is a growing directory list of 'happy' clearinghouses. Ones that operate nationally, provide one-on-one support, and have a good reputation as rated by thousands of medical billing software users.

### National Directory of Electronic Claim Clearinghouses

\* Just O.K., \*\* Good, \*\*\* Excellent, \*\*\*\* Highly Recommended

iPlexus \*\*\*

Gateway EDI \*\*\*

[MPMedi](#) \*\*\*\* (Highly Recommended)

ZirMed \*\*\*

Availity \*

Thin \*

Magellan

ENS Health \*\*

MCC - Medical Claims Corp \*

Capario (Previously MedAvant)

RelayHealth (Previously McKesson)

Emdeon

Envoy

ediHealthcare

ClearConnect (Regional: Minnesota only)