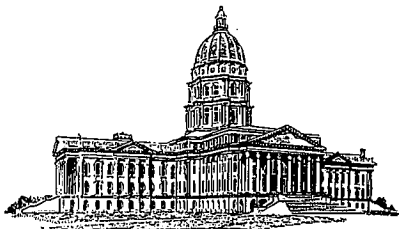


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**JIM DENNING**  
19TH DISTRICT

To: House Insurance Committee  
Date: February 15, 2012  
Subject: HB 2565 Concerning health care expense transparency

Thank you Chairman Schultz and committee members for the opportunity to appear before you and support House Bill 2565.

HB 2565 addresses head on the most important part of health care reform. Health care transparency has received very little attention during the health care reform debate. Of all the components of health care reform, determining the out of pocket costs for the patient before non-emergent services are delivered is the most important. It is also the most achievable in the short run. Kansas has the opportunity, through this bill, to advance the transparency of health care expenses to the level patients and medical practices are demanding.

Health care plans have transformed into higher deductible, H.S.A designs, and in general larger out of pocket expenses to the patient. Patients and doctors offices need a real time and simple way to determine the out of pocket costs for patients. In the current environment patients may not know their out of pocket costs until they receive a bill from their doctor's office. This is commonly 20 to 30 days after their appointment. The doctor's office billing staff will not know the patients out of pocket cost until the insurance pays what they are responsible for. Not until that occurs will patients know their out of pocket costs. Some practices call the insurance company to attempt to get an estimate of the patients out of pocket costs. Some practices log on to the individual insurance company's web sites to try to determine the estimated costs. Both methods are inefficient and expensive. Most importantly to note both methods take 20 minutes or longer. There is a modern method to obtain this information in real time using available technology. HB 2565 implements the modern real time method.

The Accredited Standards Committee – X12 organization ([www.x12.org](http://www.x12.org)) is responsible for creating electronic data interchange (EDI) standards for the insurance industry. The latest version of the X12 transactions required under HIPAA regulation is Version 5010, as of January 1, 2012. With the suite of 5010 transactions, X12 created a new transaction, the 837 005010x291, titled "Health Care Professional Predetermination Request." The purpose of this transaction is for a physician practice, and other health care providers, to

House Insurance  
Date: 2-15-12  
Attachment # 2

submit to the health plan a transaction for the services and costs of care they plan to provide and receive a response from the health plan stating exactly what services will be covered and the total amount that will be paid. This information allows the patient to know exactly what amount they will pay out-of-pocket for the service and the practice to know what it will be paid. The ability to obtain a predetermination of benefits as existed for many years in the dental industry. If patients can be told what their costs will be prior to undergoing a root canal, shouldn't they be able to receive the same information for their medical services?

The structure of the predetermination transaction is the existing 837 claim transaction, which is required to be used by the industry when conducting electronic claims transactions. The workflow is that the practice submits to the payer the predetermination request using all necessary data to fully adjudicate the claim, except for the date of service. The payer receives the predetermination request and processes it through their adjudication system. The payer responds to the practice with an 835 remittance transaction, which is a required transaction under HIPAA. The 835 response includes the exact benefits information and payment information that would have been paid had the predetermination been an actual claim. The actual payment does not occur with the 835, since it is a predetermination transaction. Because of the use of the existing claim and remittance transactions, there should be minimal or no programming changes that a payer will need to do in order to be able to perform the predetermination transactions.

HB 2565 would require health care plans to recognize and respond to this request in real time, batch or single mode. The effective date would be January 1, 2014. This transaction set is the missing piece in being able to tell the patients what their out of pocket health care costs will be.

The following example is the current state of health care transparency in Kansas and the United States. Let's assume I have invited the House Insurance Committee to dinner. Of course we will discuss fly fishing and not legislation.

<b>Cheese Burger</b>	<b>\$ ??.??</b>	<b>French Fries</b>	<b>\$ ??.??</b>
<b>KC Strip</b>	<b>\$ ??.??</b>	<b>Buffalo Wings</b>	<b>\$ ??.??</b>
<b>Salmon</b>	<b>\$ ??.??</b>	<b>Tacos</b>	<b>\$ ??.??</b>
<b>Spaghetti</b>	<b>\$ ??.??</b>	<b>Pizza</b>	<b>\$ ??.??</b>
<b>Cheese Enchiladas</b>	<b>\$ ??.??</b>	<b>Chef Salad</b>	<b>\$ ??.??</b>
<b>Chicken Breast</b>	<b>\$ ??.??</b>	<b>Key Lime Pie</b>	<b>\$ ??.??</b>

**Total Due: Unknown**

**Co-Payment \$50.00**

**Balance Due: Pay when you receive your credit card statement!**

Health care transparency is the holy grail of health care reform. Without this transparency, meaningful reform is not complete. The technology exists, the demand from the patients' exists. The willingness of Kansas health care providers to work with Kansas health insurers exists. We have gotten the horse in front of the cart by advancing high deductible and H.S.A plans without first solving the health care transparency needs. With this legislation, Kansas and Kansas Insurers can correct this deficiency and be a model state for meaningful health care reform.

I want to express my appreciation to all the medical office staff and patients who have come to testify in support of this bill. Most have never testified to a committee but find this issue so important that they are doing so today. In addition to all the state health care organizations supporting this bill, I want to thank the American Medical Association in particular. Without their leadership and helping me associate with X12 organization I would not have the knowledge to present this bill today.

I urge your favorable support of HB 2565 and will stand for questions now or at the appropriate time determined by the Chair.