Indian Health Service finds the right prescription for pharmacy payments

The Indian Health Service (IHS), an agency within the Department of Health and Human Services, is responsible for providing federal health services to American Indians and Alaska Natives. The IHS currently provides health services to approximately 1.8 million individuals who belong to more than 560 federally recognized tribes in 35 states.

Market Matters interviewed representatives from IHS to discuss the results of a recent successful pilot program to post electronic pharmacy payments.

MM: First, let’s talk about the IHS automation strategy in general. Are pharmacy payments part of a larger plan for automation?

Lahi: Since my background is in the business office, one of the new tasks assigned to the IHS business offices about 10 years ago was payment posting to our RPMS (Resource and Patient Management System) patient billing system. Backlogs and staffing were a big issue for us at that time. The Billings and Phoenix facilities were doing some automated posting, and then HIPAA (Health Insurance Portability and Accountability Act) really pushed us to focus on automation. Currently we are posting 80% of our institutional/medical 835s at 50-60% of our facilities.

Schweitzer: I learned of the institutional/medical 835 posting efforts at one of our conferences. I was in the process of completing the Pharmacy Point of Service implementations. The posting of pharmacy payments is such a tedious process, with large volumes of claims and many $0 payments that have to be posted. Medical claim payments were a priority, so we took care of that part first, but there was no question that pharmacy needed to be prioritized. I learned how to manually post as part of this project, and I have a great appreciation for those doing the posting. We knew this project would have a significant impact on IHS.

MM: What makes pharmacy 835s different from institutional 835s?

Yellowbird: In the institutional, the claim number is unique to the claim itself. In the pharmacy, since the RX number (prescription number) can be refilled, there are multiple dates associated with the same RX number. For institutional claims, the system would reject a duplicate claim number, so for pharmacy we have to also look at the date of service, since the RX number is the claim number.

Schweitzer: Pharmacy claims are transmitted “real time,” and we immediately get a response as to the amount that we will be paid.

MM: So on the pharmacy side, you actually have real time adjudication, which is something that we almost never see on the institutional side.

Lahi: That’s correct. Our pharmacy claims create a claim in our third-party billing system that automatically creates an entry to the accounts receivable system. When the remittance advice comes in, it matches the entry to the accounts receivable system and this is where the posting occurs. Once an electronic payment is downloaded, there are mismatch reports that can be used for reconciliation purposes.

MM: Are most pharmacy payments electronic (EFT)?

Schweitzer: Not yet. We’re working on that. All IHS pharmacies transmit their claims electronically. However, the industry is still in the process of having EFT payments available and we need to make some adjustments on our end.

Germain: Complicating our EFT set up efforts is pharmacy processors’/payers’ preference to take a “chain code” contract approach to payment disbursement, versus paying the individual facility NCPDP (National Council for Prescription Drug Pricing) number. In other words, payers want to treat the individual IHS regions as consolidated pharmacy chains with one provider ID. Paying by chain code requires additional payment reconciliation to allocate payment amounts to the individual NCPDP numbers. Direct payment reconciliation is the preferred method.
MM: Tell us more about the recently completed pharmacy pilot.
Lahi: IHS developed a special interface process that includes a location directory that routes files to each facility for posting. This replaced clearinghouse services that were used by the individual facilities. PNC acquires the pharmacy 835s for IHS. Each facility is responsible for downloading, posting, and reconciling its own pharmacy files.

Schweitzer: Five sites are posting pharmacy payments right now. We’ve finished our pilot, confirmed our process, and we’re in the stage of rolling out to the other facilities (92 in total). Pharmacy payments will be added to existing facilities that are already posting institutional payments.

Langley: The Warm Springs facility has Medco Health and Advanced PCS in production. We will pilot Argus this fall. I understand the IHS Navajo area, Gallup and Ft. Defiance will be piloting Walgreens and Express-Scripts payers.

MM: What issues did you experience in implementing the pilot?
Schweitzer: A lot of infrastructure was required to put the program in place, including getting data communication links for all our facilities.
Lahi: We’re now requiring that all sites use standard HIPAA compliant software that will integrate fully with RPMS. We’ve had great support from IHS headquarters on this initiative.

MM: And, of course, there was the programming to post both by RX number and date to eliminate the duplicate claim number issue.
Lahi: We added a lookup feature so that claims could be looked up by both claim number and RX number.

MM: Any issues with the new Medicare Part D program?
Schweitzer: The primary issue is related to differentiating between commercial plans and Part D plans. It has also been a challenge trying to keep up with the change in processors for the different plans. We’ll start working with a Plan to establish an electronic relationship needed to implement the 835, only to find out they have switched to a different Pharmacy Benefit Manager (PBM). That causes problems in terms of getting to the right person to arrange a new electronic relationship.

Yellowbird: Most of my paper checks now have a “D” if they are Medicare D, so they are easy to identify.
Lahi: I had heard that payers were sending files that integrate both Medicare Part D and commercial payments into one file with no identifiers. We would probably have to go back to the original claim and match based on the type of insurer. Finance is asking us to batch those payments by Medicare, Medicaid and commercial, so we’ll need to consider how to do that.

Langley: It would be good if we could produce reports on commercial pharmacy versus Medicare D, since we have to report those receipts separately at the business office.

MM: What benefits have you seen at the pilot locations?
Yellowbird: I really have enjoyed being one of the first sites to see the new system. When I receive calls from the other sites, I know how to assist them with some of the problems I have encountered. Now that it is streamlined, it is wonderful! The time that it saves is unbelievable. On one check, I can have 1000 claims. Each charge is listed separately, so one person can have six drugs listed separately. Posting manually can be very time-consuming. Now we download, post, reconcile, and we’re done. I’ll be very happy when we can get more payers live.

Langley: I am really happy that we got this electronic process. It saves a lot of time. We used to have to input every claim payment that was posted manually to a TAR (Transaction Report) spreadsheet. Now we don’t have to do that. With the electronic postings, I can write down the entire payment that posted, rather than the original claim payments.

Yellowbird: I’ve timed it. The amount of time to post manually from hard copies could be up to one to two days, depending on the number of pages, versus less than one hour per file to reconcile and post the electronic files.

Lahi: As we roll out, we’re hoping that people that are doing the manual posting will have time freed up to follow up on some of our unpaid claims. We have a lot of bills out there that haven’t been paid but are potential revenue if claims are pursued.

MM: Thank you, and good luck as you implement the other IHS facilities!