



January 21, 2014

The Honorable Robert Olson
Chairman
Financial Institutions and Insurance Committee
Kansas State Capitol
300 SW 10th Street, Room 546 S
Topeka, Kansas 66612

Re: American Medical Association support for S.B. 251, The Real-Time Explanation of Health Care Benefits Act

Dear Chairman Olson:

On behalf of the American Medical Association (AMA) and our physician and student members, I am writing in support of Senate Bill (S.B.) 251, the Real-Time Explanation of Health Care Benefits Act. This legislation takes an important step towards increasing cost transparency for patients and physicians.

The AMA is committed to supporting patients in making informed decisions about their health care. A basic component to the patient's ability to make such an informed decision is obtaining cost information *prior* to receiving services. Unfortunately, the lack of transparency in the current health care system creates significant roadblocks, and change is desperately needed.

This important legislation would allow patients and physicians to receive a real-time explanation of how a claim will be adjudicated, including the copayments and coinsurance required of the patient, before health care is provided. As a result, patients would be able to have informed discussions with their physicians about their health care and make educated decisions with reliable cost information in hand.

The need for this legislation is even more important in today's changing health care environment, as consumers may be purchasing health insurance for the first time on the Kansas health insurance marketplace and may be unfamiliar with their copayment, coinsurance and deductible responsibilities. Moreover, many health insurance products on the market today have high patient cost-sharing requirements, making cost information a critical component to the patient decision-making process.

Not only does the AMA believe this legislation is important, but we also believe it is an achievable undertaking for the insurance industry. AMA staff has expertise in the area of Health Insurance Portability and Accountability Act (HIPAA) standardized transactions, transactions that allow for the exchange of the real-time information between insurer and provider that would be required under S.B. 251. In fact, we are fortunate to have an AMA staff member currently serving as vice chair of the Accredited Standards Committee X12 (ASC X12) insurance subcommittee, the organization that develops and maintains electronic transactions for insurance and health care.

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After examining the technical work that would be involved in implementing this legislation, we have concluded that it is an entirely feasible and realistic process for all involved stakeholders. Specifically, ASC X12 published two technical reports in 2010 related to predetermination of professional and institutional claims:

- Health Care Predetermination: Professional (005010X291)
- Health Care Predetermination: Institutional (005010X292)

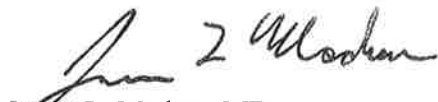
While these reports are not the current HIPAA mandate, they mirror the internal requirements of the current HIPAA-mandated professional and institutional claims, varying only in the specific needs for identifying predetermination claims versus claims for payment.

In addition, the HIPAA-mandated Health Care Claim Payment/Advice (835), both the original version (004010X091) and the current technical report (005010X221), have included instructions for predetermination of benefits claims since 2006. The current guide, section 1.10.2.7 (Predetermination of Benefits), provides explicit requirements for reporting predetermination claims within the standard remittance advice. Usage of these standards will minimize the technical impact of this legislation on the entire industry.

Given the important and timely nature of S.B. 251 and the feasibility with which it could be implemented, the AMA strongly supports this bill and respectfully requests that the committee report it favorably. If you have any concerns or questions, please contact Emily Carroll, Senior Legislative Attorney, Advocacy Resource Center at emily.carroll@ama-assn.org or 312-464-4967.

Thank you for your consideration and the opportunity to provide input on this important legislation.

Sincerely,



James L. Madara, MD

cc: Members, Senate Financial Institutions and Insurance Committee
Kansas Medical Society