

Quick Take on Clearinghouses

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by Mark McLaughlin

HIPAA's provisions have brought healthcare clearinghouses into the spotlight. What is a clearinghouse, and how is its role affected by the new regulations? This article answers these questions.

A clearinghouse is typically used to collect, validate, and distribute insurance claims, remittances, claims status, eligibility, and more. For providers, hospitals, and health plans, clearinghouses can take the headaches out of transaction processing.

Keeping Track of Transactions

To understand more about transactions, it's necessary to define some terms used within the clearinghouse world. **Electronic data interchange (EDI)** is the processing and passing of information, such as claims data, electronically between trading partners. Claims, remittance advice, eligibility, and claims status are all examples of transactions passed via EDI to trading partners.

Trading partners can be providers, hospitals, health plans, clearinghouses, or any other entity exchanging healthcare transactions. Those EDI transactions passed between trading partners must conform to a defined layout or "format." A format is generally defined by the receiving trading partner.

Prior to HIPAA, health plans would ask for transactions in a variety of formats because all of their adjudicating systems were different. If providers sent transactions such as claims to several insurance plans, they would need to know how each insurance plan wanted the data formatted. Because keeping track of all of the different submission and formatting criteria was such a large task, clearinghouses quickly become popular.

Validating, Verifying, and Maintaining

When a clearinghouse accepts information from a provider, hospital, or other entity, it validates it by:

- **performing duplicate checking** to ensure that the data was not mistakenly sent a second time
- **validating totals** to make sure that claims are in balance and that data was not "lost"
- **validating certain information** that is commonly needed. That information would be considered a required piece of information and must be present
- **providing for more health plan-specific validation** of the information. Each health plan may require different pieces of information. The clearinghouse will generally "clean" the claim before sending it on to the health plan

In addition to validation services, a clearinghouse also:

- **informs the sender** what information was not clean so that the sender may correct and re-send it. This greatly enhances the turnaround of payment
- **provides connectivity** to a wide array of health plans. Generally clearinghouses are connected to hundreds or thousands of health plans. This allows providers and hospitals greater flexibility with submission of information
- **maintains updates** to health plan formats. As health plans change the way they would like to see information, providers and hospitals do not need to make changes. Clearinghouses provide that service for them
- **returns reports from health plans** to allow for the complete audit of outstanding transactions
- **verifies** that the plan has received the same information sent by the clearinghouse
- **provides** paper claim printing and submission as well as patient statement printing services

Clearinghouses also provide customer service support for:

- questions on healthcare information submitted through the clearinghouse
- documentation services that provide information on health plans
- providers and hospitals by setting up trading partner agreements and enrolling them as submitters to health plans
- processing services on a daily basis

HIPAA on the Horizon

How will HIPAA affect clearinghouse services? HIPAA will standardize the format of the information being sent to and from health plans. That will simplify the process of validation and maintenance of many different formats.

Does this mean that clearinghouses will no longer be needed? More than likely, the answer is no. In fact, they will have additional opportunities to focus on providing additional services to health plans, as HIPAA allows health plans to use clearinghouses as a business associate to accept healthcare information on their behalf.

Clearinghouses will also continue to deal with issues associated with transferring information to health plans. Busy phone lines, no answer, and changes in method of communication are all typical problems that clearinghouses address daily. These and other challenges will continue to keep clearinghouses at work as they evolve to meet market and regulatory demands.

Mark McLaughlin is a regulatory policy analyst with McKessonHBOC. He also is a commissioner for the Electronic Healthcare Network Accreditation Commission (EHNAC), which accredits clearinghouses and value-added networks. He can be reached at Mark.McLaughlin@itb.mckhboc.com.

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