



## Kofax for Medical Claims

“When a flood of claims arrives on Monday, we are caught up by the end of Tuesday. Even when Hurricane Ivan forced us to evacuate for three days, we were caught up by the end of the next week.”

— Pan-American Life

### The Challenge:

#### Reduce Processing Costs and Payment Errors

Health care spending in the U.S. is predicted to rise steadily over the next decade as a result of an increased ability of citizens to pay and increasing health care provision costs. For health insurers this rise is manifested as a dramatic increase in claims processing volumes. In 2008, 1.5 billion claim pages per year (75 million per day) were processed, and the volume is expected to increase for the foreseeable future.

As a result, U.S. health insurers face a number of challenges that affect their bottom line:

- **More paper to process.** Electronic submission of claims using the HIPAA defined EDI837 standard is an option for larger hospitals and clinics, but is cost prohibitive for smaller health care providers. While adoption of electronic solutions for adjudicating claims is high, manual data entry of CMS-1500 and UB-04 paper claims into those solutions is still a bottleneck that causes high costs and processing delays.
- **Erosion of profitability due to payout increases.** The cost of health care in the U.S. is rising. Simply raising client premiums to compensate is not a sustainable strategy, so insurers need to reduce operating costs, particularly in the area of data entry for paper claims. While sending data entry to a business process outsourcing (BPO) organization can reduce these costs, offshoring to get the lowest possible rates is not always possible due to requirements set out in the HIPAA Act 1996.
- **Frequent and costly processing errors.** According to the Healthcare Billing and Management Association, “The frequency of overpayments, rejections and denials often reaches 50%, mainly due to manual data entry errors and the high complexity of claims.”

### The Solution:

#### Automate and Streamline Claims Handling

Kofax enables health insurers to automate their end-to-end medical claims process, efficiently capturing information from CMS-1500 and UB-04 paper claim forms, and reducing operational costs and the frequency of payment errors during data entry.

Kofax allows health insurers to:

- Automate and accelerate the capture of CMS-1500 and UB-04 paper claim forms and supporting documents, and the delivery of that information to business systems and content repositories, replacing expensive manual processes for managing high volumes of documents from a wide variety of sources.
- Enhance any scanned claim form or supporting document irrespective of color, size, weight, contrast, condition or content; produce consistent, high quality images with minimal user training; and increase the efficiency and accuracy of downstream classification and recognition processes.
- Automate the classification, information extraction and validation of CMS-1500 and UB-04 claim forms and supporting documents using self-learning OCR technologies that provide the highest accuracy levels with the most rapid payback, replacing error prone manual processes for extracting and validating information.

## Key Features

**High extraction rates.** CMS-1500 and UB-04 claim forms contain hundreds of fields. The cost to enter this information manually is high: up to \$4 per claim. Kofax achieves high automatic extraction rates by using advanced image processing technologies that ensure the data is always found correctly on the form, even on faxes, and by “voting” using industry leading OCR engines to maximize character recognition rates.

**High accuracy.** Kofax solutions automatically validate extracted information according to American Medical Association (AMA) specifications for data format and field content. Information relating to medical treatments is verified against AMA Current Procedural Terminology (CPT) code databases, and patient data is verified against the insurer’s own customer database. The result: an 80% or more reduction in payment errors, erroneous rejects and denials.

**Short deployment timescales.** Kofax has prebuilt configurations for CMS-1500 and UB-04 forms—both red drop out and black and white versions—including extraction and validation of information according to AMA specifications, image preprocessing, database lookups against the AMA defined CPT codes for treatments, and screen layouts for the manual keying of additional data.

## Case Study: Pan-American Life

As a result of releasing a new insurance product, Pan-American Life saw their volumes of claims grow to 7,000 per week, and their claims processors were struggling to keep up. Pan-American brought in temporary workers, which brought its claims processing staff up to 50. The company also contracted with an outside vendor to scan and verify data—a costly stopgap measure. But longer term, Pan-American knew they had no choice but to look to an in-house technology solution to alleviate the burden of manual processing. The increase in claims also put a strain on the company’s Customer Relationship Management Center, which began fielding more calls from customers checking on their claim status, with each request requiring an information search and a return call. The situation eventually began to affect sales as well.

In mid-May 2004 Pan-American analyzed their needs and engaged Kofax to specify a solution. Kofax demonstrated how the solution would be more cost effective than outsourcing in the long run, and met Pan-American’s condition to install the system in less than a month. With the system running live, the company increased the productivity of each claims processor from 9 to 21 claims per hour, reduced headcount from 50 to 20 and reduced labor costs by 60%. Pan American also increased the level of auto-adjudication—now many routine claims are approved automatically without need for human assessment.

## About Kofax

Kofax plc (LSE: KFX) is the leading provider of document driven business process automation solutions. For more than 20 years, Kofax has provided award winning solutions that streamline the flow of information throughout an organization by managing the capture, transformation and exchange of business critical information arising in paper, fax and electronic formats in a more accurate, timely and cost effective manner. These solutions provide a rapid return on investment to thousands of customers in financial services, government, business process outsourcing, healthcare, supply chain and other markets.

Kofax delivers these solutions through its own sales and service organizations, and a global network of more than 1000 authorized partners in more than 60 countries throughout the Americas, EMEA and Asia Pacific.

For more information, visit [www.kofax.com](http://www.kofax.com).