

# NEIC

**National Electronic  
Information Corporation  
1983 Annual Report**



## ***On-Line and Running***





**NEIC is a partnership between carriers, providers, and vendors...a partnership dedicated to the future of the health care industry.**

1983 was a turning point—for both NEIC and for the health care industry as a whole.

For the first time, electronic submission became a reality as thousands of claims were received and distributed by NEIC's Health Claims Distribution System (HCDS). And the year ended with a flurry of activity that will provide the momentum for even greater achievements in 1984.

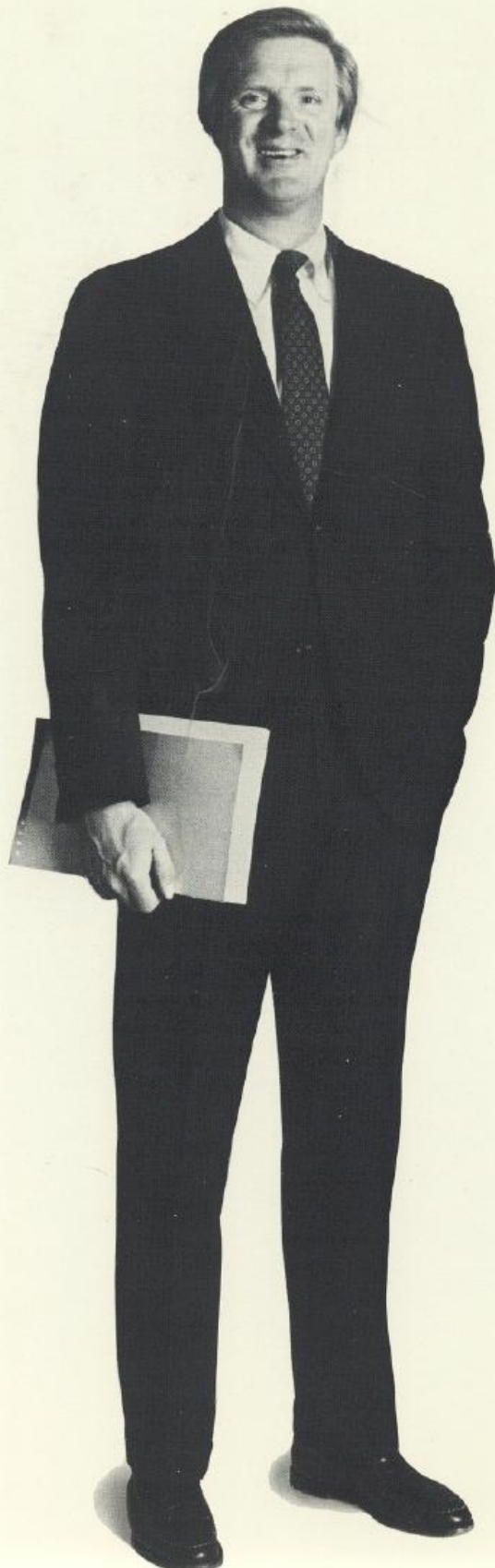
Let's look at some of the high points:

First, our sales have never been better. We sold 26 hospitals in the fourth quarter of 1983—our best sales performance to date. 78 stand-alone hospitals signed with NEIC in 1983: in other words, about one out of every four hospitals visited by our sales force.

Toward the end of the year we also saw a tremendous surge in Stripe card distribution. More than five million I.D. cards were distributed in the fourth quarter, representing over a third of the 15 million cards distributed to date.

It's no coincidence that sales increased when card distribution soared. We've been saying that the presence of the Stripe card at the hospital location is the single biggest factor in assisting our marketing staff to close the sale, and our fourth quarter statistics prove it.

Many other significant achievements were made last year. These include installation of our new in-house data center... modification of HCDS to conform to the latest UB-82 specs... development of "Quick Screen" software to simplify data entry for outpatient claims... and the formation of a new division (Industry Relations) and a new department (Support Services).



Why this sudden boom in activity, sales, and claims volume? I can think of three major reasons.

First, our name and our purpose are becoming well known, thanks in part to our marketing and media efforts.

Second, our system has proven its ability to perform effectively and reliably, and our member carriers and providers have been a great help in spreading the word. Third, as millions of I.D. cards make their way into circulation, more and more people see NEIC as a truly national system, an industry standard for claims submission.

We plan to continue this success and achievement in the years to come. As we enter 1984, we are on the verge of implementing many of our participating information service vendors: AMI/Lifemark, SMS, McAuto, Med-Data, Medical Processing, and HIS all plan to go live during the first half of the year.

This year, we will also be developing and testing our Medical Claims Distribution System (MCDS), a new system for electronic submission of physician claims. MCDS has the potential of handling five times the claim volume of HCDS.

As more and more providers and carriers go on-line, claims volume continues to increase. Last December, we processed one-fifth of the year's total volume. By mid-January, we'd already passed that level.

Most important, we plan to take advantage of the upswing in card distribution, and our goal is to have more than 30 million cards distributed by year-end 1984. To achieve this goal, NEIC will work closely with our member carriers to coordinate card issuance efforts, and we will continue to secure participation from additional private commercial health insurers.

However, NEIC is more than a system or a company. NEIC is a partnership between carriers, providers, and vendors... a partnership dedicated to the future of the health care industry. And with continued support from the industry, NEIC will fulfill its mission and become the national clearinghouse for electronic submission of health care claims.

*Robert S. Bradley*

**Robert S. Bradley**  
President and  
Chief Executive Officer

HCDS is a "paperless" data capture system. It electronically transmits inpatient and outpatient claim data from hospitals to insurance companies through a highly efficient timesharing network that operates on IBM mainframe equipment.

Here's how the system works:



# On-Line and Running

**NEIC began with a single idea: use the computer to improve the paper-intensive claims submission process as well as the people-intensive claims adjudication process.**

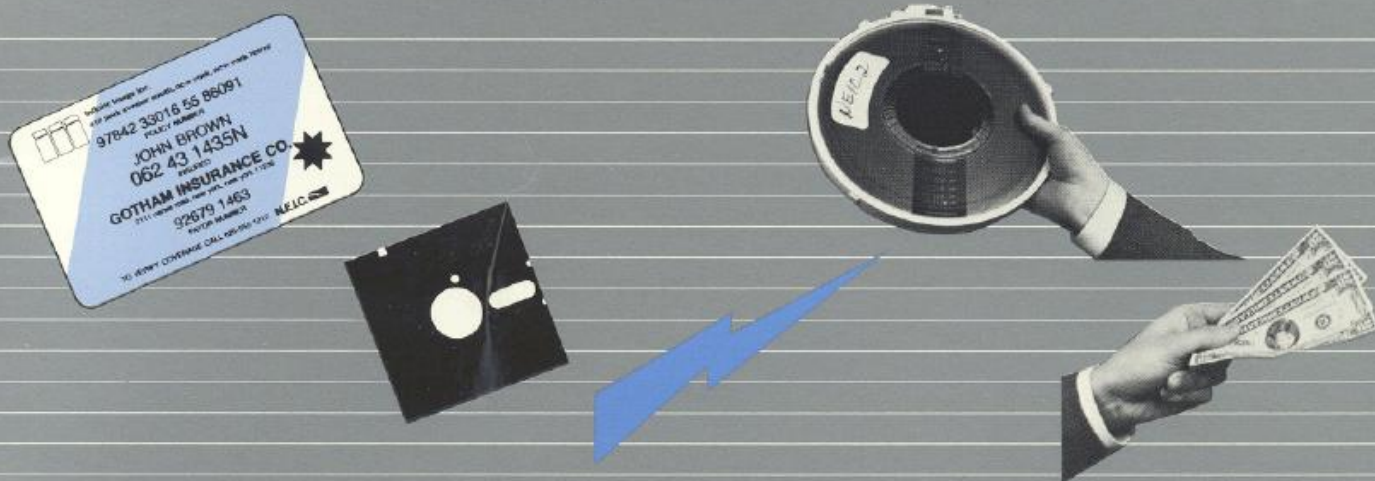
**Clearly, no single insurance company had the market share or the resources to implement the idea alone. And so, eleven carriers combined forces to form NEIC as a national clearing-house for the receipt of health care claim information in electronic form and the transmission of this information to payers in the private insurance industry.**

**Today, NEIC is a small but highly productive organization that effects major changes in the handling of health care claims. By bridging the gap between provider and**

**carrier EDP systems, NEIC has streamlined the claims handling process, making it simpler and more efficient than ever before.**

**1983 marked the beginning of NEIC's nationwide acceptance as the industry standard for paperless claims submission. Many significant events—increased participation of carriers and providers, widespread distribution of the NEIC Stripe card, dramatic increases in claims processing volume, an enhanced internal customer support structure—all contributed to the growth and success of NEIC.**

**This report addresses NEIC's accomplishments in 1983 and outlines our goals for 1984—and beyond.**



**1**

**Patients enter the hospital and present the NEIC "Stripe" insurance I.D. card to admitting personnel.**

**2**

**Hospital personnel, using the information on the card, key claim information into either their hospital's data processing system or a stand-alone microcomputer with NEIC software.**

**3**

**Claims are then either express mailed (in the form of magnetic tape) or transmitted via telecommunications to an IBM 3033 mainframe located in Vienna, Virginia and operated by Boeing Computer Services.**

**4**

**NEIC's Health Claims Distribution System (HCDS) edits each claim received for completeness and proper format. Claims that lack necessary information are returned to the hospital for resubmission. Properly prepared claims are sorted and distributed in batch form to the appropriate carriers.**

**5**

**The carriers receive edited electronic claim data that can be entered directly into their adjudication process.**

**The result is less paperwork, a reduction in administrative errors, faster claims investigation, and prompter payments to hospitals and policyholder employees.**

*\*The Stripe, a standardized identification card issued to all individuals covered by an NEIC member carrier, contains all information needed to initiate electronic claims submission.*

**Successful implementation  
of HCDS paves the way  
for recognition of NEIC as  
the national standard  
in electronic claims  
submission.**

1983 marked the beginning of a new era in claims processing as HCDS—NEIC's Health Claims Distribution System—completed its first full year of successful operation.

After two years of development and testing, HCDS became fully operational in December 1982. Since then, use of the system by providers and carriers has grown dramatically—from less than a hundred claims a month to nearly 6,000 claims processed in December, 1983. In addition to commercial claims, HCDS began processing Medicare, Part A claims in May, 1983. NEIC is now able to accept both types of claims—commercial and Medicare (where the hospital's fiscal intermediary is an NEIC-member carrier)—from NEIC-member hospitals anywhere in the country.

Most important, the claims acceptance rate is 92.2%, demonstrating successful implementation of the system on the provider side. What's more, every claim correctly submitted during 1983 was edited by NEIC and sent to the proper carrier within 24 hours.

To date, more than 1,500 hospitals representing a 34% market share are capable of utilizing the HCDS through contractual agreements with NEIC. In 1983, NEIC secured the participation of many segments

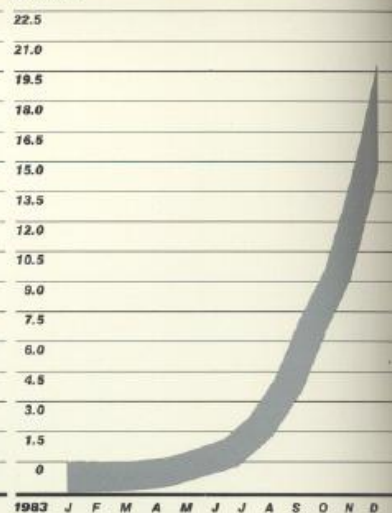
# HCDS

Millions



**Cards**

Thousands



**Claims**

**Toward the end of the year, there was a tremendous surge in Stripe I.D. card distribution, and more than 5 million cards were distributed in the fourth quarter of 1983.**

**Claim volume similarly climbed drastically, paralleling the surge in cards, and shows the direct relationship between the two.**



of the health care industry: stand-alone hospitals, multi-hospital systems, and hospitals served by large shared-services vendors. Among the major multi-hospital systems and vendors signed are American Medical International, McAuto, Kaiser Foundation Hospitals, Shared Medical Systems, Charter Medical Corporation, Health Information Systems, and the Sisters of Charity Health Care System.

In order to permit stand-alone hospitals to transmit their claims electronically, NEIC developed "claim create" software that runs on the IBM or Texas Instruments PC. The availability of this software allows hospitals to start transmitting data within 48 hours of installation of the system and telephone lines. The PC serves as the link between the hospital and NEIC until an interface can be established between the HCDS and the hospital's central computer. As a result, NEIC can bring more providers on-line in less time.

Participating providers state that there are many benefits to being on-line with HCDS. Among these are fewer errors and delays, faster claims investigation, a shorter reimbursement cycle, a significant per-claim administrative cost savings, and the use of electronic submission as a marketing tool to encourage local policyholders to use the hospital's facilities. Many providers report that the NEIC process facilitates patient admissions by use of the uniform "Stripe" I.D. card, and that electronic billing procedures have resulted in faster, more accurate claim submissions to the patient's carrier.

#### **NEIC adds 10 new carriers**

The signing of ten new carriers in 1983 brought the total NEIC carrier membership to 35. These 35 insurance companies handle approximately 85% of the private commercial group health claims reimbursement dollars.

All 11 of NEIC's founding carrier members are now accepting claims through HCDS, and as 1983 closed, four additional carriers went on line. By the end of 1984, most (and possibly all) of NEIC's member carriers will be "live" with HCDS. The system will help these insurance companies streamline claims processing, reduce paperwork, and control rising administrative costs. Also, by screening out incorrect or incomplete submissions, HCDS saves carriers the time and expense of sorting out unacceptable claims and manually returning them to providers for resubmission.

NEIC represents a significant turning point for these carriers as they prepare to compete with various existing and emerging types of health care coverage. Our service offers a significant opportunity for carriers to realize substantial savings in claims administration, thereby holding the line on health care costs.

#### **HCFA helps NEIC expand**

The Health Care Financing Administration (HCFA) has taken several significant steps that will speed the industry's acceptance of NEIC as the national standard for electronic claims submission.

First, HCFA approved Aetna's proposal for a 30-month demonstration project to advance the application of electronic media claims submission through the use of NEIC. The test is designed to encourage providers to submit electronically and to demonstrate HCDS's ability to reduce administrative costs.

Second, HCFA is implementing UB-82 as the national billing format for claims submission. All states, except those exempt due to federally approved cost-containment efforts already in place, are slated to adopt the UB-82 format by the end of 1985. Since the NEIC system's data set is based on UB-82, the implementation of UB-82 as the industry standard will hasten the acceptance of NEIC as a national clearinghouse for handling health care claims.

#### **NEIC Services, Inc.**

NEIC Services, Inc. is a newly formed, wholly owned subsidiary of NEIC. It was created to handle all government-related claims—specifically, Medicare—and allows the federal government to audit these claims separately from the commercial claims received and distributed by HCDS. In addition, NEIC Services reduces NEIC's overall audit costs...allows NEIC to track all



costs associated with Medicare ...demonstrates to HCFA NEIC's desire to isolate these costs... and enables NEIC to meet HCFA requirements without affecting the receipt and distribution of commercial claims.

### **The Stripe is the key**

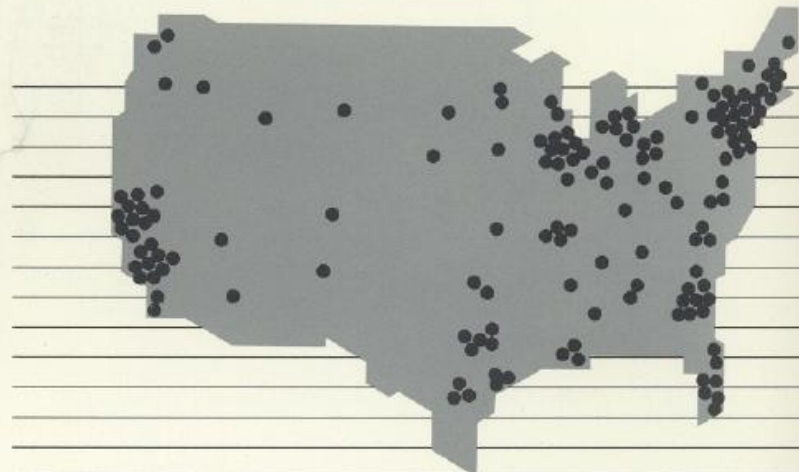
The key to successful implementation of HCDS is distribution of the NEIC "Stripe" I.D. card to policyholder employees.

Over 7½ million covered employees received some 15 million cards in 1983. This means that insurance claims for 18½ million lives—8.9% of this country's population—can now be electronically submitted via NEIC.

Card distribution gained momentum as the NEIC system demonstrated its ability to

perform reliably and effectively, and nearly 70% of the Stripe cards issued in 1983 were distributed in the fourth quarter of the year.

Sixteen of NEIC's 35 carrier members are currently issuing cards to their policyholders, with many more planning to distribute cards in 1984. To date, more than 15,000 policyholders—including Boeing, DuPont, Melville Corporation, Exxon, Hook Drugs, California Institute of Technology, AMCA International, Pitney Bowes, and Pacific Northwest Bell—have already distributed NEIC Stripe I.D. cards to their covered employees.



● represents ten hospitals

**Through present contracts with shared service vendors, multi-hospital systems, and stand-alone providers, over one third of the nation's hospitals are capable of using the NEIC system.**







# Growth

**In 1983 NEIC formed new divisions and departments to enhance communications and support of carriers and providers.**

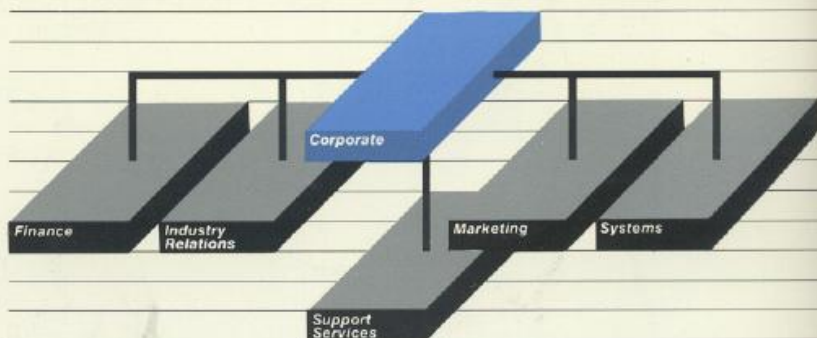
As provider and carrier participation in the system increased, NEIC reorganized in an effort to meet its membership's growing need for support. By forming new divisions and departments, NEIC has become better able to promote effective communications and relations between the corporation and its members.

## **Industry Relations Division**

In 1983 NEIC created a fourth division—Industry Relations—in addition to Corporate, Marketing, and Systems. Industry Relations was formed to improve communications and relations between NEIC and its member carriers, and to market NEIC to insurance companies that have not yet signed with the system. The services provided by Industry Relations include telephone contact, site visits, carrier conferences, coordination of carrier implementation, training, marketing and advertising support, and a newsletter, The Monthly Update, designed to keep carriers informed of the latest NEIC news and developments.

## **Support Services Department**

Support Services was formed as a new department under the Corporate Division. Its mission: to provide comprehensive systems support to NEIC-member carriers and providers.



**The chart above shows the five basic divisions and departments of NEIC.**



*With the formation of Support Services, all support activities were consolidated under a single department within the corporation. The result is faster implementation of new users, more efficient information exchange between hospitals and insurance companies, better quality training, and more testing before implementation.*

*Support Services consists of two operational areas: Systems Support and Customer Support. Systems Support implements carriers and providers that are developing their own interface with HCDS. Customer Support handles PC installations, implementation, and training of stand-alone hospitals and shared-services vendors.*

#### **Systems Division reorganized**

*The Systems Division has been split into four separate teams—Operations, HCDS, PC, and MCDS.*

*The Operations team is responsible for managing NEIC's new New York City-based data center. The system consists of an IBM 4341 mainframe computer, eight disk drives, a tape drive, a printer, multiple terminals, 4 megabytes of internal memory, and 1,600 megabytes of on-line disk storage. Using a duplicate of the production HCDS software located at Boeing's data center in Virginia, NEIC conducts in-house carrier and provider testing, general troubleshooting, problem solving, and new product development on its IBM 4341. The system is also being used to establish an internal company-wide Management Information System (MIS). Already, the new computer has significantly reduced the time and cost of testing new carriers and providers.*

*The HCDS team is responsible for maintenance, problem solving, and enhancements to the Health Claims Distribution System. The team is tasked with keeping the HCDS running smoothly, as well as providing enhancements to meet the future needs of our members and expanding the system's capabilities.*

*The Personal Computer (PC) team is responsible for maintenance, problem solving, and enhancements of the stand-alone microcomputers NEIC installs at provider facilities. One recent enhancement to the microcomputer software is "Quick Screen," a feature designed to simplify the handling of outpatient claims. With Quick Screen, the hospital clerk can enter data on one screen for a standard HCDS transmission. Once all the data is entered, the Quick Screen software "explodes" the data on the single screen automatically transferring it to the various record types necessary for the claim to pass the HCDS edit procedure. Quick Screen is fast and easy to use and saves the hospital time in entering outpatient claims.*

*In addition, the PC team is adding hard-disk drives to the stand-alone microcomputers to increase their storage capacity. The entire PC software package is also being rewritten to make data entry easier and more user-friendly.*

*The MCDS team is tasked with the development, testing, and introduction of NEIC's newest product—the Medical Claims Distribution System.*



# ***Supporting You***









**NEIC will develop, test, and implement a system for the electronic submission of physician claims.**

In the fall of 1982, NEIC conducted a study to determine the feasibility of offering the NEIC service to physicians. The study showed that physician and vendor interest in such a product was high. Further research was conducted to define options and develop operational concepts, and by the end of 1983, NEIC's Board of Directors approved the development of a system for handling the electronic submission of physician claims.

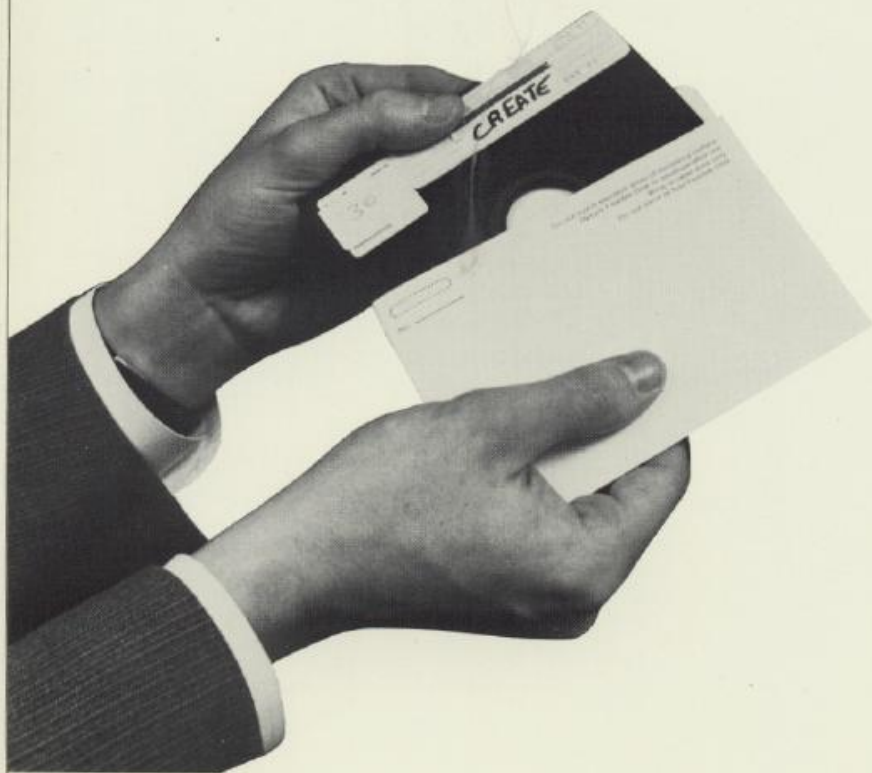
The Medical Claims Distribution System (MCDS) will be designed, developed, tested, and pilot-implemented by NEIC in 1984. Introduction of MCDS to the

marketplace is scheduled for January, 1985. MCDS will transmit both commercial and Medicare, Part B claims. MCDS, like HCDS, will be driven by the NEIC Stripe I.D. card.

The physician marketplace generates approximately five times the claims volume of the hospital marketplace. Thus, MCDS has the potential of developing quickly into a successful system with thousands of on-line users.

However, because of the large number of physician offices spread throughout the county, it was not deemed cost-effective for NEIC to market MCDS directly to individual physicians. NEIC's approach will be to market MCDS to computer vendors—both service bureaus and turnkey system vendors—that specialize in providing data processing systems and services to doctors. These vendors may then, in turn, offer MCDS as part of their total EDP package.

There are a number of benefits to this marketing strategy. First, when NEIC signs a vendor, all of the vendor's customers have the potential to become part of the MCDS network. In this way, NEIC is able to reach more doctors





with less time and effort spent on sales and marketing. The result is quicker penetration into the physician marketplace.

Second, physicians will be able to enjoy the benefits of MCDS without having to deal with NEIC as a supplier separate from their vendors. Physicians are often more interested in practicing medicine than in learning how to computerize their offices. Since NEIC is offering MCDS to vendors as an enhancement to their total EDP package, physicians can get MCDS—as well as all the services, hardware, and software they require—from a single source... their vendor. And surveys indicate that this is what they would prefer.

MCDS will do for doctors what HCDS does for providers: reduce paperwork, cut administrative costs, shorten the reimbursement cycle, and improve cash flow. And, the system's single standardized billing format will reduce errors and simplify data entry.

In a recent survey, most of the vendors NEIC spoke with expressed strong interest in having a central clearinghouse for the electronic receipt and distribution of physician claims. They see MCDS as a product that allows them to remain competitive—and profitable—in an age where electronic submission is clearly the wave of the future. MCDS will boost vendor sales by adding to the value of the systems and services these vendors offer to their customers.



#### **MCDS Implementation Timetable**

<b>January 1984–May 1984</b>	<b>MCDS Systems Development</b>
<b>June 1984</b>	<b>Acceptance Testing</b>
<b>July 1984–August 1984</b>	<b>Client Testing</b>
<b>September 1984</b>	<b>Installation Testing</b>
<b>October 1984–December 1984</b>	<b>"Live" Pilot Production</b>
<b>January 1985</b>	<b>Nationwide MCDS Implementation</b>



# 1984

## A Look At Things To Come.

**As more and more Stripe cards are distributed, NEIC comes closer to becoming the industry standard for electronic claims submission.**

NEIC is the only company bridging the electronic gap between health care providers and the private health insurance industry. Already, NEIC has significantly streamlined the claims submission and adjudication process, resulting in the reduction of administrative costs for both the provider and the carrier.

Despite this initial success, establishing electronic claims submission as an industry standard will require the support and active participation of all parties. During 1983, the number of NEIC Stripe cards distributed by participating carriers increased from roughly 2 million to over 14 million. By year-end 1984, card distribution by carriers will rise to a minimum of 30 million cards. This effort will not only increase the number of providers who use the system, but will also serve as the ultimate example of carrier support of the NEIC clearinghouse concept and the industry-wide goal of cost-containment in health care.

To this end, our goal for 1984 is to bring all member carriers to an active, card-issuing status. In addition, NEIC will continue to admit new carrier members to the system.



**The NEIC Stripe card will be issued to all policyholder employees covered under the NEIC system. Use of a standardized I.D. card simplifies verification of coverage and gives employees an added sense of security.**



### **Bringing providers on-line**

Now that most of the country's major shared-services vendors have signed with NEIC, another goal for 1984 is to begin bringing their hospitals on-line.

Implementation of many of our shared service vendors and multi-hospital systems has already begun. Our two largest shared service vendors, Shared Medical Systems (SMS) and McAuto, are both completing NEIC installations at their pilot sites. During 1984, the more than 1,500 hospitals across the country that use SMS's and McAuto's services will be able to submit their claims electronically via their vendor and NEIC.

The Sisters of Charity Health Care System, which includes the first two hospitals to submit live claims to NEIC, plans to offer electronic claim submission to its other 17 hospitals. And Charter Medical Corporation, a proprietary multi-hospital chain in Macon, Georgia, has announced plans to put all of its 30 hospitals on NEIC by year-end 1984.

Med Data Ltd., an Atlanta-based hospital billing service, is progressing with its plans to install NEIC in its 60 hospitals. In addition, Med Data has contracted with National Medical Enterprises (NME) of Beverly Hills to provide the NEIC service to 21 of NME's hospitals in 1984.

American Medical International/Lifemark multi-hospital system plans to pilot hospitals in California on HCDS this year. After successful piloting, they will begin to implement NEIC in their affiliated hospitals, which number over 100.

Several local billing vendors are also planning to bring their hospitals on line during 1984. These include Health Information Systems in New York, Pacific Health Resources in Los Angeles, Intrans, Inc. in Shreveport, Louisiana, and Health Data Network in Louisville, Kentucky.

Kaiser Foundation Hospitals and Medical Processing both chose to utilize NEIC "claim create" software to meet their needs. Kaiser, which is part of the largest HMO in the country, presently has 13 San Francisco hospitals submitting Medicare claims using a single personal computer.

Medical Processing, a Cleveland-based regional hospital billing service, is using a personal computer to submit commercial claims for five Ohio hospitals. Both organizations will expand their base of submitting hospitals during 1984.

Finally, NEIC will continue to actively market, implement, and support stand-alone hospitals that wish to link electronically with the commercial insurance industry. At year-end 1983, 60 percent of NEIC's live hospitals were submitting on a stand-alone basis. These include such renowned institutions as Hartford Hospital in Hartford, Connecticut; Columbia Presbyterian Hospital in New York; and Methodist Hospital in Houston, Texas.








*The continued success of NEIC depends on teamwork and cooperation between NEIC, hospitals, insurance companies, and policyholders. As carriers continue nationwide distribution of the Stripe card, hospitals will begin to see more of their patients carrying this card. Consequently, they will be able to process more and more of their claims electronically. As more hospitals sign and go into live production, policyholders in their region will see the value of adding NEIC to their employee benefits programs. In turn, additional carriers will agree to participate with NEIC so they can remain competitive and offer this service to their corporate customers.*

*As NEIC grows, we will continue to enhance our system to meet the needs of our membership base. In addition to the MCDS project, other capabilities in development for 1984 include personal computer software enhancements and an electronic NOA/ROE (notice of admission/report of eligibility) capability*

*for Medicare submitters. Other system enhancements to be investigated in the future include electronic funds transfer, electronic remittance notification, and the capability to receive and transmit other types of insurance claims including dental, pharmaceutical, home health agency, and skilled nursing facility. With our new in-house mainframe computer, we are better able to develop new products to help our members handle claims more efficiently and effectively.*

*By 1985, 870 million claims will be submitted to the private sector at a processing cost of nearly \$1.8 billion. The nationwide implementation of the NEIC system is a major step toward containing these rising administrative costs and improving the speed and efficiency of health care claims handling and payment.*



**NEIC offers a wide range of advertising and PR materials designed to support carriers and providers in their efforts to market and implement the system.**



## **Participating Carriers**

**Aetna Life and Casualty**

**Allstate Life  
Insurance Company**

**American General Life  
Insurance Company**

**The Bankers Life Company**

**Benefit Trust Life  
Insurance Company**

**California-Western States  
Life Insurance Company**

**CNA Insurance Companies**

**Confederation Life  
Insurance Company**

**Connecticut General Life  
Insurance Company**

**Crown Life Insurance Company**

**Equitable Life Assurance  
Society of the U.S.**

**General American Life  
Insurance Company**

**The Great-West Life  
Assurance Company**

**The Guardian Life Insurance  
Company of America**

**Gulf Group Services Corp.**

**The Hartford Insurance Group**

**John Hancock Mutual Life  
Insurance Company**

**Liberty Life Assurance  
Company of Boston**

**Lincoln National Life  
Insurance Company**

**Massachusetts Mutual Life  
Insurance Company**

**Metropolitan Life  
Insurance Company**

**Mutual Benefit Life  
Insurance Company**

**Mutual of Omaha Life  
Insurance Company**

**New England Mutual Life  
Insurance Company**

**New York Life  
Insurance Company**

**Northwestern National  
Life Insurance Company**

**Pacific Mutual Life  
Insurance Company**

**Phoenix Mutual Life  
Insurance Company**

**Pilot Life Insurance Company**

**Provident Life & Accident  
Insurance Company**

**Provident Mutual Life  
Insurance Company  
of Philadelphia**

**Prudential Insurance  
Company of America**

**Republic National Life  
Insurance Company**

**Transamerica Occidental  
Life Insurance Company**

**The Travelers  
Insurance Company**