

**Physician Providers  
Claims Submission: Clearinghouse or Direct Module?**

**A paper produced by Frontier Medical Systems  
www.FrontMed.com**

A basic function of medical billing systems today is the electronic submission of medical claims. There are several methods of submitting claims electronically. This white paper discusses the pros and cons of each method, and intends to provide some assistance for Medisoft users who are trying to decide which types of claims submission best meets their needs. While this paper is specific to users of Medisoft billing software, many of the concepts apply equally to other billing systems.

**Overview**

There are five basic methods of electronic claims submission in common use today:

- a) **Direct Submission via Standalone Program.** Medicare and some other insurance carriers offer standalone software into which all the data required for a claim is entered. The claim(s) are then submitted via modem or Internet directly to the insurance company, which then processes the claim(s).
- b) **Internet Submission via Web Form.** There are a few insurance carriers which provide a web-based form for submitting claims in real time. The form is filled out with claim information and submitted directly to the insurance carrier, which then processes the claim.
- c) **Direct Submission via EDI Direct Module (Medisoft).** Additional modules can be purchased from Medisoft which can aggregate claims for a particular insurance company (or group of insurance companies), then automatically submits those claims via a modem. The module will also receive and print any claim reports available from the insurance carrier.
- d) **Clearinghouse Submission via Medavant Clearinghouse (Medisoft).** All claims eligible to be submitted electronically are automatically aggregated and submitted to a claims “clearinghouse”; the clearinghouse then disperses each claim to the appropriate payor for adjudication. This method uses standard claim formats which are much more extensive than the CMS-1500 form.
- e) **Clearinghouse Submission via “Claim Images”.** Instead of printing claims on CMS-1500 forms, the text is captured and submitted to a clearinghouse which can parse (decode) the text and reformat it into one of the more extensive claim formats. These claims can then be submitted to payors for adjudication.

While there are variants on each of these methods, these summarize essentially all the methods that are in common use today.

### **Common Characteristics**

Some of the more important characteristics by which each method may be described are below.

- a) **Data Re-entry.** Some methods involve entering the data more than once, while others are able to capture data from the billing system and incorporate that data into the claim, thereby eliminating the re-entry of data.
- b) **Aggregation.** Claims may be submitted individually or may be “aggregated” and submitted as a batch.
- c) **All-payor.** Some methods are useful for submitting claims to a single payor or an extremely limited set of payors, while others allow submission of claims to all payors.
- d) **Native ANSI Standard Claim Format.** Most payors require that electronic claims be submitted in the ANSI 4010 standard format, which includes hundreds of different fields and can accommodate almost any claim reporting situation. Some methods support this format “natively”, while others capture “claim images” (text, formatted as required on the CMS-1500 insurance claim form) and reformat the data into the required ANSI format.
- e) **Electronic Remittance Advice.** The Electronic Remittance Advice (ERA) is a specially formatted file that contains the remittance information for posting to patient accounts. If ERA is supported, the time-consuming entry of payment information can be eliminated.
- f) **Internet Transmission.** It is possible to submit claims by dial-up modem or by high-speed Internet. Modem transmission methods are generally inferior, as dial-up modems are generally more problematic. Any claims submission directly to Medicare at this time must be by dial-up modem, since Internet submission is not currently allowed by Medicare. This can be alleviated by clearinghouse submission, since the clearinghouse may accept claims by Internet (the clearinghouse must then deal with submitting the claims by modem to Medicare).
- g) **Medisoft Claims Management Integration.** Submission of claims through the Medavant clearinghouse allows for a highly-integrated system. This permits the Medisoft Claims Management screen to automatically flag claims as rejected and to capture the error information. This can be extremely beneficial when working rejected claims.

- h) **Real-time “Scrubbing” and Reporting.** Some clearinghouses are able to “scrubb” claims in real-time. When claims are scrubbed by the clearinghouse, they are tested to see that they meet certain criteria before they are forwarded to the clearinghouse. If they do not meet those criteria, the claim can be rejected immediately so that it can be fixed and resubmitted without waiting for the payor to adjudicate the claim. An example of this would be where a required policy number or date-of-birth is missing; the clearinghouse can reject such a claim immediately as it is known that the payor will ultimately reject any claim not containing this information.
  
- i) **Paper Claim Forwarding.** Many insurance companies still do not accept electronic claims. Most clearinghouses will, for a fee, print such claims on the CMS-1500 form, then mail them to the insurance company. This is a very convenient feature, as it avoids the need for the provider’s office to handle the paper claims.

There are many other distinguishing features of the various claims submission methods, but those listed above are the most important for most submitters.

### **Evaluation**

We will now evaluate each of the submission methods in terms of the characteristics listed above.

#### **Direct Submission via Standalone Program**

Re-entry	Aggregation	All-Payor	Format	ERA	Internet	Medisoft Integration	Scrub	Forwarding
Required (-)	Sometimes	No (-)	ANSI (+)	No (-)	Sometimes	No (-)	N/A	No (-)

Using the Direct Submission method, the payor normally provides a custom computer program into which you enter the claim information. When the claim information has been entered, a “Send” button is clicked and the claims is transmitted, either by dial-up modem or by Internet, to the payor. In some instances, a real time response is received, and in others, a report is received at a later date after the claim is adjudicated by the payor. In general, no usable ERA information is returned. These claims are usually submitted in the ANSI format, which means that the data content can be more extensive than if the claim were submitted on the CMS-1500 form. This method will not integrate with Medisoft’s Claim Management screen. Since the claim is submitted directly to the payor, there is no scrubbing of claims – either you will receive a real-time adjudication, or it will be necessary to wait until a delayed report

can be received. There is generally no forwarding of paper claims available for this method.

The Direct Submission via Standalone Program is one of the least efficient methods of claims submission, since it is necessary to re-enter all of the claim information into the standalone program. **For this reason, this method should be used only for extremely low-volume situations and where only claims for a single payor are being handled.**

**Internet Submission via Web Form**

Re-entry	Aggregation	All-Payor	Format	ERA	Internet	Medisoft Integration	Scrub	Forwarding
Required (-)	No (-)	No (-)	ANSI (+)	No (-)	Yes (+)	No (-)	N/A	No (-)

Using the Internet Submission method via a Web Form is very similar in most respects to the Direct Submission via Standalone Program method. The key difference is that rather than installing and using a custom program on your computer, you complete the claim information in a form in your web browser. When all required information has been entered, the form data is submitted. In some instances, a real time response is received, and in others, a report is received at a later date after the claim is adjudicated by the payor. In general, no usable ERA information is returned. These claims are usually submitted in the ANSI format, which means that the data content can be more extensive than if the claim were submitted on the CMS-1500 form. This method will not integrate with Medisoft’s Claim Management screen. Since the claim is submitted directly to the payor, there is no scrubbing of claims – either you will receive a real-time adjudication, or it will be necessary to wait until a delayed report can be received. There is generally no forwarding of paper claims available for this method.

The Internet Submission method via a Web Form is one of the least efficient methods of claims submission, since it is necessary to re-enter all of the claim information into the standalone program. **For this reason, this method should be used only for extremely low-volume situations and where only claims for a single payor are being handled.**

**Direct Submission via EDI Direct Module (Medisoft)**

Re-entry	Aggregation	All-Payor	Format	ERA	Internet	Medisoft Integration	Scrub	Forwarding
No (+)	Yes (+)	No (-)	ANSI (+)	Yes (+)	No (-)	No (-)	No	No (-)

The Direct Submission method via a Medisoft EDI Direct Module can be an excellent claims submission method under certain circumstances. It doesn't require re-entry of claim data, since the data is pulled from the Medisoft database. This method allows the system to aggregate all claims going to a particular payor and submit them in a single batch, which can be a time-saving feature. All of the Medisoft Direct modules support the ANSI 4010 claim format, which means that a claim can contain more extensive data than the CMS-1500 form provides. A Medisoft ERA Direct module is available at extra cost, so that automatic posting is available for selected payors. These modules use a dial-up modem connection, however, which is slower and less reliable than high-speed Internet. While the Medisoft Direct modules do integrate somewhat with Medisoft Claims Management, it is less tightly integrated than the Medavant claims submission. As a result, claims are properly flagged as "Sent", but may not indicate "Rejected" status or insert rejection messages into the comment screen. In general, no claim scrubbing is performed and forwarding of paper claims is not available.

This is an efficient method of submitting claims and is recommended as a good alternative, particularly when submitting predominantly Medicare, Blue Cross, or other claims handled by the module. Unfortunately, some modules do not handle many of the claims a provider typically needs to submit. For example, the ARMB module can submit claims to Blue Cross and Medicare, but provides no facility for handling Medicaid or other major payor claims.

**Clearinghouse Submission via Medavant Clearinghouse (Medisoft)**

Re-entry	Aggregation	All-Payor	Format	ERA	Internet	Medisoft Integration	Scrub	Forwarding
No (+)	Yes (+)	Yes (+)	ANSI (+)	Yes (+)	Yes (+)	Yes (+)	Yes (+)	Yes (+)

For most providers using Medisoft, the Clearinghouse Submission via Medavant Clearinghouse will provide the best solution. It eliminates any data re-entry, is able to aggregate claims for all payors, utilizes the comprehensive ANSI 4010 format, and supports ERAs from major payors. In addition, with the Medisoft implementation, claims are submitted via broadband Internet, tightly integrated with Medisoft. Claims are scrubbed, and paper claims are forwarded.

The one drawback to using Medavant is the \$79/monthly charge for a single provider. However, this price is usually recouped many times over with the added functionality provided by the tight integration and all-payor ERA solution. Practices that are submitting a significant number of claims to a variety of payors will likely want to choose the Medavant option. Also, because the software is included with the basic Medisoft system, there are no additional cost for modules (either for claims submission or for ERA support).

**Clearinghouse Submission via “Claim Images”**

Re-entry	Aggregation	All-Payor	Format	ERA	Internet	Medisoft Integration	Scrub	Forwarding
No (+)	Yes (+)	Yes (+)	Claim Image (-)	No (-)	Yes (+)	Yes (+)	Yes (+)	Yes (+)

Clearinghouse Submission via “Claim Images” is an often-used alternative to the Medavant clearinghouse. While it lacks the tighter integration with Medisoft’s Claims Management function, it does provide a moderate level of integration.

The principal drawbacks to using Claim Images is that claims are limited to the data that can be provided on the CMS-1500 form. This form is antiquated and contains a small fraction of the data and specificity that can be accommodated with the ANSI 4010 format. In addition, most Claim Image solutions will not provide any ERA support, which means automatic posting of payments is not possible. There are several clearinghouses that accept claim images at no charge, or at minimal charge, which can be attractive for low-volume submitters.

**Conclusion**

There are a variety of methods available to submit electronic claims. As electronic claims transition to mandated rather than being optional, the Claim Image format will become obsolete just as has the claim form itself. The requirement that claim data be re-entered for web-based and standalone programs introduces so much inefficiency into the process that it can effectively be ruled out. The table on page 7 summarizes the characteristics of each method as described above.

For most Medisoft users, the choice ultimately comes down to the ANSI Direct Modules versus the Medavant clearinghouse. The only real negative in using Medavant is the monthly fee; however, for a clinic making annual upgrades, most of this fee may be recovered by the savings from not having to purchase the Direct module upgrades each year. The sheer convenience of the all-payor solution, all-payor remittances (which allow automatic posting of most major insurance carrier payments), and the tight integration with Medisoft, makes Medavant the best solution for most clinics.

Hopefully, this paper clarifies the available alternatives and makes the decision process easier for those who are trying to decide among them. Any Medisoft users who need further information on this subject are invited to contact us through our website, at <http://www.frontmed.com>.

### Summary of Characteristics of Alternative Claims Submission Methods

Method	Re-entry	Aggregation	All-Payor	Format	ERA	Internet	Medisoft Integration	Scrub	Forwarding
Direct Submission/Standalone Program	Required (-)	Sometimes	No (-)	ANSI (+)	No (-)	Sometimes	No (-)	N/A	No (-)
Internet Submission via Web Form	Required (-)	No (-)	No (-)	ANSI (+)	No (-)	Yes (+)	No (-)	N/A	No (-)
Direct Submission via EDI Direct Module (Medisoft)	No (+)	Yes (+)	No (-)	ANSI (+)	Yes (+)	No (-)	No (-)	No (-)	No (-)
Clearinghouse Submission via Medavant Clearinghouse (Medisoft)	No (+)	Yes (+)	Yes (+)	ANSI (+)	Yes (+)	Yes (+)	Yes (+)	Yes (+)	Yes (+)
Clearinghouse Submission via "Claim Images"	No (+)	Yes (+)	Yes (+)	Claim Image (-)	No (-)	Yes (+)	Yes (+)	Yes (+)	Yes (+)