

Banks Eye Health EDI

January 7, 2007 Health Data Management

A defining characteristic of health information technology acquisition activity in 2006 was that 11 claims clearinghouses changed hands. Just as significantly, two of the clearinghouse buyers were banks, evidence of the push by financial institutions to stake out territory in the health care market.

Banks have dabbled in health care EDI before, but soon lost interest. Now that the industry is starting to adopt standard transactions, their interest has been renewed. "We've got standards and banks follow standards," says John Osberg, president at Informed Partners LLC, a Marietta, Ga.-based consulting firm. "Medical banking is here to stay this time. Banks' core competency is processing consumer debt, and we've got standards now to do that."

For financial institutions, there is value in managing health savings accounts, flexible spending accounts and health reimbursement arrangements as more employers start to offer consumer-driven health plans.

Banks also see EDI as a way to offer value-added revenue cycle management services to providers. For instance, they want to reformat the 835 electronic remittance advice transaction that providers receive from payers to enable automated posting to patient accounts and balancing of the remittance against the actual electronic funds transfer-or payment-from insurers.

Banks soon could be joined by another group of powerful companies-health insurers-in their quest to buy clearinghouses.

Eden Prairie, Minn.-based Ingenix, the I.T. division of giant payer UnitedHealth Group, in 2006 paid \$54 million for Electronic Network Systems Inc., a veteran clearinghouse in Colorado Springs, Colo.

Ingenix also acquired Kaysville, Utah-based Claredi Corp., a vendor of transactions compliance testing software. "Because PNC Financial Group and Bank of America acquired clearinghouses, other banks will buy clearinghouses," Osberg predicts. "Because UnitedHealth Group bought a clearinghouse, other insurers will buy one. These are bellwether transactions that will drive other deals to be done."