

## CASE STUDY



**TM Floyd & Company**  
*Building Better Solutions*

### Case Summary

#### Client

The client is a major health insurer and part of a nationwide association of health plans.

#### Industry

Healthcare Insurance

#### Market Position

The client is the third largest health plan in its state, serving 3.3 million members and earning \$7.5 billion in annual revenue

#### Consulting Need

The client needed guidance and a strategic roadmap for resolving perceived inefficiencies involving its EDI transaction process

### Gaining Control of EDI Resources

TM Floyd & Company was engaged by a major health insurance company to provide strategic analysis of its EDI resource utilization.

The client's EDI transactions were managed by an EDI team within its IT department. Business units perceive the EDI team to lack efficiency and capability needed to maintain current levels of production, let alone support growth.

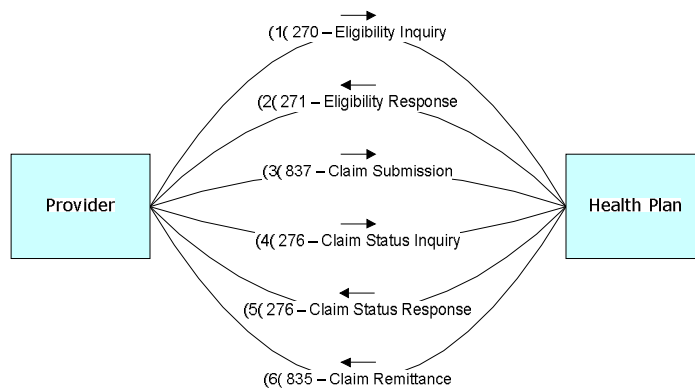
#### The Problem

The client recognized the existence of inefficiencies within its IT-EDI team but needed assistance quantifying those inefficiencies. The client enlisted TMF to gain an understanding of the IT-EDI team's structure, its resource utilization, its ability to process requirements, and its ability to respond to requests from business units.

TMF also needed to compare team performance against what BSC could reasonably expect (i.e., how the team compares against other companies conducting similar activity), examine the EDI organizational structure, roles, and responsibilities, and analyze how different business groups specified project requirements to the EDI group.

#### EDI

Electronic Data Interchange (EDI) is a standardized exchange of information between computers. Use of EDI standards for the electronic transmission of health information is mandated by the Health Insurance Portability and Accountability Act (HIPAA). ANSI ASC X12 ([www.x12.org](http://www.x12.org)) has developed the EDI transaction standards that are used in the US. Healthcare transactions make up just a small part of the number of designated standards.



There are several transaction sets used for healthcare transactions, and the table on the following page lists these. Guides composed by X12 are extremely detailed. For example, X12 composed three guides for EDI transaction set 837, which is used to transmit health claims; one is for institutional claims, one is for professional claims, and one is for dental claims. The guide for professional claims alone contains more than 700 pages.

EDI standards require specific categories of data to be submitted in a particular order. Under 837, the various aspects of a claim are segmented in the order described by the guides and transmitted in a data string. Because the order and segment numbers are standardized, the recipient of the claim is able to parse the claim's aspects upon receipt of the claim.

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### Healthcare-Related EDI Transactions

- 837 – Medical claims, including professional, institutional, and dental
- 835 – Electronic remittances (e.g. refunds from providers to insurers)
- 834 – Benefits enrollment
- 820 – Payroll deduction and premium payment
- 278 – Requests for health services review
- 276-277 – Claim status inquiry and response
- 270-271 – Eligibility inquiry and response

### Gaining Control of EDI Resources

#### The Solution

Based on its analysis of the client's EDI processes, TMF was able to recommend organizational, process, and measurement changes to positively affect EDI operations.

TMF encountered a common disconnect between the IT organization and the business units. This type of divide is something very difficult to resolve internally and one that TMF is particularly skilled at resolving. Like all business activity, the organizational practices surrounding EDI do not exist in a vacuum. TMF was able to lay the foundation for a comprehensive IT strategy for EDI and for getting the business units better coordinated with EDI.

EDI management must operate strategically rather than reactively. Management must always ensure the future capability of its environment to support growth.

In order to do this, there has to be an open dialog with the business units and an understanding of business needs. Strategic thinking reduces expenses and reduces errors by cutting the need for last minute, rushed solutions.

A proper, impartial analysis of resource allocation is a prudent step for any organization. Resources needed to resolve deficiencies are often already within an organization; they are just not allocated to the right functions.

This client was no different. The roles of the EDI team and the business units interacting with the team needed to be redefined to ensure proper utilization. In addition to the improved utilization of resources, redefining roles facilitated on-going productivity analysis and strategic planning.

#### Scope

- Organization and Operational Processes
- Interactions between Departments
- Comparisons with Industry Best Practices

#### Approach

- Stakeholder Interviews
- Documentation Reviews
- Business Organization Surveys and Profiles

#### Deliverables

- Report on Findings
- Business Best Practice Profiles
- Assessment Report

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