

# A Coded DOFR – The Time Has Come



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The division of financial responsibilities (DOFR), which typically identifies services covered by health plan agreements with capitated physician organizations and hospitals, has been the subject of discussion for many years. During the quarterly CAPG Contracts Committee, which I chair, one or more DOFR items are normally on the agenda. Discussion is often in one if not both of these two areas: lack of coding detail and significant variation among health plan agreements. Efforts by a group of stakeholders, including physician organizations, hospitals, health plans and several associations, may soon result in a coded, standard DOFR that significantly improves upon prior versions.

In part, this latest initiative grew out of an attempt by the Integrated Healthcare Association (IHA) to create an all-payer portal to simplify administrative transactions among physician organizations, hospitals and health plans. Although the original project did not attract the expected level of interest, participants identified three priorities for administrative simplification: a DOFR that is both coded and standardized, a uniform eligibility format and standardized benefit information. The group agreed that a coded DOFR was the most important of these three issues, and IHA provided funding and project management to bring the coded DOFR to completion.

Starting in February 2011, in cooperation with CAPG, IHA formed a DOFR workgroup, including representation from health plans (Aetna, Anthem Blue Cross, Blue Shield of California, CIGNA, Health Net, and United),

physician organizations (Brown and Toland, Cedars-Sinai, and GEMCare/Managed Care Systems), hospitals (Sharp, Sutter and Providence), government (DMHC), and several associations (CAHP, CAPG, CMA, and HFMA). The goal was to develop and implement a coded DOFR for commercial and Medicare Advantage plans. During over four months of weekly meetings, the workgroup has identified and coded 102 service categories, and drafted guidelines for DOFR use. Health plans, physician organizations and hospitals will now have a coded DOFR that can provide greater transparency to a variety of dependent processes, including allocation of financial responsibility and claims transmission to the correct payor.

Understanding that every agreement is unique, the coded DOFR is not designed to assign risk. Financial responsibility has, and will continue to be, determined by the contractual relationship between the health plan and their network providers (physician organizations and/or hospitals). The coded DOFR provides a standard set of service categories with associated codes that health plans and providers can then use to assign risk.

The prospect of a coded DOFR is timely, considering health plans are now required to maintain administrative expenses at or below 15% to 20% of premium, depending on employer group size. This new format should help manage, if not eliminate, any redefinition of the DOFR, commonly known as “DOFR creep.” It should help increase patient experience ratings for physician organizations, hospitals, and health plans by reducing the number of misdirected claims and any resulting claims issues involving the member. It will also facilitate updates, including those resulting from regulatory changes and advancements in technology. If all of us within the managed care delivery system agree on transparency where possible, then it makes sense for physician organizations and hospitals to use similar, if not identical, service category codes as those used by health plan partners.

The coded DOFR is expected to be available for late 2011 and 2012 renewals. I

have a commitment from at least one of our health plan partners to implement the coded DOFR in 2011.

I would like to thank all participants who have contributed their time and effort to bring this project to completion. In particular, I would like to acknowledge participation of the health plans noted above, who have contributed some of their finest tal-



ent and valuable time to making the coded DOFR a reality. For more information on the coded DOFR, please refer to either the IHA website at [www.ih.org](http://www.ih.org). I invite you to comment on this article at [Twitter.com/SLinesch](https://twitter.com/SLinesch) or [SLinesch@managedcaresystems.com](mailto:SLinesch@managedcaresystems.com).

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