



To: California Healthcare Stakeholders

From: Tom Williams, Executive Director, Integrated Healthcare Association

Subject: Division of Financial Responsibility (DOFR) Launch and Comment Period:
September 26, 2011 through November 26, 2011

The Integrated Healthcare Association (IHA) announced today the launch of a standardized, coded Division of Financial Responsibility (DOFR) template, which is a vital tool to support the negotiation and administration of contracts involving capitation payments between health plans, physician organizations, and hospitals. The DOFR template, guidelines, and comment link can be found on the IHA website (www.IHA.org).

IHA is seeking comments from California healthcare stakeholders on the new tool from September 26 through November 26, 2011. California healthcare stakeholders include health plan, physician organizations, and hospital representatives that are engaged in contract administration, claims payment administration, and division of financial responsibility.

The new, collaboratively developed DOFR is unique for its inclusion of a standard set of 104 healthcare service categories and 10,000 associated billing and revenue codes. It was developed by an expert work group of healthcare stakeholders representing California health plans, physician organizations, and hospitals. Participants are listed on the IHA website. Trade associations including the California Association of Physician Groups (CAPG), the California Association of Health Plans (CAHP), and the California Hospital Association (CHA) were also represented through an IHA DOFR stakeholder group.

The need for a standardized DOFR was spurred by healthcare stakeholders' frustration with inconsistent contract formats and service descriptions that make it difficult to identify who is financially responsible for specific services under different circumstances. When the spheres of financial responsibility are not sufficiently spelled out in contracts, it can lead to confusion in billing departments, misdirected claims, and frustration on the part of providers and consumers.

Implementation of the standardized DOFR will reduce both payment ambiguities and the administrative costs associated with claims re-direction or "ping pong" between organizations. Under the Affordable Care Act, health plans are required to keep administrative expenses at or below 20% of premiums in the individual and small group markets, and 15% of premiums in the large group market. Having a standardized template for defining service categories on the basis of specific billing and revenue codes should help California health plans meet these requirements.

The DOFR *does not standardize contract terms between parties*, but clearly defines the elements of those terms and is an optional tool available at no charge to healthcare organizations. IHA will oversee its maintenance through collaboration with subject matter expert work groups and will ensure that public comments from users are incorporated into future releases of the DOFR.

About the Integrated Healthcare Association

The Integrated Healthcare Association (IHA) is a not-for-profit multi-stakeholder leadership group that promotes quality improvement, accountability and affordability of health care in California. IHA administers regional and statewide programs, serves as an incubator for pilot programs and projects, and actively convenes all healthcare parties for cross sector collaboration on health care topics. For more information on IHA, please visit: www.IHA.org.

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