



Administrative Simplification:

Coded Division of Financial  
Responsibility (DOFR)

January 2012

# Agenda

- Introduction to IHA's Administrative Simplification initiative and the DOFR project
- Advantages of Coded DOFR
- DOFR Workgroup Process
- DOFR Release Plan
- Coded DOFR Product Demo
  - Recommended User Guidelines
  - Coding by Service
- Implementation and Maintenance

# Administrative Simplification for Capitation Arrangements



- IHA is a statewide non-profit with equal representation of health plans, physician groups, and hospitals
- IHA role: program administration, demonstration projects, neutral convener and facilitator
- In 2010, IHA launched an Admin Simplification initiative and tested the feasibility of an all-payer portal
- Stakeholders identified three priorities:
  1. Coded DOFR
  2. Standardized eligibility format
  3. Standardized benefit information

# What is a DOFR?

## Division of Financial Responsibility (DOFR)

- Agreement exhibit used by health plans and providers to identify payment obligations under contract.
- A grid of service categories provided by either the health plan, physician organization or hospital.
- Each service category will designate a financially responsible entity.

# Need for Coded DOFR

- Financial responsibility was not sufficiently defined
  - Non-standard formats across plans
  - Insufficient service descriptions
  - Partial or no coding
- Unnecessary costs and frustration on behalf of billing departments and consumers
  - About 5% of hospital denials are related to DOFR
  - Physicians time on payer interaction and admin
  - Claims “ping pong” and misdirection
  - Balance billing issues
- *Affordable Care Act’s MLR requirements*

# DOFR Project Goal

To develop and implement a  
coded DOFR framework  
for Commercial HMO/POS and  
Medicare Advantage populations

# DOFR Advantages

Useful tool for provider contracting, financial management, and claims administration of capitation/risk arrangements

- Reduces or potentially eliminates gray areas in defining which party has risk for a service
- Facilitates DOFR financial analysis, allowing parties to use identical codes to value service categories
- Facilitates incorporation of new codes, particularly if the new codes are clearly defined within a service category
- Enables similar, if not identical, DOFR system configuration by contracted parties, making the contractual relationship more efficient

# DOFR Advantages - Hospitals

- Can be used to direct claims to the appropriate entity
- When claims payment is disputed, the DOFR can be used as a point of reference and can potentially reduce Provider Dispute Resolution volume
- Health plans' ability to load a coded DOFR into their systems will reduce claims processing errors and reduce days in AR

# 2012 DOFR Workgroup

## ■ Plans:

- Aetna
- Anthem/Blue Cross
- Blue Shield of California
- CIGNA
- Health Net
- UnitedHealthcare

## ■ Providers :

- Sharp HealthCare
- Brown & Toland
- Cedars-Sinai
- Managed Care System / GE

## ■ Other:

- US Bank / HFMA Southern CA Chapter Member
- Receivable Optimization Inc. / HFMA Southern CA Chapter Member
- Integrated Healthcare Association
- Sinaiko Consulting

# DOFR Workgroup Process

- Workgroup spent a significant amount of time in 2011 to produce a coded DOFR
- Coding consultant provided technical expertise
- Participants reviewed available DOFR resources and plan survey responses, developed guiding principles for DOFR completion, and assigned participants to research more complex areas
- Initial DOFR was completed late July 2011 followed by product approval period for license use of codes

# DOFR Release Plan

- The initial DOFR Release 1.0 was launched in 2011 followed by a 60-day public comment period. All comments tracked and vetted with DOFR workgroup. Changes incorporated into next release.

DOFR Release	Release Dates
Release 1.0	September 26, 2011 <i>60-day Public Comment Period</i>
Release 1.1	January 27, 2012 <i>Questions/Comments and Response Log, Comments Summary, and Change Log posted</i>
Release 2.0	TBD

# DOFR Webpage:

<http://www.iha.org/dofr.html>



The screenshot shows a web browser window displaying the IHA DOFR webpage. The browser's address bar shows the URL [www.iha.org/dofr.html](http://www.iha.org/dofr.html). The page features a navigation menu with links for Home, About Us, News & Events, Member Login, and Affiliate Programs. A search bar is located in the top right corner. The main content area is divided into several sections:

- Left Sidebar:** Contains the IHA logo and a list of menu items: Pay for Performance, Medical Devices, Episode Payment, Efficiency Measurement, **DOFR** (with an [Overview](#) link), CALINX, Speakers, Resource Library, and Other Programs.
- Header Image:** A painting depicting two men in white coats. One man is pointing at a graph on a wall with axes labeled 'Quality' and 'Affordability'. The other man is holding a red sign that says 'Performance Measurement' and a blue box labeled 'Aligned'.
- Quote:** A quote from Stephen J. Linesch, MBA, Manager of Care Systems/GEMCare Medical Group: *"Simplifying the administrative relationship between health plans and their capitated hospitals and physician organizations is critical to affordable care. Initiatives like the coded DOFR will help effectively manage healthcare costs."*
- Division of Financial Responsibility (DOFR):** A section with a heading and a paragraph explaining that IHA assembled a group of cross-sector stakeholders to develop a coded DOFR template for use in contracts between California health plans, physician organizations, and hospitals. It provides a framework for allocating financial responsibilities for services.
- DOFR Release 1.0:** A paragraph stating that IHA launched the DOFR Release 1.0 in September 2011, followed by a 60-day public comment period. All public comments were tracked and vetted by a multi-stakeholder workgroup, and accepted changes were incorporated into the DOFR Release 1.1, which was launched in January 2012.
- DOFR Release 1.1:** A section with a heading and a paragraph explaining that to download the DOFR Release 1.1, individuals must read and accept the End User Agreement and register at the link below.
- DOFR End User Agreement and Registration:** A section with a heading and a note: *Note: Internet Explorer 9 is currently incompatible with the registration process. If you are an IE9 user, please use a different browser such as Mozilla Firefox or Google Chrome to register and download the DOFR.*
- Related Resources:** A list of links: DOFR Overview, DOFR Frequently Asked Questions, DOFR Recommended User Guidelines, Release 1.0 Public Comment Summary, Release 1.0 Public Questions, Comments, and Response Log, Release 1.1 Change Log, 2012 DOFR Workgroup, DOFR Maintenance Plan, End User Agreement (printable), and IHA Privacy Policy.

# Coded DOFR

- Standard set of service categories with associated codes
- Not a standardized risk matrix – risk assignment will still be determined by contract negotiations
- DOFR framework can encompass any consumer benefit design
- Not designed to assess value or cost per unit; does not assign or recommend use of fee schedules, relative values, conversion factors, related components, contracting and/or designation or risk.

# Coded DOFR (cont'd)

- DOFR template with 104 rows, 10,000 codes; 10 guidelines for use; future updates
- Excel workbook format
  - Recommended Guidelines tab: *review carefully before using DOFR*
  - Coding by service tab with financial responsibility matrix
  - CDS Example tab – Example of completed financial responsibility matrix
  - Eight supplemental tabs for long code lists

# Comments Summary

## Release 1.1 Key Changes

- Coding for DME, Orthotics and Prosthetics added
- Term “hospital” was changed to “facility” in the financial matrix column headers

# Key Guideline Concepts

- Service category rows/coding provided to identify unambiguous service definitions and financial responsibility assignment; coding does not represent all possible combinations
- Contracting organizations are expected to revise DOFR to fit specific capitation/risk arrangement
  - Transparency recommended
  - Remove duplicate codes
  - Break out or consolidate rows/columns as needed
- Some complex and/or ambiguous areas may need to be addressed outside of DOFR

# Guideline Review



## Standardized Coded Commercial and Medicare Advantage DOFR

### Recommended Guidelines: Release 1.1

1. This Division of Financial Responsibility (DOFR) applies to services that are included in member-purchased benefits, which are medically necessary and/or authorized per plan's medical policy, and meet physician referral requirements.\* The HMO Provider Manual will provide additional detail useful to the provider. The manual does not however, supersede the contractual agreement between the provider and the health plan. If a conflict were to arise the contract takes precedent.  
  
\*Physician referral not applicable for emergency and/or urgent care, or maternity services; also, certain specialties (e.g., OB/GYN) do not require Medical Group Referral/Authorization in order to be utilized.
2. Health plans will rely on current practices for assigning risk at claim header level versus claim line level.
3. In order to keep this document manageable, service and coding detail is provided only to the extent necessary to capture differences in assignment of risk (diagnosis and revenue codes only provided if a determinant factor in assigning risk).
  - a. DOFR coding will solely rely on elements on UB04 and 1500 claim forms, including procedure codes, diagnosis codes, place of service codes, type of bill codes, and revenue codes.
  - b. Procedure codes within the DOFR may include Current Procedural Terminology (CPT®), HCPCS and ICD9 codes. CPT copyright 2011 American Medical Association. All rights reserved. CPT is a registered trademark of the American Medical Association (AMA). Applicable FARS/DFARS Restrictions Apply to Government Use. Fee schedules, relative value units, conversion factors and/or related components are not assigned by the AMA, are not part of CPT, and the AMA is not recommending their use. The AMA does not directly or indirectly practice medicine or dispense medical services. The AMA assumes no liability for data contained or not contained herein.
  - c. The coding on the DOFR is provided to illustrate unambiguous definitions for services. This DOFR does not attempt to represent all possible coding combinations for a given service. This DOFR is not intended to give guidance on how to bill or code for services.
  - d. DOFR service subcategories are provided only to the extent necessary to identify a shift in risk.
4. DOFR identifiers are limited to information available on the claim at hand (no claim history or other documentation required).
5. Release 1.0 of the DOFR uses 2011 versions of code sets. Updates to code sets will be made on a regularly scheduled basis through a DOFR maintenance process by IHA. ICD-10 mapping will be done by IHA.

# Coding by Service tab

- Supplemental tab references
- Plan to define
  - Immunizations, Injections, Infusion Therapy, Office Supplies, Outpatient Surgery
  - In-Area and Out-of-Area: Hospitalization, Observation, Physician Visits, Urgent Care and Second Opinion
  - Second Opinion vs. Consultation
  - Certain Radiology Codes (see Guideline 10)

# Coding By Service Example



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	
1																
2	CODED COMMERCIAL AND MEDICARE ADVANTAGE DOFR: CODING BY SERVICE - EXAMPLE															
3				CODES				FINANCIAL RESPONSIBILITY								
4								NON-FACILITY LOCATION OF SERVICE (PHYSICIAN OFFICE OR FREE-STANDING CENTER)			FACILITY LOCATION OF SERVICE					
5	Service Category	Service sub- category	Diagnosis	CPT® Codes (*duplicate codes)  CPT is a registered trademark of the American Medical Association (AMA). All right reserved. CPT codes, descriptions, and data are copyright 2011 American Medical Association	HCPCS (*duplicate codes)	Revenue (*duplicate codes)	Dental Codes	Other	Technical Services (Split Billing)	Professional Services (Split Billing)	Global Billing	Outpatient Professional Services	Outpatient Facility/ Technical Services	Inpatient Professional Services	Inpatient Facility/ Technical Services	
6	Radiology (excluding Nuclear Medicine)	Radiology (excluding Nuclear Medicine) - Therapeutic		SEE RADIOLOGY CODES (EXCLUDING NUCLEAR MEDICINE) TAB AND SEE ALSO GUIDELINE #10	C1716, C1717, C1719, C2634, C2635, C2636, C2637, C2638, C2639, C2640, C2641, C2642, C2643, C2698, C2699, G0173, G0251, G0339, G0340, Q3001	330, 331 332, 333, 335, 339, 400*, 409*			Plan	Group		Group	Hosp	Group	Hosp	
7									<i>(for illustrative purposes only)</i>							
8																
9																
10																
11																

# DOFR Implementation (1-3 years)



**DOFR Release 1.0 and 60-day Comment Period;  
DOFR Release 1.1 incorporates changes**

**DOFR use as reference documents in contracting**

**DOFR embedded into commercial HMO/POS and  
Medicare Advantage contracts**

**DOFR eventually becomes part of contracts  
management structures; embedded into claims systems**

# IHA Maintenance Plan

- IHA will maintain the DOFR for CA stakeholders to register and download
- DOFR work group convenes quarterly or as needed
- Updates to DOFR will occur:
  - Post-public comment periods to incorporate input
  - Annually for scheduled updates (e.g., CPT updates)
  - As needed for significant changes (e.g., migration to ICD-10)

# Q&A

- If additional questions regarding DOFR, contact:

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Thank you

For more information:  
[www.iha.org/dofr](http://www.iha.org/dofr)