

Hospital and Insurance Executives See Significant Opportunity to Reduce Health Care Costs Through More Efficient Payment Process

-- Hospitals Would Use Savings From Automation to Benefit Patient Care --

Hospital and insurance executives agree that an automated medical claims and payment process could reduce the costs of health care in the United States and benefit patients, according to the e-Health Study released today by The PNC Financial Services Group, Inc. (NYSE: PNC), one of the nation's leading providers of electronic financial solutions to the health care industry. The study was based on telephone interviews conducted with 150 executives from U.S. hospitals, health systems and insurance organizations from January to February 2006.

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According to the survey results, 90 percent of hospital executives and 86 percent of insurance executives said that making the claims remittance process more efficient industry-wide would help slow the rising cost of health care. Nine out of 10 hospital executives indicate that savings resulting from automation would be used to improve patient care. Executives interviewed also said that federal standards for payment and information also could help in reducing health care costs.

"Health care executives who have adopted automated processes reported significantly higher levels of patient satisfaction resulting from improved coordination of benefits between the hospitals and the insurance carriers," said Paula Fryland, manager of PNC's national health care group. "While the majority of respondents said their current process is highly efficient, the study found there are many opportunities for hospitals and insurance companies to improve these processes."

Industry cost savings/improved patient care

Other highlights of the PNC e-Health Study include:

- Half of hospital executives and four out of 10 insurance executives said their organizations could save at least \$1 million and as much as \$10 million a year if their billing and payment processes were more efficient.
- Seventy-five percent of hospital executives would pass savings on directly to patients and two-thirds thought they would use savings to provide care to the uninsured.

Billing and payment problems cited

Study results also include:

- 91 percent of hospital executives surveyed say they must resubmit claims one or more times before they are paid. One out of five said they must resubmit claims over six times, and 5 percent of all hospital claims are never paid.
- Insurance executives estimate they need to go back to the health care providers an average of six times for information necessary to pay a claim.
- Patient ineligibility is most often stated by both hospital (84 percent) and insurance executives (80 percent) as the reason for delay and denial of claims.

"While there have been numerous anecdotes about the barriers that currently hinder the exchange of information and payments between hospitals and insurance companies, this is the first industry-wide study

of its kind that sought to identify the gaps and to begin to identify solutions," said Fryland.

Potential patient benefits

The PNC e-Health Study showed that hospitals would reap the greatest financial benefit from adopting Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) standards. Among those hospital executives who reported already having EDI/EFT systems in place:

- 84 percent agreed or strongly agreed that their cash flow improved.
- 80 percent experienced significant cost savings.
- Roughly six out of 10 reported reductions in their organization's bad debts.

Among insurance executives who said they already had EDI/EFT systems in place:

- Nine out of 10 cited a decrease in errors on balances owed.
- Nine in 10 noted fewer billing "hassles" related to coding and lost claims.

Industry-wide Barriers

When asked why they have not automated the claims remittance process, hospital executives point to requirement inconsistencies from multiple insurance companies, other demands for resources and electronic claims forms that provide insufficient data compared to paper-based forms. When asked the same question, insurance executives identify infrastructure cost, lack of financial incentives and difficulty quantifying a return on the investment as their greatest barriers to adoption.

Potential Solutions

When asked about how to bridge the gap between hospitals and insurance companies regarding payment processes, only half of insurance company executives surveyed were aware that some financial institutions provide integrated payment remittance services for health care claims.

"The financial services industry can play an important role in bringing the health care industry into the 21st century, and we only now are beginning to see a convergence of health care remittance processing and financial services into a sector known as Medical Banking," said Fryland. "As health care becomes more consumer-focused and transparent, it will accelerate the urgent need for process improvements through EDI and EFT."

The PNC e-Health Study was conducted by the independent research firm, Chadwick Martin Bailey, based in Boston, Massachusetts. A PNC e-Health Study media kit containing background information, survey highlights, topline findings, graphics and audio expert commentary is available through PNC's website at <http://www.pnc.com/pncnews/>.

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