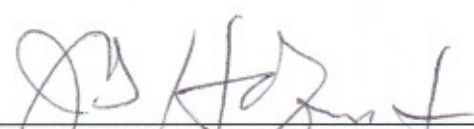



**Resolution of the Executive Committee
In Support of Magnetic Stripes on Health Insurance Cards**

The Greater Houston Partnership supports proposed state legislation which would require the placement of magnetic stripes on all health insurance cards with the insured's demographic and insurance data, therefore enabling immediate verification of benefit eligibility. The Partnership further supports legislation which will allow health care providers to retrieve and use the electronically readable information from the magnetic strip on identification cards, such as drivers licenses, for the purpose of compiling patient records.

The Greater Houston Partnership acknowledges that statewide adoption of this technology will promote economic growth by reducing health care administrative and transaction costs through more efficient claim processing.



John D. Hofmeister, Chairman



Jeff Mosley, President and CEO



Daniel J. Wolterman, Secretary



MEMORANDUM

DATE: April 18, 2007

TO: Greater Houston Partnership Executive Committee

FROM: Jim Edmonds, Chairman
Healthcare Issues Advisory Committee

SUBJECT: Resolution of the Executive Committee Support of Magnetic Stripes on Health Insurance Cards

The Greater Houston Partnership supports proposed state legislation which would require the placement of magnetic stripes on all health insurance cards with the insured's demographic and insurance data, therefore enabling immediate verification of benefit eligibility. The Partnership further supports legislation which will allow health care providers to retrieve and use the electronically readable information from the magnetic strip on identification cards, such as drivers licenses, for the purpose of compiling patient records.

The Greater Houston Partnership acknowledges that statewide adoption of this technology will promote economic growth by reducing health care administrative and transaction costs through more efficient claim processing.

BACKGROUND

A magnetic stripe card is a plastic card which contains a magnetized stripe on one side which can be read by readers designed for that purpose. Due to broad use of magnetic cards, most cards adhere to well-defined technical standards that describe the physical and magnetic characteristics for a magnetic stripe. These standards outline specifications for a storage format and information interchange.

The information contained electronically on the card will likely be basic demographic data including Payer ID number and Group/Plan ID numbers; the same information that is currently imprinted on the front of today's ID cards. Information that today is manually input in a provider's system for all clinical and administrative purposes.

PROVIDER CONSIDERATIONS

If this becomes law, then over 75% of the Texas population that walk into a physician's office or hospital would have a common magnetic stripe on back of the card that they almost certainly already carry in their wallet. If a majority of the Texas population has this common information source, it makes the development of a common eligibility verification

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system closer to a reality. In addition, this technology will create the same efficiencies for doctors and hospitals that it did for airline industry, shifting the check-in process to kiosks.

Payers, providers and practice management consultants have sought a mechanism that will allow eligibility and benefit verification prior to every visit, due to the fact that health plan memberships change daily.

Finally, this approach could effectively improve the quality of services for recipients while helping to prevent abuse and fraud. Health professionals would benefit from fast, easy, accurate, and cost-effective data management. And medical insurance claims would be processed quickly and accurately, meaning less paperwork, reduced transaction costs and more efficient billing.

PAYOR CONSIDERATIONS

Insurance companies would benefit from electronic data processing, from fast and simplified processing of insurance claims and from better cost transparency.

The potential savings for Medicaid would be extraordinary, much like the food stamp cards issued today. Texas already operates an electronic benefits transfer (EBT) system for Food Stamps and Temporary Assistance for Needy Families (TANF). The technology used is a magnetic-stripe card system similar to that used by credit card companies. Notably, the success of this program, that like Medicaid serves a minority of our citizens, was in part a result of capitalizing on an electronic system already in use by the majority of the Texas population, not the other way around.

An electronic system can overcome many of the disadvantages of the current paper/plastic card based payer based ID system. To accomplish that goal, a competitive free market with basic standards will require that all independent systems will:

- Meet minimum specifications, including at least daily updates of all relevant information;
- Be designed to allow secure, authorized access to the data;
- Limit access to a minimum of payer eligibility status; and
- Be available seven days a week, 24 hours a day.

PROS:

- Proven, established technology;
- Large installed commercial infrastructure;
- Well established standards;
- Widespread public understanding and acceptance;
- Inexpensive to produce for new and replacement cards when compared to costs for smart cards; and
- Relatively inexpensive to use in most online environments.

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Magnetic Stripes on Health Insurance Cards

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CONS:

- Primarily limited to online applications (limited data storage space allows identification to a system, but not independent storage of significant amounts of data).
- Cards are relatively easy to duplicate or counterfeit;
- Loss of cards can be problematic if education of cardholders is not sufficient and if cards do not work well; and
- Cards have varying levels of coercivity, and those with low coercivity are easily damaged (stripe demagnetized).

FISCAL IMPACT:

As they are today, the costs of the ID card production will be borne by the Payers, who are sure to pass them through to the consumers. The actual cost of producing the card is less than \$1.00 per member/per year as the technology is certainly universally recognized as a low cost commodity.

KNOWN SUPPORT:

The medical industry is solidly supporting this concept, including the Texas Medical Association and Texas Hospital Association.

KNOWN OPPOSITION:

Some members of the insurance industry have express concern regarding the costs of adopting this technology.

RESOURCES REQUIRED:

This recommendation does not require the use of Greater Houston Partnership resources.