

January 8, 2004

Mr. Roger C. Holstein
Chief Executive Officer
WebMD Corporation
669 River Drive
Center 2
Elmwood Park, NJ 07407

Dear Mr. Holstein:

The American Medical Association (AMA) and the undersigned medical associations wish to bring to your attention the frequency of physician complaints about WebMD Corporation's physician claims transactions since the October 16, 2003 implementation of the Health Insurance Portability and Accountability Act (HIPAA) Transaction and Code Set standards.

The AMA and the undersigned medical associations have received numerous complaints from individual physicians regarding lost claims, incomplete claims transmissions, and lack of connectivity between WebMD and health insurers' internal claims management systems as well as the practice management software systems employed by physician practices. These transaction problems have resulted in thousands, and in some cases, hundreds of thousands of dollars in delayed and denied claims payments to physicians by health plans and other third-party payers.

While many types of concerns and numerous entities have been identified, physicians have identified WebMD most frequently as being non-compliant with HIPAA Transaction and Code Set standards. Information received by the AMA suggests that claims submitted to WebMD in a HIPAA compliant format for processing are sometimes never received by health plans, significantly delayed, or transmitted with missing or non-compliant information, often resulting in delayed or denied payments to physicians. Physician complainants have further indicated that the specific types of transaction problems they have encountered while using WebMD services include: health claims and equivalent encounter information; health care payment and remittance advice; and health claims status inquiry and response. In addition, payer communications with these physicians about these transaction problems suggest that common obstacles include missing data elements and technical messaging errors.

Many physicians have also expressed concern over WebMD's perceived response to the large number of physician complaints: to blame the respective health plans or the actual physician practices submitting the claims. In some cases, physicians report they have been notified that WebMD can not receive or fully translate the electronic claims information that the physician practices' claim management systems, billing entities, or contracted clearinghouses have produced for claims submission. As a result of the limited response by WebMD to these complaints and the solutions offered, such as the physician practice purchasing Medical Manager Network Services,

Mr. Roger C. Holstein
January 8, 2004
Page 2

WebMD's practice management software and other services, several physician practices report having had to resort to printing out hard copies of their claims. This process of "dropping" what otherwise would be an electronic claim to paper and submitting it manually has been initiated by physicians in order to comply with contractual obligations for timely submission of claims to health plans. Health plans, of course, have contractual and state law obligations to pay for timely and complete ("clean" and accurate) claims in a timely manner.

Most of the physicians who have contacted the AMA report also contacting their contracted health plans and state regulatory agencies regarding the recurring problems associated with WebMD transactions. Some of these physicians report contacting the Centers for Medicare and Medicaid Services (CMS) and filing formal complaints. The AMA also has contacted CMS and provided a detailed summary of physician complaints related to WebMD transactions received by the AMA.

The AMA and the undersigned medical associations respectfully urge WebMD to immediately redouble its efforts to resolve these concerns relating to claims management practices, including the connectivity of its practice management software with other billing entities and clearinghouses, as well as its claims processing and other related transactions with billing entities, clearinghouses, health plans and other third-party payers for compliance with HIPAA Transaction and Code Set standards. The AMA and the undersigned medical associations also urge WebMD to provide physicians with additional resources to assist in answering some of the most common transaction questions associated with WebMD products and services. It is simply not acceptable to play the blame game.

We presume you would agree with us that WebMD has a responsibility to its clients to ensure that claims are processed and paid in a timely manner. If the concerns noted above can not be immediately and satisfactorily resolved, we urge WebMD to consider paying interest on any untimely submitted claims or late payments that were the result of its claims processing and submission errors.

Sincerely,

American Academy of Family Physicians
American College of Physicians
American Medical Association
Arkansas Medical Society
Colorado Medical Society
Iowa Medical Society
Kentucky Medical Association
Texas Medical Association

cc: Karen Trudel
Leslie Norwalk
Steven Zatz, MD