

A thick green horizontal bar with a decorative circular graphic on the left side containing five small white dots. A thin green line curves from the top right of the bar, loops back, and ends at the circular graphic.

HIPAA's Applicability to Self-Insured Employers

A vertical decorative bar on the left side of the slide, featuring a repeating pattern of chemical structures (hexagons and pentagons) in a light gray color.

Paul W. Brand, President
REAL Health Association

October, 2001

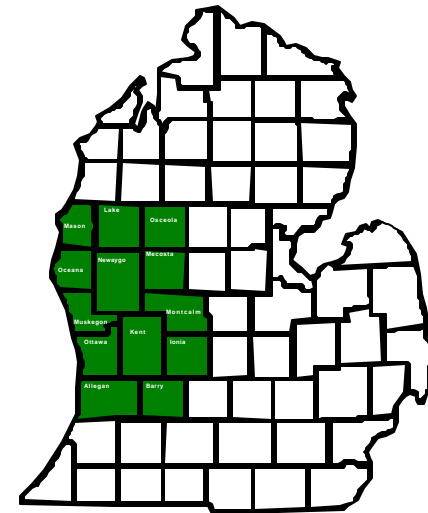


What is REAL Health?

- Regional Employer Alliance (REAL) on Health
 - Originally Three West Michigan Employer Coalitions
 - Grand Rapids
 - Holland
 - Muskegon
 - Coalitions merged to REAL Health – July, 1999

What is REAL Health?

- Thirteen (13) West Michigan Counties
- 93 Member Employers
- 65,000+ Employees
- Member, National Business Coalition on Health (NBCH)





Why Employer Coalitions?

- Health care costs skyrocket (late '80s, early '90s)
- Perception that quality has decreased
- System is broken
 - Deaths from medical errors
 - Inefficiencies in the system (lost medical records, claims chasing, illegible scripts, lack of provider communication)

Why Employer Coalitions?

- To meet the needs of healthcare purchasers
 - “Managed Care” has failed
 - Negotiating for deeper discounts has failed
- To create an environment where the purchase of healthcare is based on VALUE

$$\text{Value} = \frac{\text{Quality}}{\text{Cost}}$$



Here's How We Did It

- Created Value Purchasing Organization (VPO™)
- Developed level playing field fee schedule
- Negotiated Direct Contracts with Providers (partnership with *MultiPlan*)
- Established central claims clearinghouse



Here's How We Did It

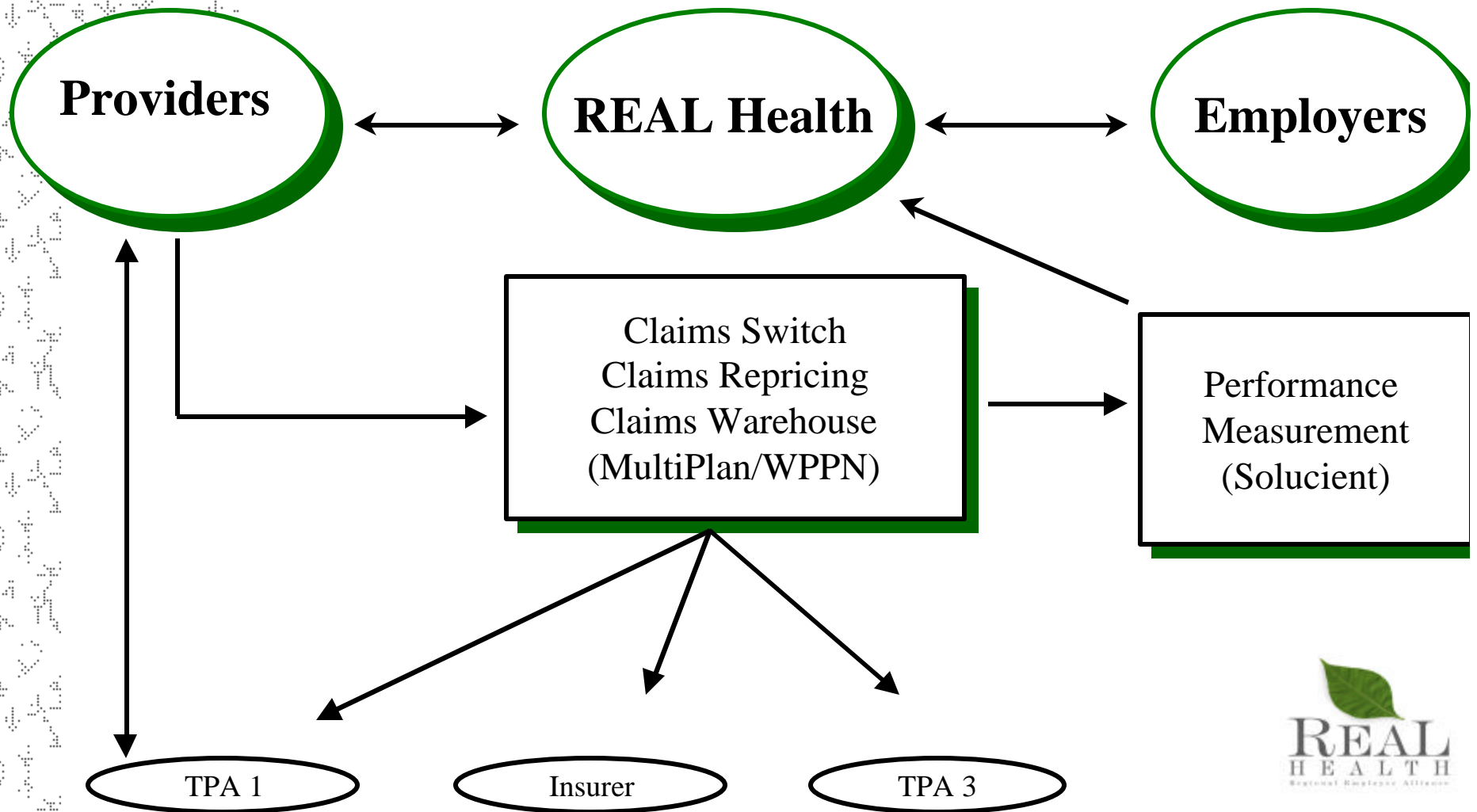
- Implemented Performance Measurement System (partnership with Solucient)
 - Gather all claims (in- and out-of-network) data
 - Measure cost and quality of services
 - Partner with providers in use of data to drive quality improvement initiatives
 - Hold providers accountable



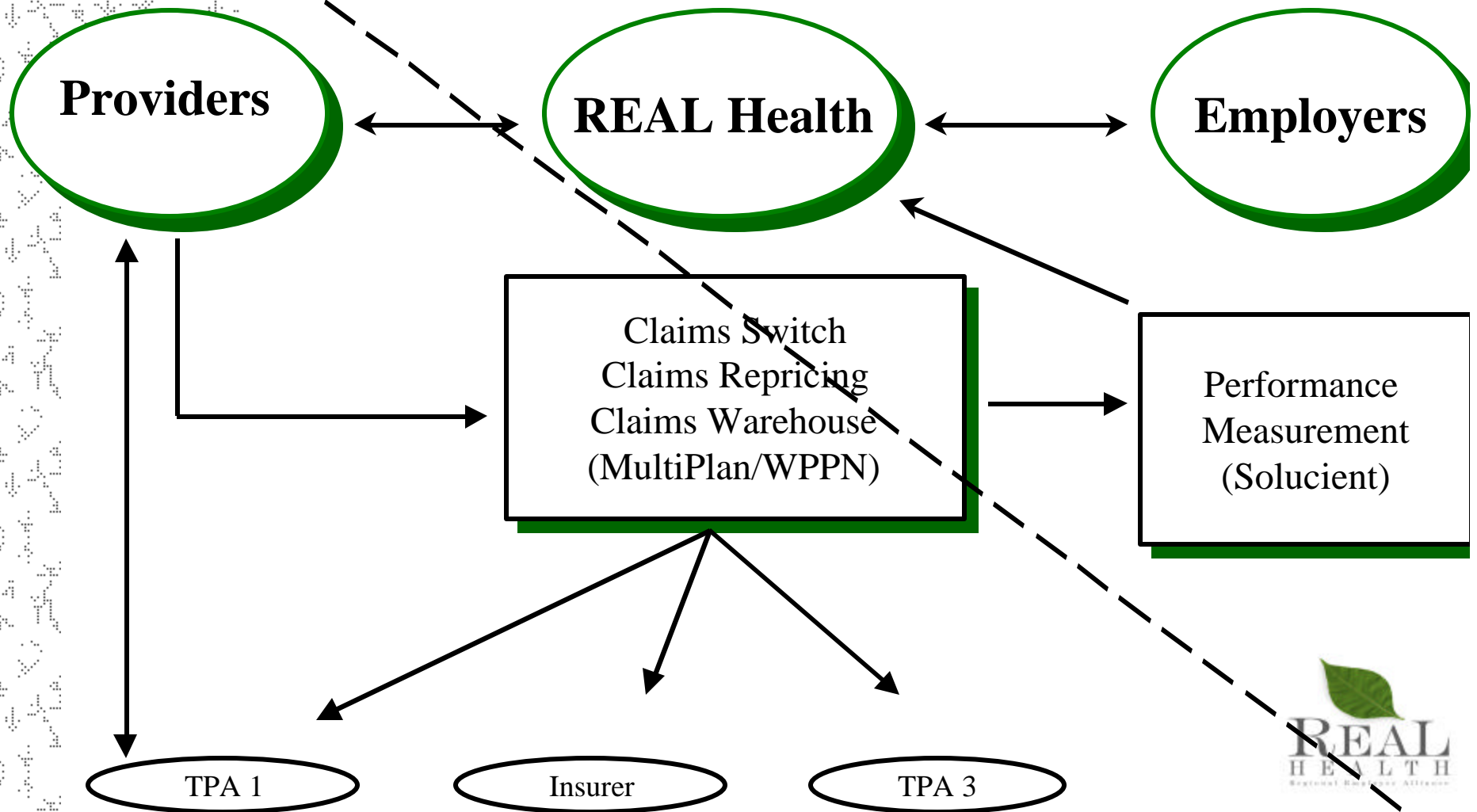
Current Situation


- Largest provider network in West Michigan
- National Multi*Plan* Wrap
- 14,000+ employees/33,000+ members
- Performance Measurement
- Provider Partnership Committee

REAL Health VPO™

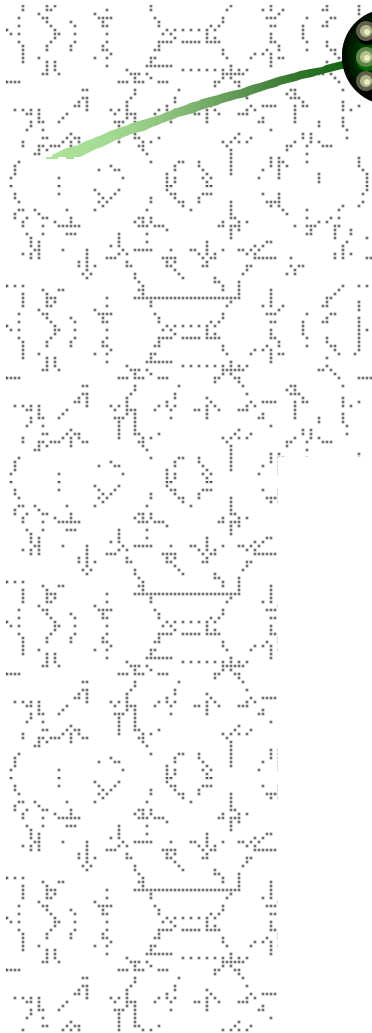


REAL Health VPO™



A green banner with a decorative line that starts from the left, loops around the top, and ends in a circular graphic containing five small white dots. The banner contains the text "Did we say claims data?".

Did we say claims data?





Before HIPAA

- Multiple standards for storing, processing, communicating and securing data
- Lack of standard data format a barrier
- Over 450 different electronic claim formats
- Lack of transaction uniformity among existing standards




HIPAA's Focus

- Standardize electronic formats and transactions
- Encourage electronic processing
- Establish privacy guidelines
- Establish security guidelines
 - Data integrity, confidentiality, availability
 - Protection against unauthorized access
 - Provision for electronic signatures



Employer Benefits

- Reduced paperwork
- Improvements in eligibility processing
- Improvements in claims processing
- Improvements in both areas means:
 - less administrative time spent by the Plan Administrator
 - better data
 - \$ savings



HIPAA - Transaction Standards, Codes & Identifiers (TCI)

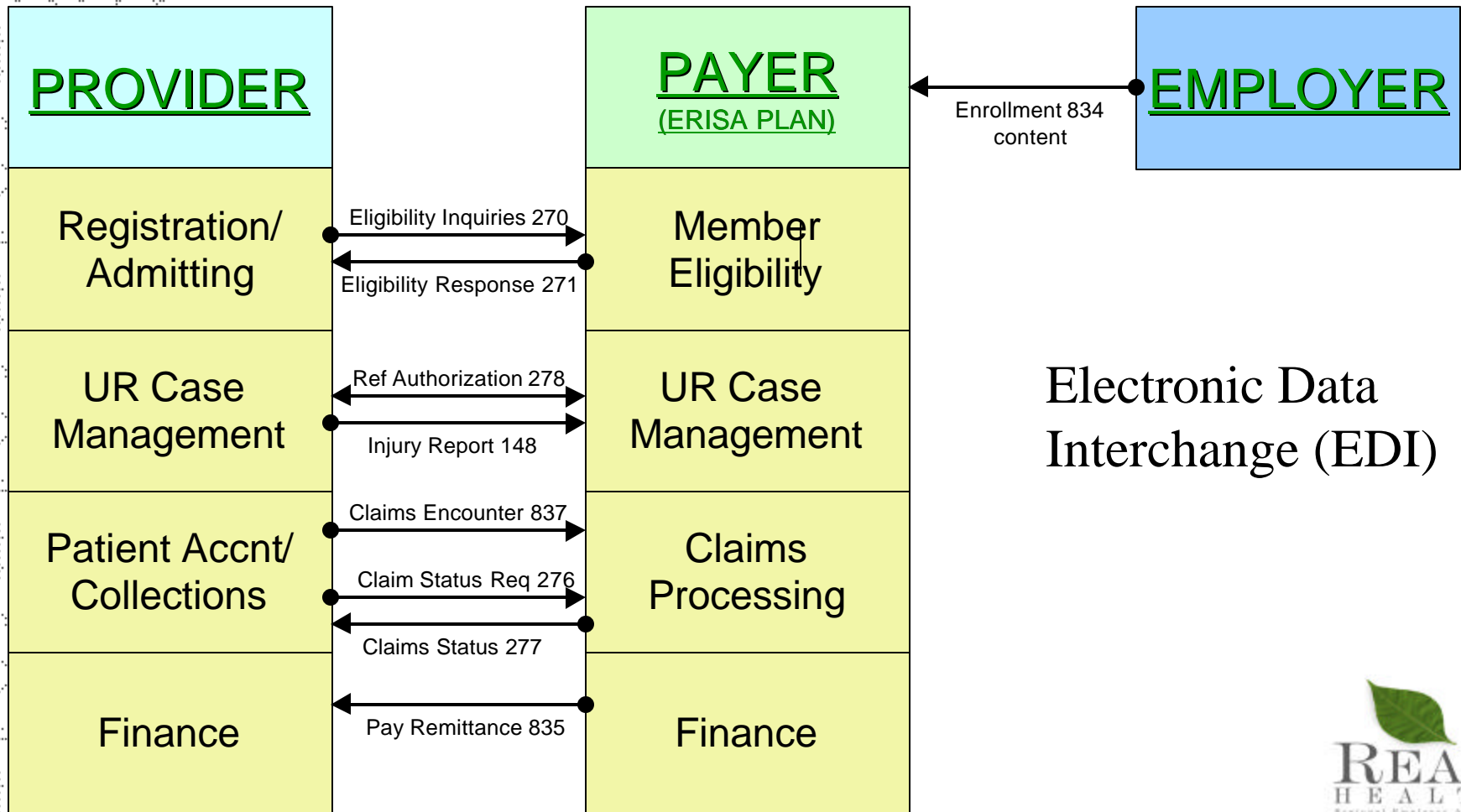




TCI - Transactions

- All Large Health Plans and Clearinghouses required to comply
- Clearinghouses may accept nonstandard transactions for the purpose of translating into standard formats and vice versa.
- All providers submitting electronic transactions must comply with EDI standard
- ERISA plan is a covered health plan under HIPAA

TCI – EDI Paths



Electronic Data Interchange (EDI)



TCI Implications

Effective TCI connectivity improves the speed and uniformity of many core administrative processes

Member Demographics Decrease time to collect/update member info
Improve quality of member information
Decrease member liability by maximizing collections

Provider Adjudication Maximize co-pay & deductible payments
Improve collections & maximize COB with 3rd parties
Decrease denials

Health Plan Processing Automate manual processes
Decrease time to conduct transactions
Decrease duplicate tasks
Enable intelligent processes by working exceptions

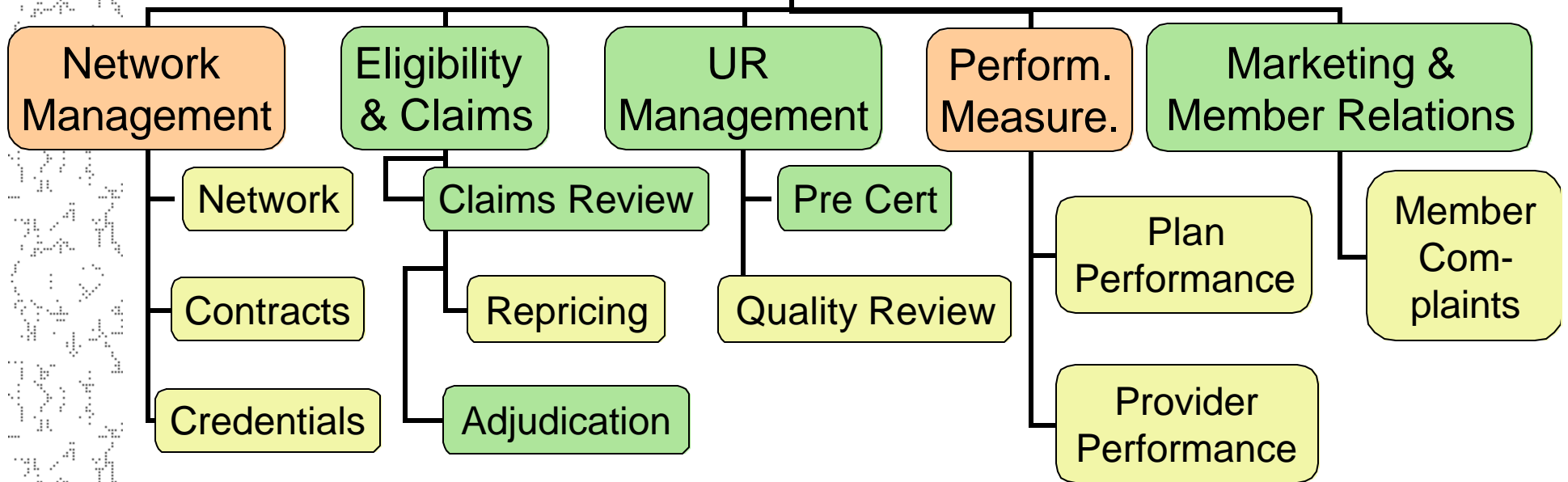


TCI Impact on Employers

- Minimizes duplication
- Creates opportunities for savings
- Creates opportunities for re-engineering claims processing
- Creates opportunities for fitting alternative benefit services
- Improves delivery & efficiency of healthcare delivery

Opportunities for Change

ERISA Plan Structure





Barriers to Implementation

- Standards dependent on consistent policies, practices and technologies
- Actions of one business associate may generate liabilities for others
- Sloppy planning and implementation by one may be costly to all.



Employers' Concerns

- Providers not obligated to implement TCI standards if stay with paper
- Providers have no direct incentives to convert
- Erodes efficiencies HIPAA is designed to deliver
- Compromises cost savings

HIPAA - PRIVACY



A decorative background featuring a vertical strip of a white dotted pattern on the left side. A solid green horizontal bar spans across the top, with a thin green line curving over its right end. A black circle with four white dots is positioned on the left edge of the green bar.

Privacy

Issue: Not what information
you have,
but how you distribute it.



Self-Insured Obligations

- Self-insured Employers not Covered Entities...their ERISA Plans are.
- Self-insured Employers not considered Business Associates



Self-Insured Obligations

- Privacy rule creates specific obligations & limits Protected Health Information (PHI)
- ERISA plans prohibited from using PHI to discriminate against an individual based on eight protected health factors



Protected Health Information (PHI)

- Names
- All geographic subdivision smaller than States
- All elements of Dates excluding year
- Telephone numbers
- Fax numbers
- Electronic mail addresses
- Social security numbers
- Medical record numbers
- Health plan beneficiary numbers
- Account numbers
- Certificate/License numbers
- Vehicle identifiers
- Device identifiers and serial numbers
- WEB universal resource locator (URL)
- Internet protocol address number (IP)
- Biometric identifier
- Any other unique identifying number, characteristic, or code



Protected Health Factors

- Health status
- Medical condition
- Claims experience
- Receipt of health care
- Medical history
- Genetic information
- Evidence of insurability
- Disability



PHI Disclosure

To permit the disclosure of PHI to an Employer by an ERISA Plan:

- Certification by the employer
- Amend Summary Plan Document & share PHI data for designated purpose
- Provide disclosures to member participants



PHI Employer Certification

- Prohibit use or disclosure of PHI other than as permitted by the Summary Plan Document
- Ensure subcontractors and/or agents which receive PHI are Business Associates
- Preclude use of any PHI in employment-related decisions
- Report to ERISA Plan any impermissible use or disclosure
- Make available to plan participants an accounting of the plan's disclosures of PHI as provided in the Privacy rule



PHI – Summary Plan Description

- Identify permitted and required uses and disclosures of PHI by the ERISA Plan
- Identify all employees or classes of employees to whom PHI may be disclosed
- Restrict plan administrative functions performed by employer to those named in plan
- Create mechanism to resolve issues of non-compliance by designated persons



PHI – ERISA Plan may...

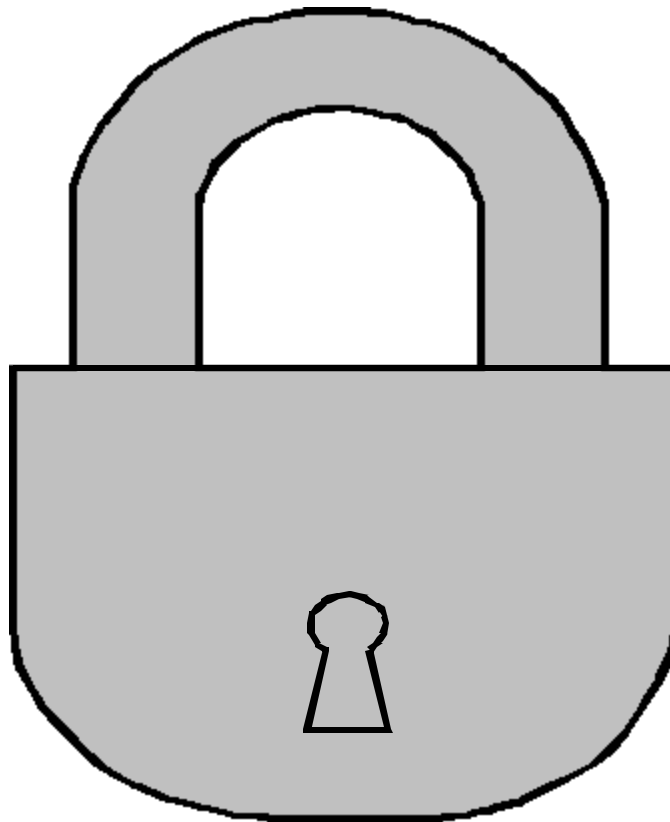
- ...disclose PHI to Employer for defined administrative functions only
- ...not disclose PHI to Employer for employment-related decisions
- ...provide summary health information to plan sponsor for purpose of obtaining premium bids on health insurance
- ...provide notice of privacy practices



Administrative Requirements

- Designate a Privacy Official to manage HIPAA
- Institute and document policies and procedures to comply with Privacy rule
- Train and document employees on all PHI policies and procedures
- Have in place appropriate administrative, technical and physical safeguards to protect privacy of PHI
- Apply and document sanctions against workers who violate privacy policies

HIPAA - SECURITY

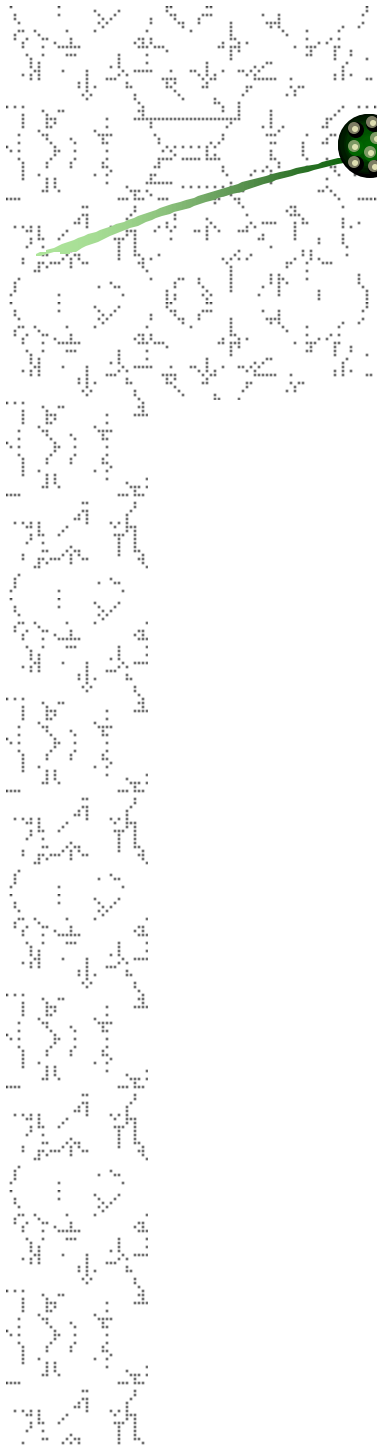




HIPAA Security Guidelines

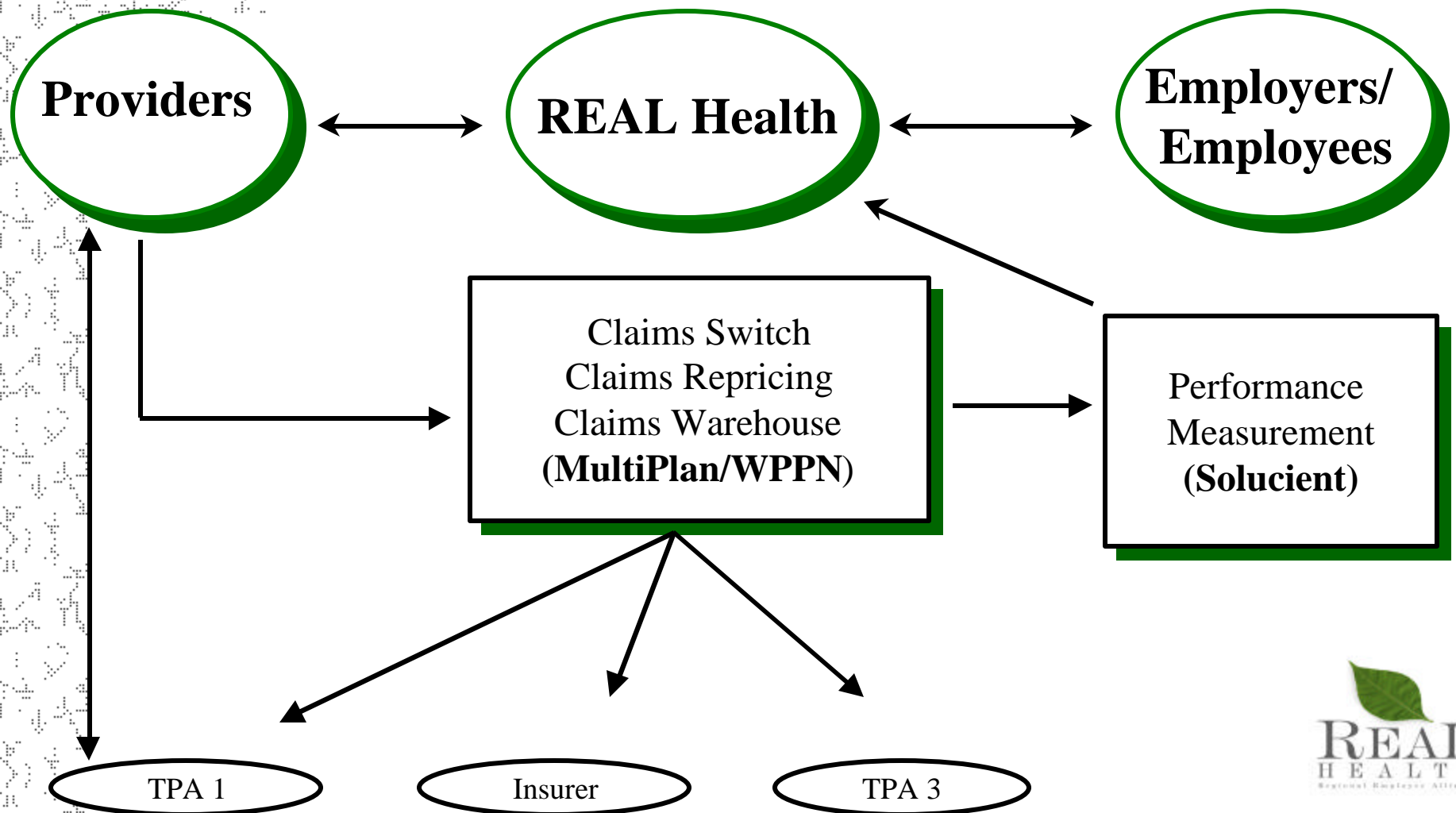
Proposed Guidelines

- Assigned Security Responsibility
- Physical Access Controls
 - Facility security plan
 - Media control
 - Authorization procedures
 - Visitor escort policy
- Workstation & Laptop Use
 - Physical access
 - Security software/hardware controls
 - Encryption
- Security Awareness Training
- Gap Analysis



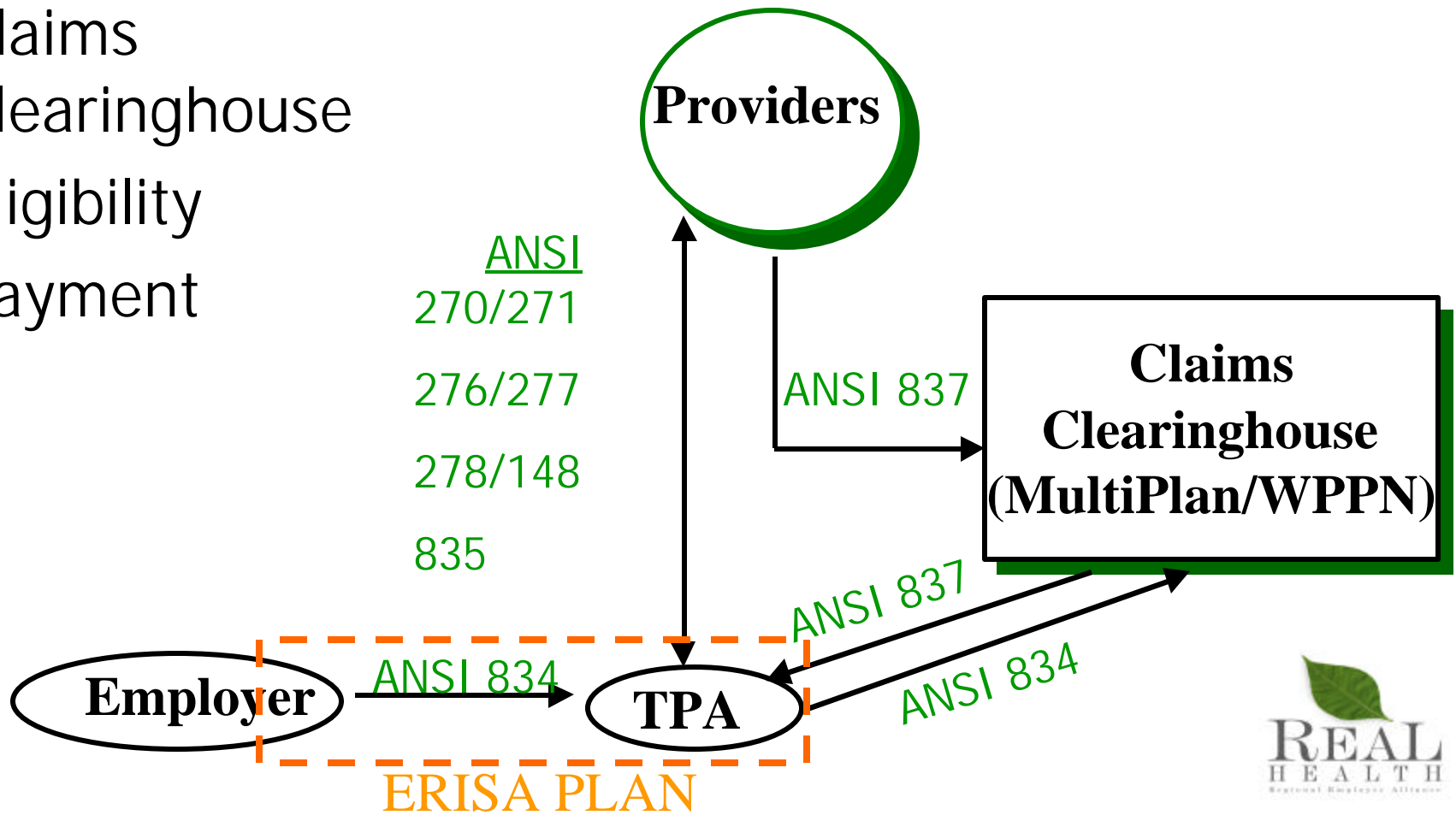
REAL
HEALTH
Regional Employer Alliance

REAL Health Situation



REAL Health Goal

- Claims Clearinghouse
- Eligibility
- Payment



REAL Health Role



- REAL Health
 - Product Management
 - Quality Intervention
 - Reports (employers, providers)
 - WEB Interface (employers, employees, providers)
 - Customer Service
 - ERISA/HIPAA Firewall



Whew!

And on top of all that...the regulations do not preempt states from introducing more stringent standards...



HIPAA: Threat or Opportunity

Conventional Wisdom

- HIPAA is a major compliance challenge bigger than Y2K
- Implementation should be delayed as long as possible
- HIPAA compliance is an IT problem
- Trading partner implementation negotiations will be contentious

Opportunistic Perspective

- HIPAA presents an industry-defining opportunity
- Early adopters will achieve benefits sooner
- HIPAA is a business process improvement opportunity
- Trading partner incentives for implementation are aligned



REAL Health Association

Paul W. Brand, President

24 Weston SW
Grand Rapids MI 49503
Phone: 616-459-9600

www.realhealth.org

