

*Established to Research, Document and Facilitate
Medical Banking Convergence*

The Medical Banking Project

HIPAA's Impact On Banking Operations
HIPAA Policy Roundtable

Organized by The Medical Banking Project and hosted by the Third National HIPAA Summit

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Acknowledgements

- Organizers of the Third National HIPAA Summit
- Department of Health & Human Services
- Roundtable Participants
- Organizational Attendees:
 - American Association of Healthcare Administrative Management (AAHAM)
 - American Bankers Association (ABA)
 - Healthcare Financial Management Association (HFMA)
 - Robert Wood Johnson Foundation
 - National Automated Clearing House Association (NACHA)

Announcements

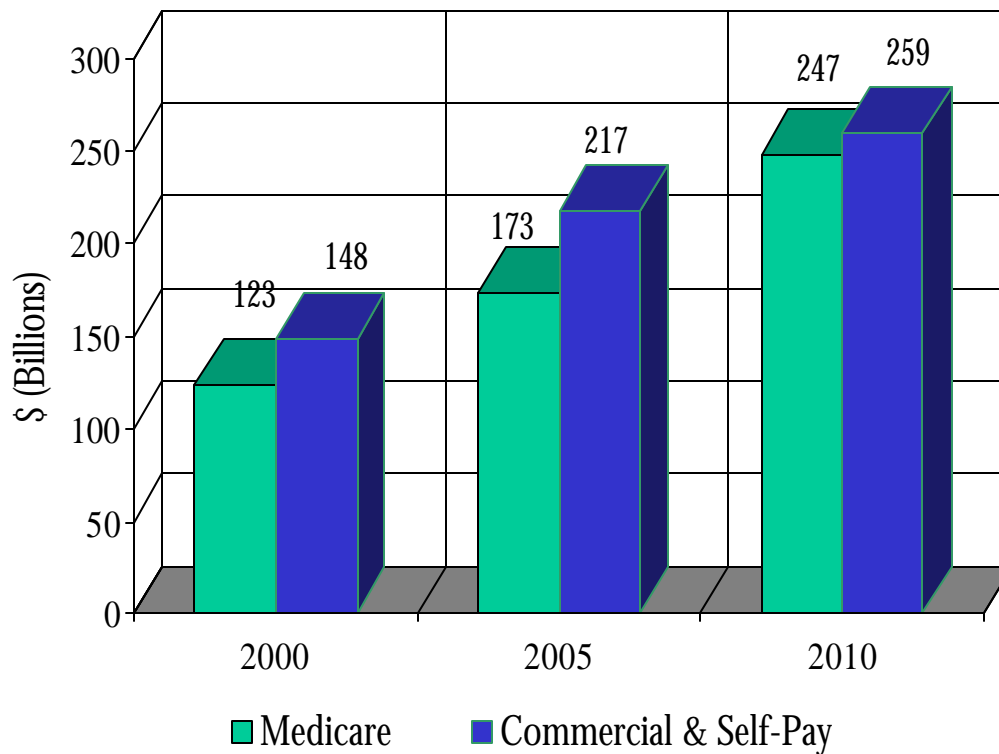
- **2nd HIPAA Policy Roundtable**
 - Scheduled for February 2002 in Nashville, TN
 - Cosponsored by the Nashville Healthcare Council
 - Asked NACHA to present ERA issues – NACHA will have a HIPAA session at its upcoming meeting in April
- **HIPAA Certification for Bank Clearinghouses**
 - MBProject & the Electronic Healthcare Network Accreditation Commission (EHNAC)
- **Medical Banking Demonstration Project**
 - Demonstrate effect of lockbox in reducing costs associated with provider accounting
 - *Health Data Management* to cover in December Issue
- **Survey Desk at www.mbproject.org**

Medical Payment Channels

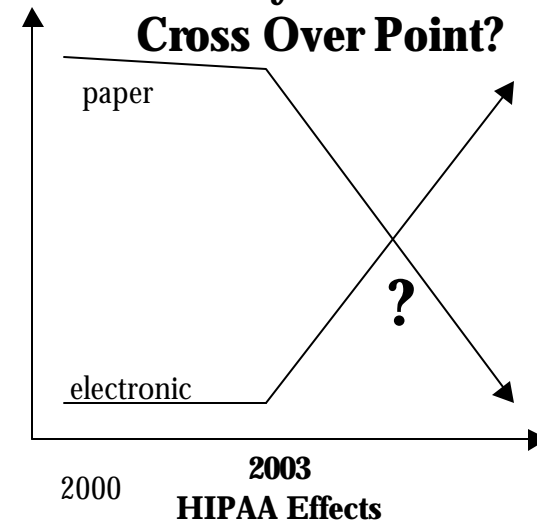
| 1999 HOSPITALS | Data Only | | Data & Dollars | | |
|--------------------------------------------------|------------|--------------------------------------------------|----------------|------|------|
| | Direct EDI | VAN / Health Data Clearinghouse | LBX | USPS | ACH |
| Medicare | 96% | <1% | <1% | <1% | <1% |
| Commercial & Self-Pay | <1% | <5% | 35% | 58% | <1% |
| Dollar Amounts by Payment Channels (in Billions) | | | | | |
| Medicare | \$122.6 | 1.28 | 1.28 | 1.28 | 1.28 |
| Commercial & Self-Pay | \$1.5 | 7.4 | 51.6 | 74.1 | 1.5 |
| Total Medicare = \$127.7 | | Total Commercial & Self-Pay = \$147.5 | | | |

Medical Payment Growth

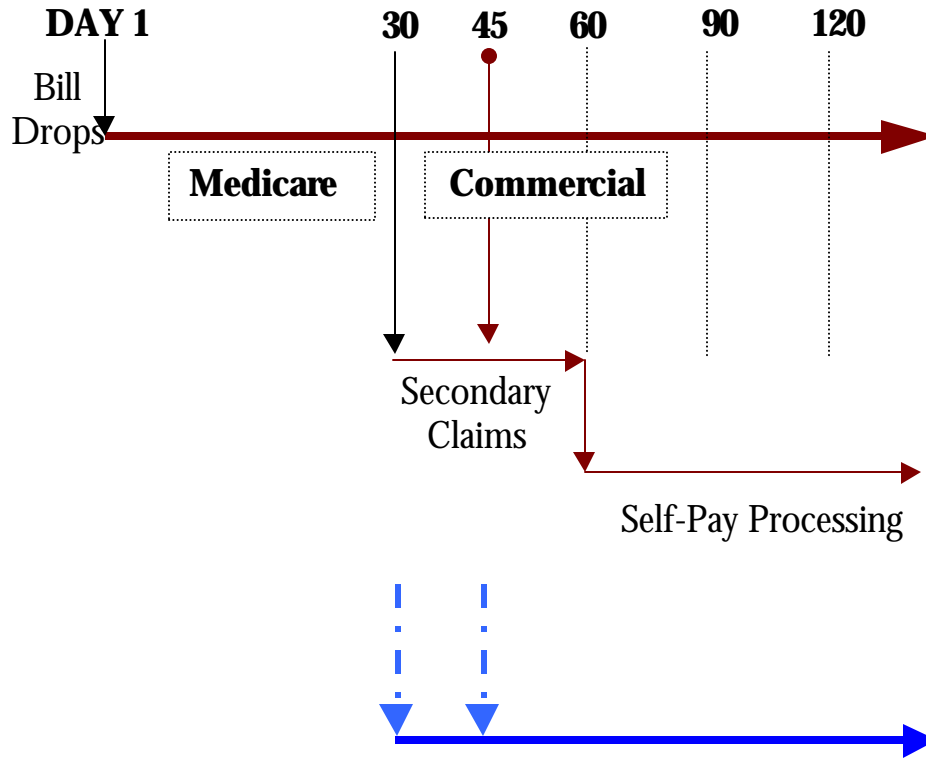
CMS Projections



**Medical Payment Medium:
Cross Over Point?**



Claims Processing Workflow



Lockbox Processing

Potential to significantly impact claims processing costs

| Payment Components | Indemnity Contract | Collections |
|----------------------|--------------------|------------------------------------------|
| Total Bill | \$1,000 | Billed |
| Patient Co-Insurance | \$100 | Billed after primary insurance pays |
| Deductible | \$100 | Collected at POS or after insurance pays |
| Payment | \$400 | Health Plan Payment |
| Contractual | (\$400) | Written off books |

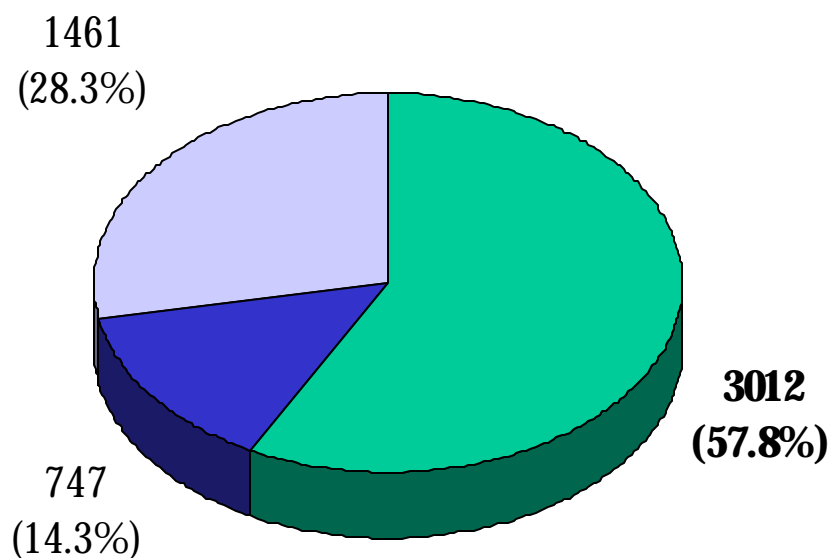
Medical Remittance Accounting Cycle

Medical Remittance Processing Costs

| Components of the Billing Process | Commercial | | Medicare |
|--------------------------------------|--------------------------|---------------|------------------|
| | For Each Payment | | For Each Payment |
| | “Manual Transactions” | Cost | EDI Cost |
| Cash Posting | 1 | \$1.50 | |
| Contractual Allowance Processing | 2 | \$3.00 | |
| Reject Note Posting | 1 | \$0.75 | |
| Secondary Billing | 3 | \$2.75 | |
| Totals | 5 | \$8.00 | ≤ \$1.00 |

Impact on Healthcare Financing and Operations

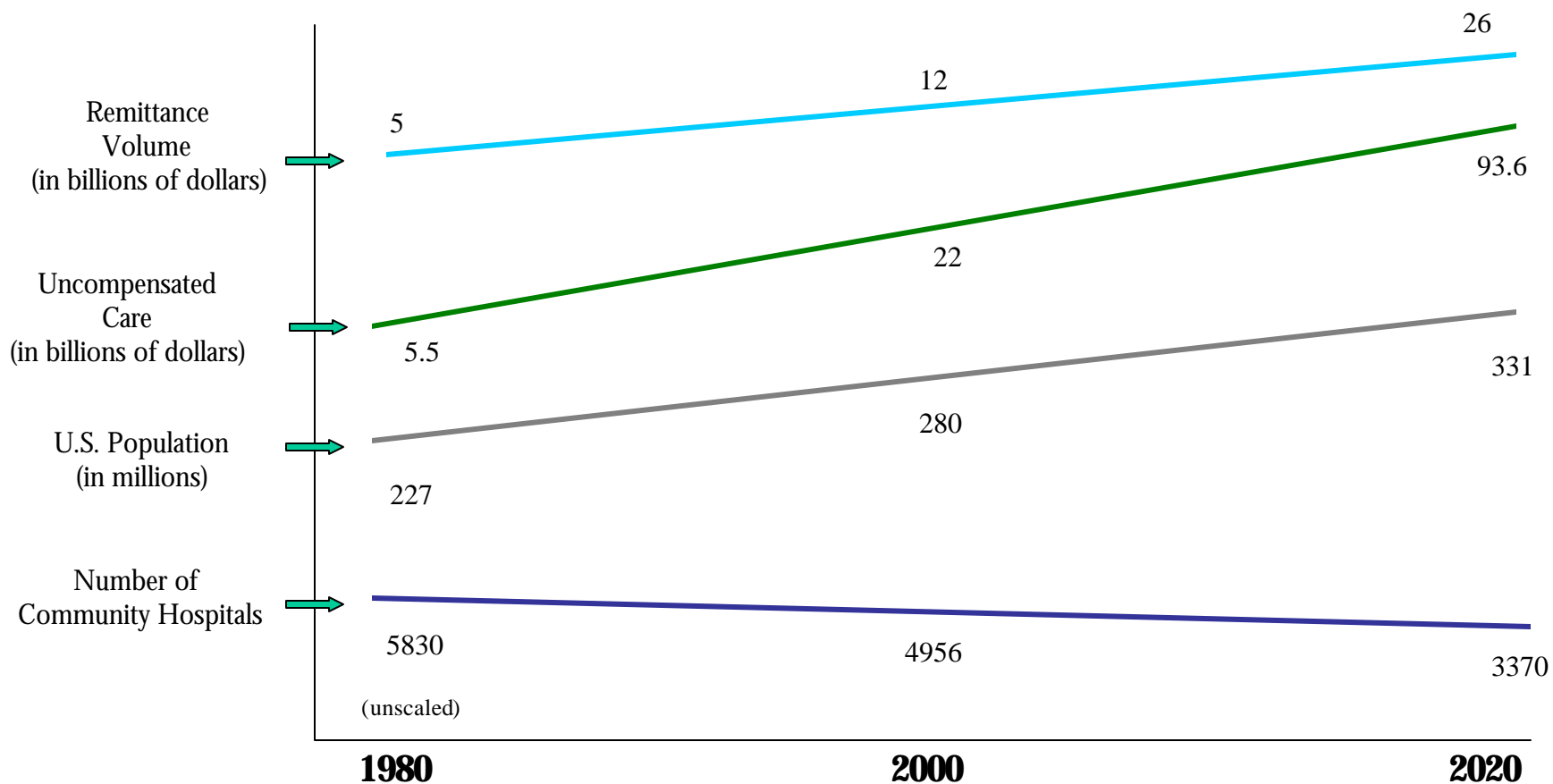
Community Hospitals by Ownership (1999)



Total Number of
Hospitals = 5220

■ NGO, Not-for-Profit ■ For Profit ■ Federal, State and Local

Impact on Healthcare Financing and Operations



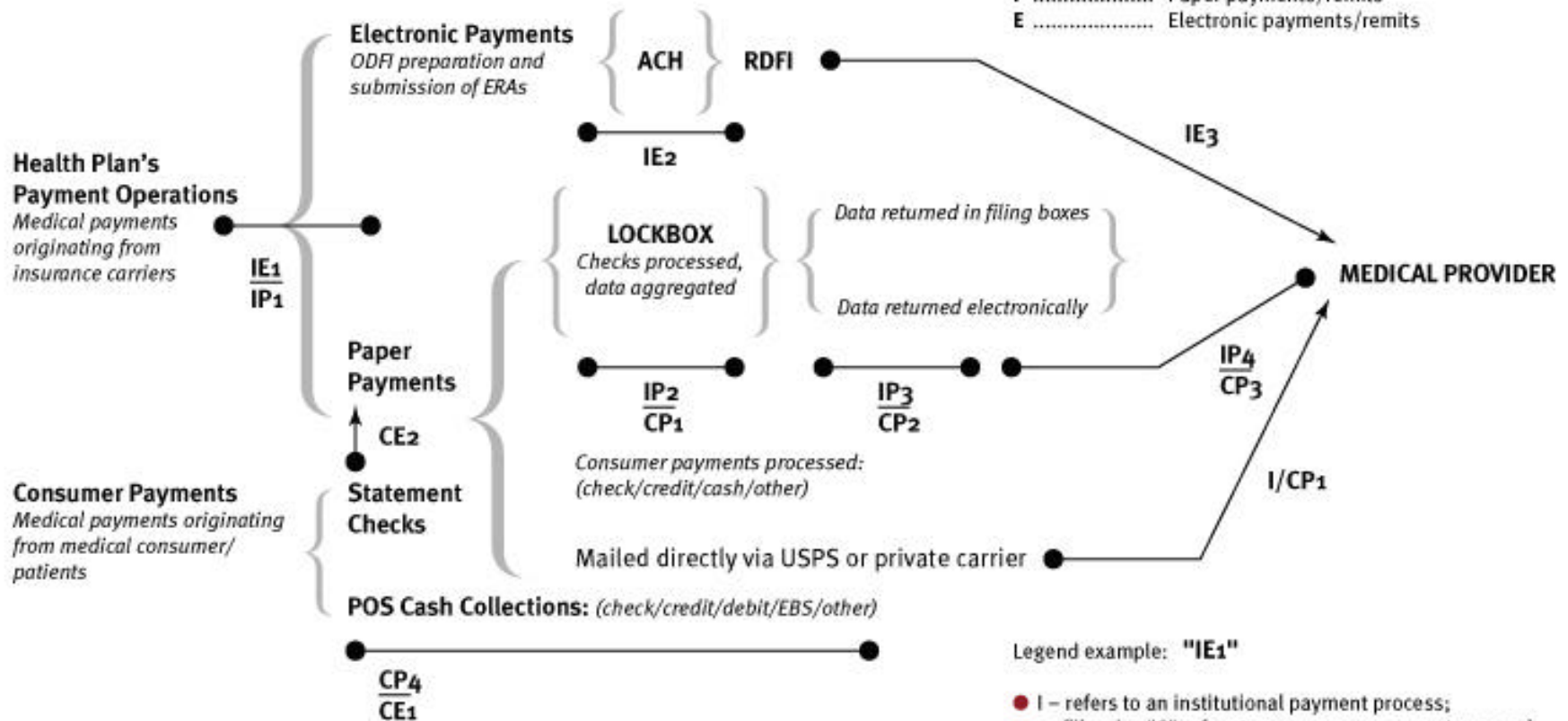
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▶ HIPAA Policy Roundtable - Oct. 26, 2001

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LEGEND: ●—● = Impacted Workflow Phases

| Symbol | Description |
|--------|----------------------------|
| C | Consumer |
| I | Institutional |
| P | Paper payments/remits |
| E | Electronic payments/remits |



Legend example: "IE1"

- I – refers to an institutional payment process; (likewise "C" refers to a consumer payment process)
- E – refers to an electronic payment process; (likewise, "P" refers to a paper-based payment process)
- 1 – references a particular aspect of banking and/or financial service operations highlighted for policy discussion

Banking operations not addressed but impacted:

- Asset Management: processing medical AR assigned to bank via bankruptcy
- Corporate Credit Management: medical AR funding (including purchase, finance and securitization)
- Other commercial and specialized banking services