Two critical and emerging issues facing purchasers of health benefits are the desire for greater consumerism in healthcare (often called Consumer-Directed Healthcare ["CDHC"] and the implementation of the "administrative simplification" requirements of the Health Insurance Portability and Accountability Act ["HIPAA"].

Despite the attractiveness of CDHC and the urgency of HIPAA, few employers have considered how these two forces relate to each other. Understanding their relationship is vitally important, however, because implementation of either may be significantly less effective if not done in full consideration of the constraints and opportunities of the other.

This article presents a succinct framework for thinking about the two forces, their relationship to each other, and the need for a strategic alignment of their implementation.

Simply speaking, consider CDHC as the emerging architecture of health benefits and HIPAA as its systems and ethical infrastructure.

Employers introducing CDHC are working to achieve a number of important goals:

1) To enable and drive informed decision-making by healthcare consumers, based on evidence-based guidelines,

2) To create greater transparency of specific measures and information related to cost and quality metrics, and

3) To target and leverage a variety of program interventions for optimal program effectiveness.

Of course, the overall goal of CDHC is to enhance the efficiency of the healthcare program as a whole while better supporting the needs, behaviors, and values of the various segments of a covered population. At the core of such a program, however, is an infrastructure of human-, information-, and decision-support systems, which is where the clearest and most immediate convergence with HIPAA can be found.

Among other things, HIPAA standardizes transactions and code sets, which will, in fact, permit CDHC to offer options with comparable information and to quickly and inexpensively add and/or remove options based on demand. At the same time, HIPAA’s requirements related to privacy and security provide an ethical foundation that most employees will require to protect the increasingly sensitive, personal, healthcare information that will be transmitted across a number of system elements. These arise not only as a result of the proliferation of condition-specific choices and risk-adjustment methodologies inherent in CDHC, but also from likely developments in genetic testing, e-health, and electronic medical records.
An empowered consumer needs real options, good information, and decision support to organize, simplify, and interpret those options and that information. As a result, benefit-plan purchasers must be able to incorporate new options offering comparable information, while achieving low costs of administration.

HIPAA's standard transactions and code sets enable comparable information to be generated by payors, providers, and other health-industry participants, allowing both the expansion of choice and the simplification of choice using decision-support tools. Because the data generated by the standard transactions is much more detailed and granular than most current formats, the standard transactions and code sets also permit more innovative "bundling" of services by competitors, without sacrificing comparability of information.

The standard transactions will also enable improved comparability and integrity of information related to the quality and cost-effectiveness of various health plans, treatments, and providers, (particularly as the standards for clinical information mature). Finally, for our country's highly mobile workforce, standardization may permit innovations such as multi-year health insurance policies that better align insurer cost-containment goals with the goal of long-term health maintenance.

CDHC requires an effective flow of information to and from individuals about health-care choices and needs in order to help educate patients and their families and help them to target appropriate program supports. In many cases, effective CDHC may require the stratification of consumers based on healthcare values, behaviors, attitudes, and/or needs. Furthermore, incentives and/or other design elements may be targeted to various segments of the covered population based on specific healthcare or information needs and behaviors. His collection and transfer of information about consumers and outreach to consumers must be cognizant of privacy as one of our most salient political and consumer issues. While some employers understandably believe HIPAA privacy rules are unnecessary given their current uses of health information, the value of those rules is more apparent given their current uses of health information, including health-risk appraisal, needs segmentation, risk adjustment, genetic testing, and digitized medical records.

HIPAA's privacy and security requirements provide the backbone of rights that many consumers and citizens will consider a fundamental prerequisite to new types of information transfers about their personal health and healthcare status. Employees will be particularly concerned about the release of that information to their employers. In fact, HIPAA addresses those concerns directly by strictly limiting the use and disclosure of such information to "plan administration" purposes, and by requiring the creation of a "firewall" preventing its use for any employment-related purposes about which the employee would likely be concerned. Furthermore, the HIPAA "minimum
Many continue to misunderstand the interrelationship between HIPAA and CDHC. CDHC advocates may underestimate the importance of privacy concerns and risks as they implement integrated healthcare process solutions, design healthcare information systems, or allow unfettered exchanges of personal health information occur.

Consequently, HIPAA’s privacy and security rules and its broad consumer protections enable CDHC strategies to move forward in an environment of clearer boundaries, rights, and responsibilities. At the same time, however, HIPAA broadly permits various uses and disclosures for the purposes of “treatment, payment, and health-care operations,” which—if the design of a CDHC program pays appropriate attention to HIPAA—will allow the uses and disclosures generally contemplated by CDHC models.

Strategic Alignment of HIPAA and CDHC Implementation

Many continue to misunderstand the interrelationship between HIPAA and CDHC. CDHC advocates may underestimate the importance of privacy concerns and risks as they implement integrated healthcare process solutions, design healthcare information systems, or allow unfettered exchanges of healthcare information among parties within and outside the plan. On the other hand, many others are blind to the opportunities that HIPAA offers to CDHC by defining clearer boundaries for privacy and security concerns and by providing the opportunity for a more standardized, detailed, and seamless healthcare information platform (which, for enrollment and eligibility feeds and the payment functions of self-funded plans, is not a requirement).

HIPAA is not, of course, an option; it is something employers must do, and soon. Nonetheless, it can represent an excellent opportunity to rethink and create the systems and ethical platform for a more effective and sustainable form of employee benefits.
Foundation for Healthcare Consumerism

Consumer-Directed Healthcare
Digitization and Seamlessness
Transparency of Cost & Quality
Tailored Incentives
Consumer Segmentation
Targeted Support & Advocacy

HIPAA
Standardization and Comparability
Granularity and Richness of Data
Firewalls Protecting Health Information
Minimum Necessary Uses and Disclosures
Backbone of Consumer Rights

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