



Advanced Strategies to Achieve ROI in Implementing HIPAA

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Agenda

- A. Introduction
- B. Executive Endorsement, Leadership & Commitment
- C. So Where Do the Gains Actually Come From?
- D. HIPAA Enabled Clinical Opportunities
- E. Q & A



A. Introduction

Analyzing the Original Intent & Vision

HIPAA - The Original Vision

Standardization & Simplification = SAVING\$

One estimate of total savings net of all implementation costs over ten years is over \$42 billion.

“Biggest Change in American Healthcare Since Creation of Medicare”

Department of Health And Human Services

***“The Pessimist sees difficulty in every opportunity.
The Optimist sees opportunity in every difficulty.”***

Drivers Behind HIPAA

- Improve efficiency and effectiveness of the healthcare system by standardizing the electronic exchange of administrative and financial data
 - Increase timeliness of reimbursement/claims processing
 - Increasing the quality of health care
 - Lower cost of administrative transactions by eliminating time and expense of handling paper
 - Reduce healthcare fraud and abuse
- Protect security and privacy of individually identifiable health information

SAVINGS will not be realized without a process improvement mindset!

The Opportunity

Utilize the HIPAA EDI standardization and simplification rules as a catalyst to streamline, standardize and automate processes across the entire organization

**All Producing
Bottom-Line**



- Standardize and consolidate processes & procedures
- Significantly reduce days in A/R (BELOW 30 days or more)
- Standardize & automate certifications, authorizations, referrals, claims status, claims payment & etc....
- Rethink FTE staffing requirements & process flows for patient accounts & claims adjudication – A NEW MODEL is required.

“Do not follow where the path may lead, go instead where there is no path and leave a trail.” -- Ralph Waldo Emerson



B. Executive Endorsement, Leadership and Commitment

*The Key to Leveraging HIPAA as a
Strategic Catalyst for Change*

St. Luke's Health System

Organization Overview

8 Hospitals

- 1,213 licensed beds
- 36,844 annual discharges
- 400,682 outpatient visits

Medical Group

- 352,548 patient visits

Home Care Agency

- 12,491 clients

Medical Staff

- 839 active

Employees

- 6,500



Executive Endorsement

“From the beginning, we viewed HIPAA as a strategic driver of our system-wide improvement initiatives. All of our executive leadership and management understand the importance of using HIPAA as a catalyst for process improvement change.”

SLHS CEO

“While some of the regulations will require us to make investments in changing the way we deliver care, we believe the majority of the changes will be beneficial for our patients.”

SLHS CFO

More Common Executive Mindset

“Just make sure I don’t go to jail.”

“Just tell me we will be compliant”

“Oh yeah, and don’t spend any money doing this!”

CFO of Large Hospital System

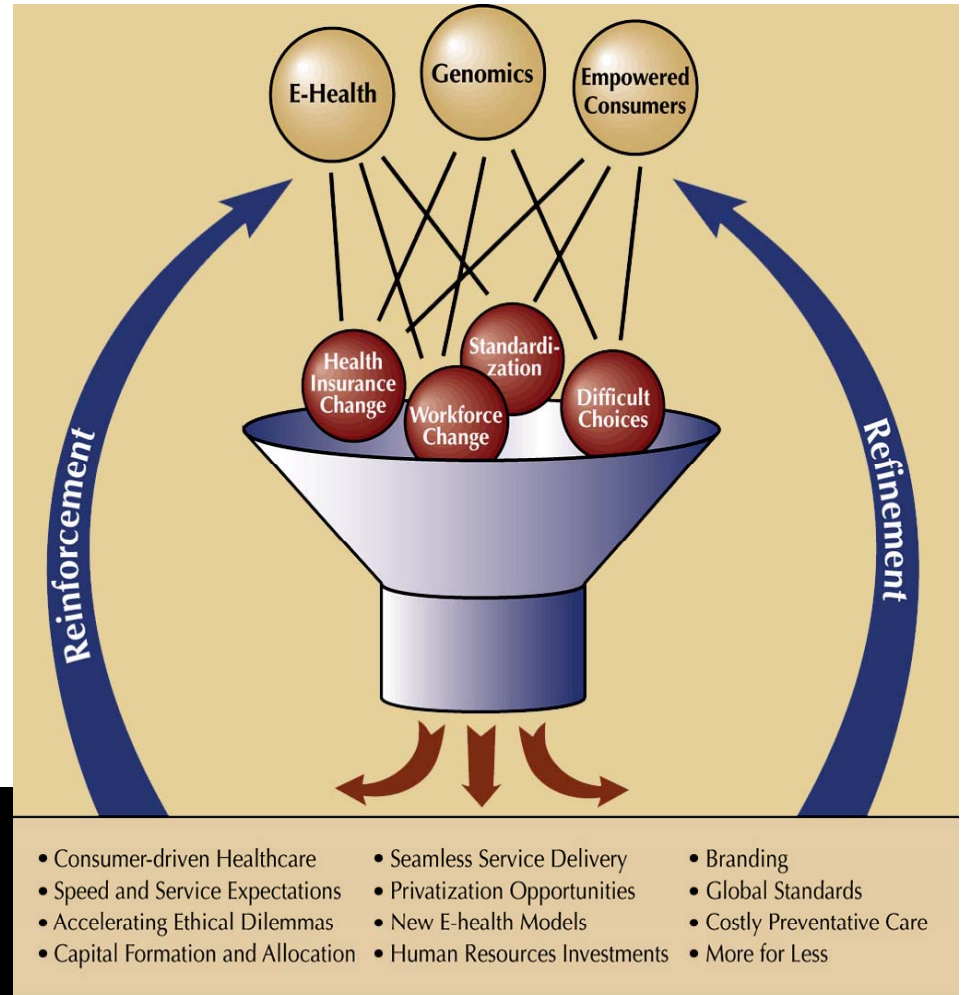
Keys to Obtaining Executive Buy-in

- I. Package and Present the Vision!
- II. Change the Executive Mindset
- III. Identify and Quantify Real Financial Savings (ROI)
- IV. Have a Detailed Plan
- V. Be Proactive

I. Package & Present the Vision

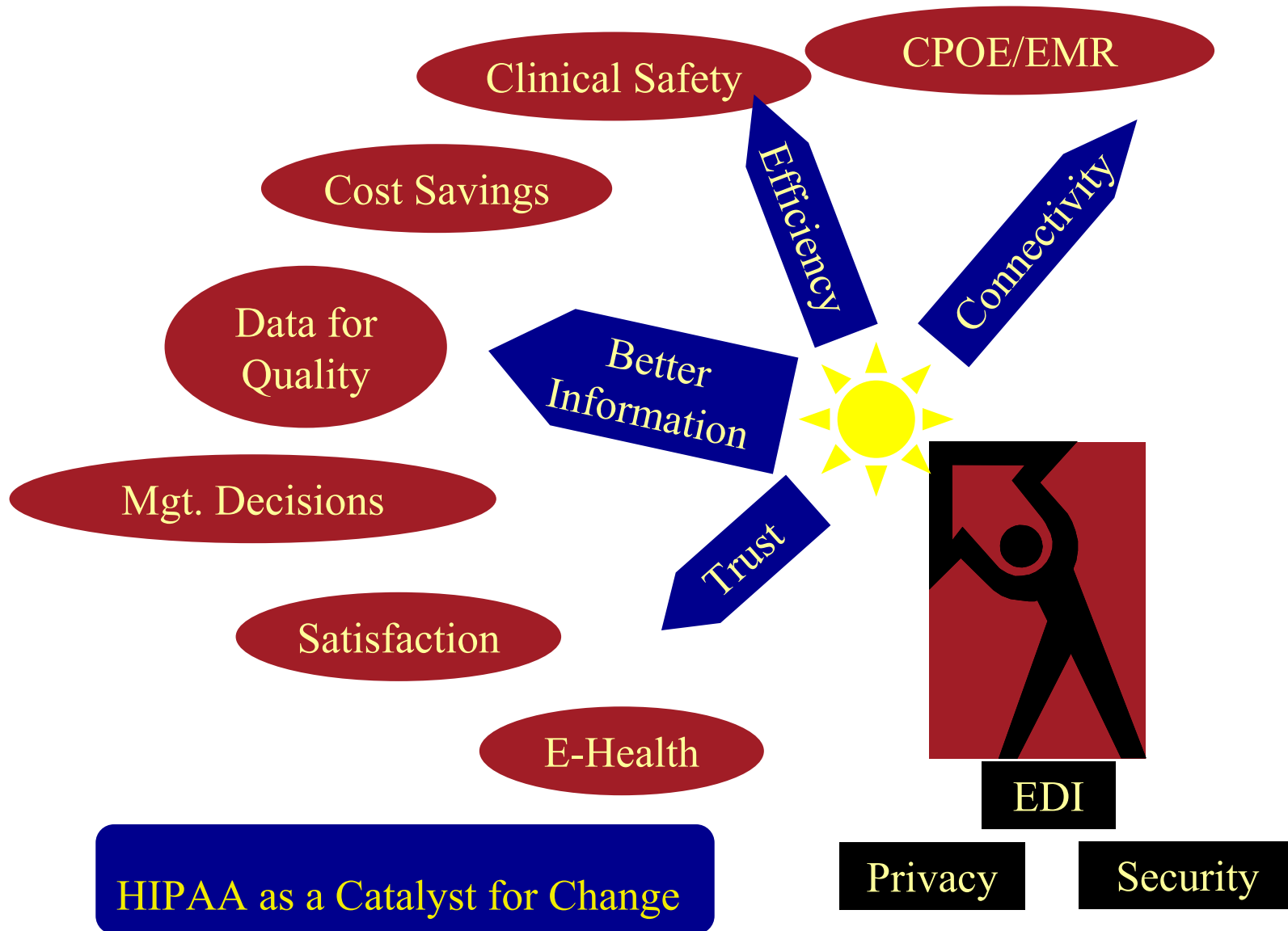
HIPAA intersects with three key industry drivers identified in *healthcare futurists thinking*:

- **E-Health** - transformation in health care to private, personalized, interactive and secure use of Internet
- **Genomics** - breakthroughs will shift system from cure to prevention while placing an even higher premium on security and privacy
- **Consumerism** - empowered consumers create impatient patients demanding information and access



HIPAA endorses exchanges of PHI via the internet with appropriate privacy & security controls.

I. Package & Present the Vision (cont.)



II. Change the Executive Mindset

Compliance Mind Set

- One more regulatory barrier;
- Objective to just be compliant;
- Internal headache

Process Improvement Mind Set

- Catalyst for change;
- Strategically driven;
- Opportunity to standardize and drive best practice

To face tomorrow with the thought of using the methods of yesterday is to envision life at a standstill.

Each one of us, no matter what our task, must search for new and better methods *for even that which we now do well must be done better tomorrow.*

--James F. Bell

(from the Forbes Scrapbook of Thoughts on the Business of Life, Book, II)

III. Identify Real Financial Savings

System Wide Standardization

Opportunity	High-Level Steps	Benefits/Potential Dollar Opportunity
<p>➤ Reengineering Revenue Cycle Processes around EDI</p>	<ul style="list-style-type: none">➤ Develop detailed plan to integrate revenue cycle process improvement initiatives with HIPAA TCI requirements➤ Develop B2B plan with major payers➤ Integrate document imaging	<ul style="list-style-type: none">➤ Reduced days in AR➤ Reduced denials➤ Reduced errors➤ Increased cash flows

III. Identify Real Financial Savings (cont.)

Procedure Standardization

Opportunity	High-Level Steps	Benefits/Potential Dollar Opportunity
Organization-wide Consents & Authorizations	<ul style="list-style-type: none">➤ Develop standard forms➤ Develop standard policies and procedures	<ul style="list-style-type: none">➤ Reduced production costs➤ Consistent process➤ Improved customer satisfaction

III. Identify Real Financial Savings (cont.)

System Wide Standardization

Opportunity	High-Level Steps	Benefits/Potential Dollar Opportunity
<p>➤ Vendor Contract Management Consolidation</p>	<ul style="list-style-type: none">➤ Develop system-wide process and protocols for contracting➤ Inventory all contracts➤ Create centralized database	<ul style="list-style-type: none">➤ Simplified tracking➤ Volume opportunities➤ Simplified renegotiating and contract renewal

III. Identify Real Financial Savings (cont.)

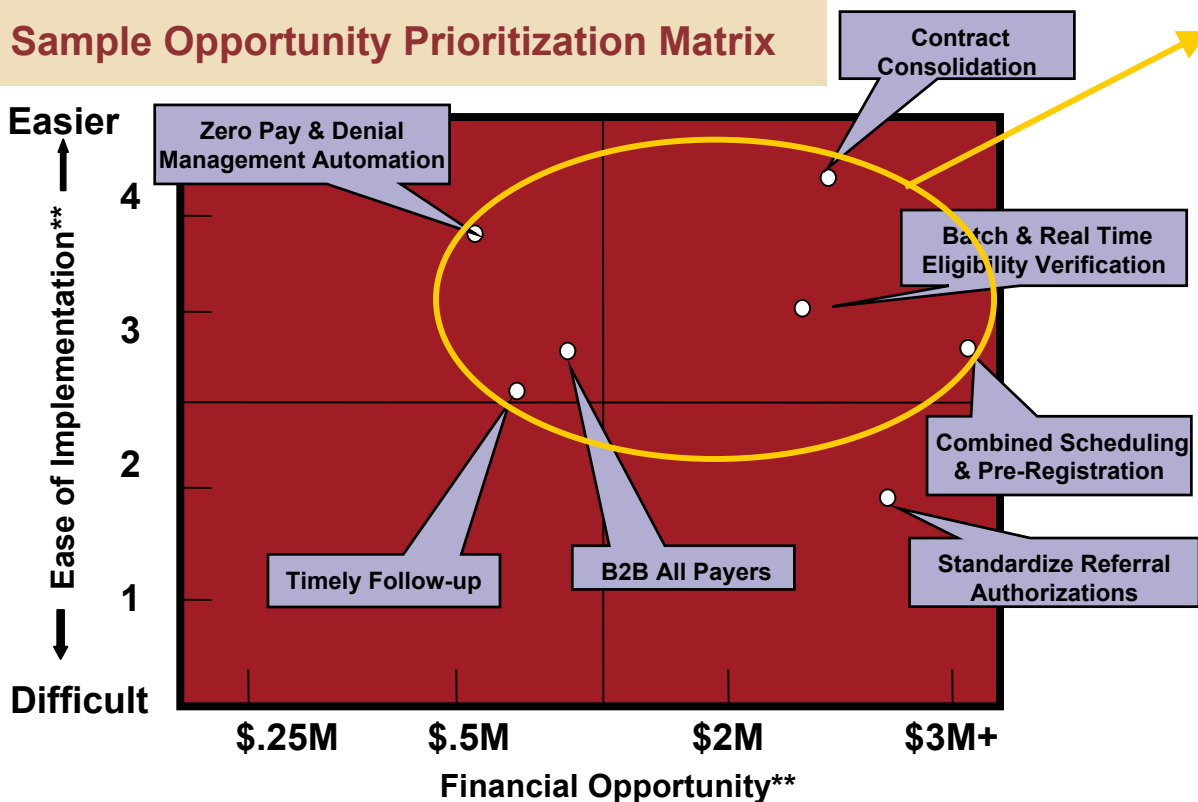
Vendor Contract Management Consolidation

Four contracts identified for consolidation

- Reduced preventive maintenance fees & equipment maintenance management restructuring
- Reduced per unit cost
- Elimination of additional service contracts
- Improved negotiation
- System-wide vendor consolidation

III. Identify Real Financial Savings (cont.)

Sample Opportunity Prioritization Matrix



Cumulative Bottom-Line Impact**

Initiative	Est'd Rev. Inc.	Est'd Savings	Total
Contract Consolidation	\$1.7M	\$0.5M	\$2.2
Batch & Real Time Eligibility	\$1.8M	\$0.3M	\$2.1
Zero Pay & Denial Mgmt.	\$0.8M	\$0.1M	\$0.9
Comb. Sch & Pre Reg/Self Pay	\$3M+	Net 0	\$3
Timely Follow-up	\$0.2M	\$0.4M	\$0.6
B2B All Payers	\$0.5M	\$0.3M	\$0.8
Standardize Ref. Authorizations	\$2.3M	\$0.3M	\$2.6
TOTAL	\$10.3	\$1.9	\$12.2

** Prioritization of opportunities and actual bottom-line financial opportunity is dependent on each organization's size & current state strengths and weaknesses. Bottom-line impact incorporates cost savings and revenue enhancement estimations based on actual client experiences.

IV. Have a Detailed Plan

ACTIVITIES

DELIVERABLES

	Determine Opportunity	Project Organization	VISIONING/ WORKFLOW DESIGN	IMPLEMENTATION
ACTIVITIES	<ul style="list-style-type: none"> ◆ Apply HIPAA <i>Sniffer</i> ◆ Interview key staff ◆ Review data, days in A/R, denials, FTE's etc. ◆ Identify barriers and facilitators for implementation 	<ul style="list-style-type: none"> ◆ Implement Project Management Office ◆ Determine Current State ◆ Facilitate collaboration of IT & Revenue Cycle departments ◆ Develop Guiding Principles ◆ Obtain unified buy-in regarding goals & objectives ◆ Develop initial project charters ◆ Identify specific areas of opportunity to derive benefits for all parties involved ◆ Establish project champions ◆ Develop project workplan & detailed work steps ◆ Establish initial schedule 	<ul style="list-style-type: none"> ◆ Customize and prepare work-session pre-reading materials ◆ Conduct Accelerated Collaborative Design Sessions ◆ Identify critical barriers and timelines (including regulatory timeline drivers and Vendor constraints) ◆ Consider emerging technologies and the potential impact(s) ◆ Document initial future state workflows ◆ Document initial future state performance indicators and metrics ◆ Develop technical/technology issues and opportunities ◆ Develop implementation workplan ◆ Develop initial implementation plan budget 	<ul style="list-style-type: none"> ◆ Driven by Project Management Office: <ul style="list-style-type: none"> - Project assignments - Workplans - Budgets - Regulatory Requirements ◆ Implementation Steps: <ul style="list-style-type: none"> - Vendor Capabilities Assessment including integrated interface testing & validation - EDI Readiness Analysis - Business Process Re-engineering Implementation - P&P Revisions - Training & Education Development & Roll-out ◆ Continuous Improvement Plan <ul style="list-style-type: none"> - Process Refinement - On-going User acceptance & training - EMR Potential - Support & Issue Resolution
DELIVERABLES	<ul style="list-style-type: none"> ◆ Estimation of HIPAA re-engineering cost savings and revenue improvements ◆ Identification of key issues 	<ul style="list-style-type: none"> ◆ Unified agreement on objectives and benefits ◆ Guiding Principles ◆ Future State Value/Benefits documentation ◆ Established PMO 	<ul style="list-style-type: none"> ◆ Future state workflows ◆ Regulatory Compliance Assessment ◆ Emerging technology considerations ◆ Potential Barriers ◆ Implementation Plan & Timeline ◆ Draft project budget 	<ul style="list-style-type: none"> ◆ Implemented work plans, budget management and coordinated approach ◆ Re-engineered business processes ◆ Realization of FINANCIAL SAVINGS\$

V. Be Proactive

Great things are not done by impulse,
but by a series of small things brought
together by someone of action.

-- Vincent Van Gogh



C. So where Do the Gains Actually Come From?

“Value Props” Do Not Pay Bills

So Where Do The Gains Actually Come

- Contract Management Opportunities
- Automating Processes
- Reduction in Clearinghouse Charges
- Reduced Working Capital Requirements
- Managed Care Negotiations
- Additional incremental returns from Clinical Transformation/Automation
- Staffing Realignment

Sample The Financial Opportunity (Case

Sample Hospital:

- Beds – 550
- Region – Midwest
- Avg Daily Census – 2,540
- Pat. Revs. \$500,000,000
- 95 FTEs in Bus Office
- Avg min on each pre-cert = 20
- Avg min on each eligibility = 12 min
- Avg min each claims status = 10 min
- Avg min posting pymts = 2 min

Current State

- Days in A/R = Net 45
- % of electronic authorizations
- Personnel – Total =95
 - Coders
 - Registrars
 - Collections Specialist
 - Billers
 - Cashiers
 - Financial Counselors
- Telecommunications
 - # of phone lines =45
 - # of fax machines = 20
- Space – budgeted cost per sq ft.
- Paper Products – Claim & Attmts

Future State

- Days in A/R = Net 20
- % of electronic
- Personnel – Total = 61
 - Coders –3
 - Registrars –7
 - Collections Specialist –16
 - Billers –1
 - Cashiers –2
 - Financial Counselors –2
- Telecommunications
 - # of phone lines –23
 - # of fax lines –10
- Space Reduction in space
- Reduction paper required

Financial Impact*

- One-time cash infusion -\$7,850,000**
- Annual Savings
- % of electronic
- Personnel – Total = 61
 - Coders \$90,000
 - Registrars 210,000
 - Collections Specialist 480,000
 - Billers 30,000
 - Cashiers 60,000
 - Financial Counselors 60,000
- Telecommunications
 - Red in phone lines 15,000
 - Red in fax machines 5,000
- Space 45,000
- Reduction in Paper Products 15,000
- Other ??
- Total Annual Savings=\$1,010,000**

Total Bottom-line Impact = \$8,860,000

* Financial Impact based upon reductions in A.R. from 45 to 20 days and reductions in A/R over 90 days from 30% to 18%. Other assumptions include a 6% cost of capital. Assumed avg. pay (incl benefits) = \$30K.

Current Barriers: Software Motivation



“ My clients would like greater EDI capabilities, but I’ve got em right where I want them. They are so afraid of conversions and changing vendors that they will rarely leave us and seek another solution. Besides with quarterly earnings pressures, we make more money repackaging and modifying existing architecture than investing in new solutions. R&D is just too expensive and our competitors aren’t investing. Besides we will make more money forcing providers to use our clearinghouse than allowing them to have direct transaction capabilities.”

Anonymous Software Billionaire

The Workflow Automation Potential

ROBUST PROCESS OPTIMIZATION

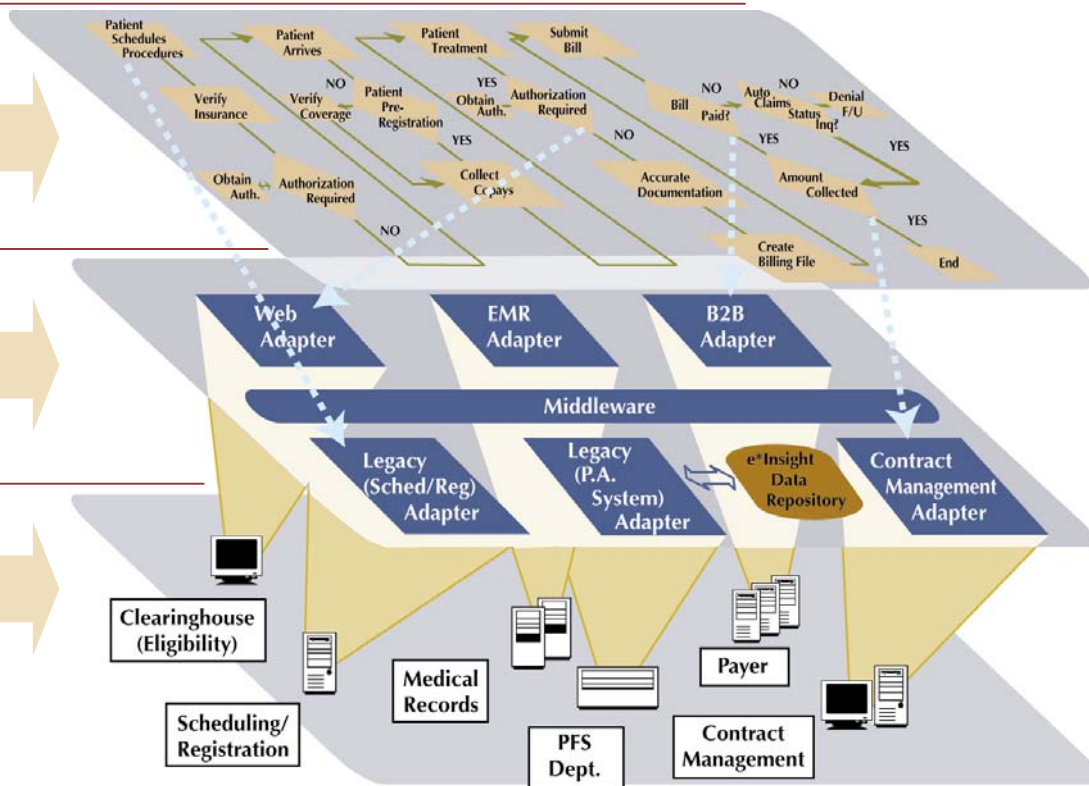
- Customized Automated Workflows including:
 - Best-Practice Processes
 - Integrated Rules Logic
- Real-time Performance & Metric Monitoring

SEAMLESS INTEGRATION

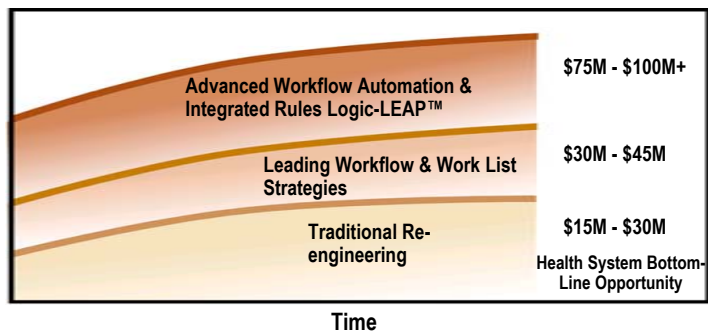
- Disparate System Data Integration
- Enterprise-wide Process Automation Capabilities
- Leverages Existing IT Investments

DYNAMIC B2B CONNECTIVITY

- End-to-End to eBusiness Integration Platform
- Leverages HIPAA Standardization Opportunities



Producing Truly Differentiated RESULTS!



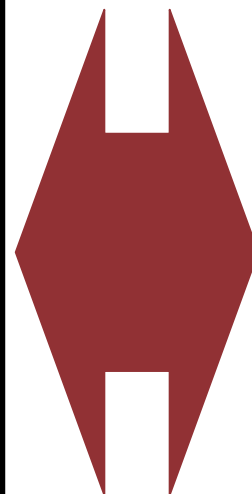
Advanced Workflow Automation Methodology Overview

Validation	Model	Build	Implement	Optimize	Enterprise-Wide Automation
<ul style="list-style-type: none"> • Current Workflow • Automation Potential • Financial Opportunities 	<ul style="list-style-type: none"> • Workflow Validation Sessions • Model & Design • Logic Refinement • Process Prioritization 	<ul style="list-style-type: none"> • Data Integration Refinement • Finalize Model Build • Test 	<ul style="list-style-type: none"> • Training • Staged Roll-out • Refinement 	<ul style="list-style-type: none"> • Monitoring • Analysis • Enhancements 	<ul style="list-style-type: none"> • Supply-chain • Clinical • Other Opportunities

Potential Provider Revenue Cycle Results

Process Automation and Advanced Workflow Solutions Provides Capabilities to Achieve Previously Unattainable Results

Measurement	Typical Health System Current-State	Advanced Workflow
Days in A/R	60	30
Bad Debt	2-3%	<1%
Denials	2%	.5%
DNFB/Bill Hold Days	6-7	2
Cost to Collect	3% to 4%	1%
A/R > 90 Days	30%-35%	<20%
Payment Accuracy Rate	94%	99.5%
Eligibility Accuracy	70-75%	98%
Patient Satisfaction Survey Results	B-	A



Intangible Benefit Summary

- Processes that minimize end-user interaction
- Real-time performance monitoring capabilities
- Upfront screening for Medicaid, Grants, Charity Care & Self-Pay
- Capabilities for self pay arrangements up-front
- Reduced non-covered services
- Denial Minimization
- Automated Processes



D. HIPAA Enabled Clinical Opportunities

*Accelerating the ROI from Clinical
Transformation/Automation*

Clinical Automation

Issues:

- Paper medical records are difficult to secure
- Physician hand writing illegible
- Availability of information is poor
- Lost records and information
- Inefficiency
- Duplication of efforts
- Human error (4th leading cause of death)
- Lack of checks and balances
- Difficulty doing studies for Quality Improvement

Clinical Automation

Automation can provide:

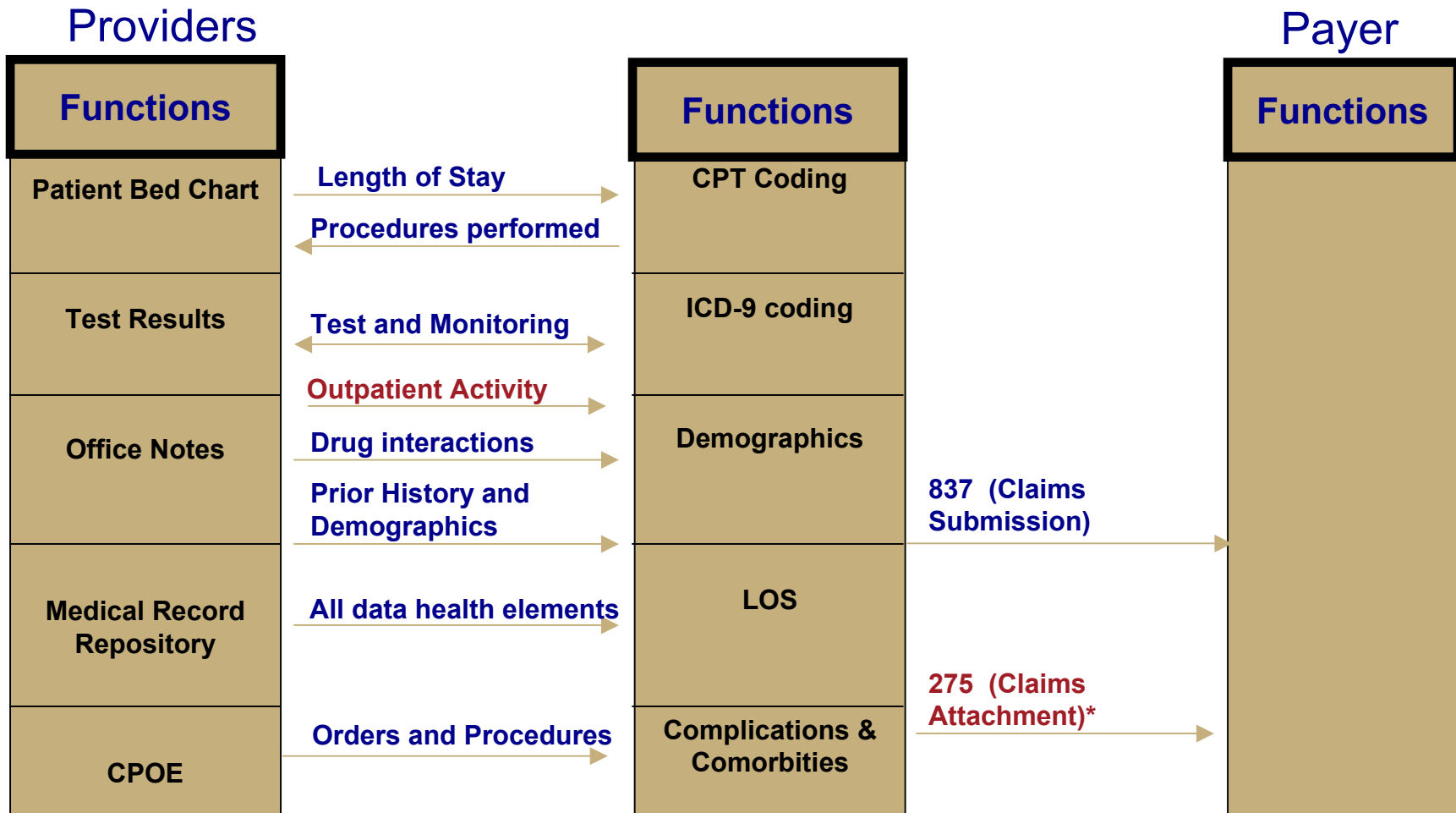
- Secure and Private Patient Records
 - User Authentication
 - Audit logs of activity
 - Back up procedures
- High Availability at point of care
- Efficiency in charting/documentation
- Checks on human errors (adverse drug interactions)
- AI used to support MD decision making
- Interface with various diagnostic machines (HL-7)

Clinical Automation (cont.)

Automation can provide:

- Ability to analyze 100% of charts
- Research data without human error
- Better treatment planning
- Standardization of treatment plans (w. MD override)
- Faster Quality Improvement
- Better data = Better Care
- Real time intervention
- Better emergency care through high availability
- Significant Financial Opportunities

Clinical Flow's Impact on Cash



These are not contained in the initial Transactions and Code Sets Final Rule*

E-commerce post HIPAA is a Catalyst

- Online registration
- Secure and Private Individual Medical Records Online
- Communication with Physician
- View and request corrections to MR on-line
- Order services on-line (drugs, DME, supplies)
- Receive education on line (Cancer, Diabetics, Etc.)
- Pay bills on-line
- View payment status on-line
- View benefits on-line
- Receive care on-line (Army robotics, online consults)
- Patient monitoring of lifestyle impacts and interventions

Consumerism - empowered consumers create impatient patients demanding information and access

Leveraging Compliance Into Opportunity

“Sounds like consultant speak to me. How can we really implement this?”

- Integrate process improvement identifiers into compliance check-up process
- Maintain executive buy-in and support
- Integrate process improvement questioning into compliance check-up process.
- Develop action plan for implementation of identified opportunities
- Document results and savings/ROI.

Leveraging Compliance Into Opportunity_(cont.)

“We want to use the HIPAA compliance requirements as a catalyst to improve the quality of care throughout our 9 hospital health system, through strategic process improvement, best practice standardization information technology opportunities.”

CEO of Health System

P.S. Now we can get around all the politics and the barriers to change, blame it on the government and truly reap the returns of a larger health system!

Summary - Critical Success Factors

- Ensure business goals drive HIPAA
- Secure executive buy-in & commitment
- Build HIPAA into existing change initiatives (do it once)
- Capitalize on savings and benefits via HIPAA EDI and greater risk mgt. Controls
- Develop on-going validation, compliance & process improvement 3-5 year plan.
- Integrate HIPAA into your day-to-day operations
- Consider constituency impacts (groups, members, providers)
- Develop Value scorecard for all financial opportunities realized

It Takes Initiative!

“It is funny about life: if you refuse to accept anything but the very best you will very often get it.”

W. Somerset Maugham

Questions & Answers

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PRICewaterhouseCOOPERS

The vessel is a symbol for people from many different worlds working together and sharing knowledge. The shape of each vessel is formed by the classic optical illusion of two facing profiles. Visitors to our organization's worldwide offices will see vessels crafted in various materials and styles representing the traditions of many cultures. Their diversity reflects the many worlds in which PricewaterhouseCoopers people and our clients work together, share knowledge, and worlds are the fundamentals underpinning our organization.

Your world



Our people