

Emerging Policy Issues in Medical Banking



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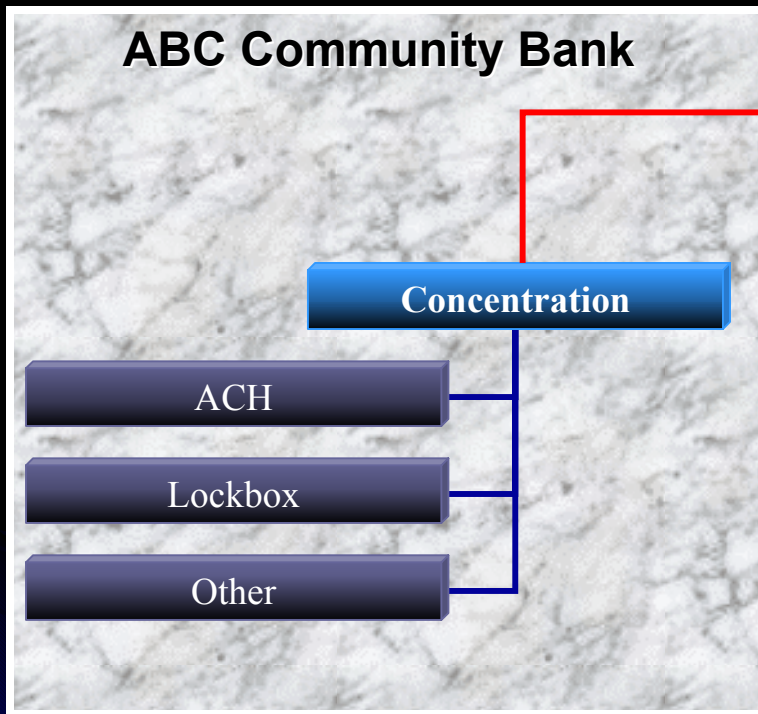
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What is “Medical Banking”?

- **Utilizing bank IT and “know-how” to manage medical transactions**
 - Uniquely suitable for remittance transaction
 - Initially reduces costs \$35B+ annually
 - Converts digital savings into charitable resources (\$21B)
- **What kinds of services?**
 - **Specialized cash management services**
 - Managing cash disbursements
 - Lockbox specialization is accelerating in marketplace
 - A/R Matching (i.e., original claim w/EOB)
 - Denial management
 - COB processing
 - **Emerging service areas**
 - Card Processing - MSA/FSA/HSA
 - Leveraging bank delivery system to reach the “non-digital” community of providers

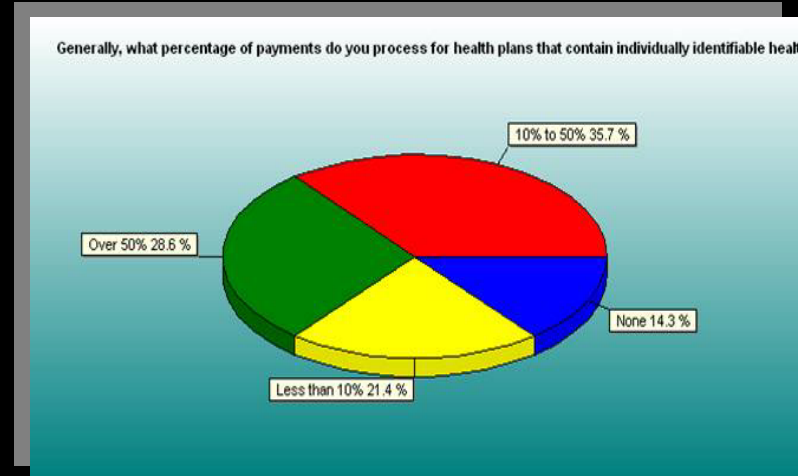
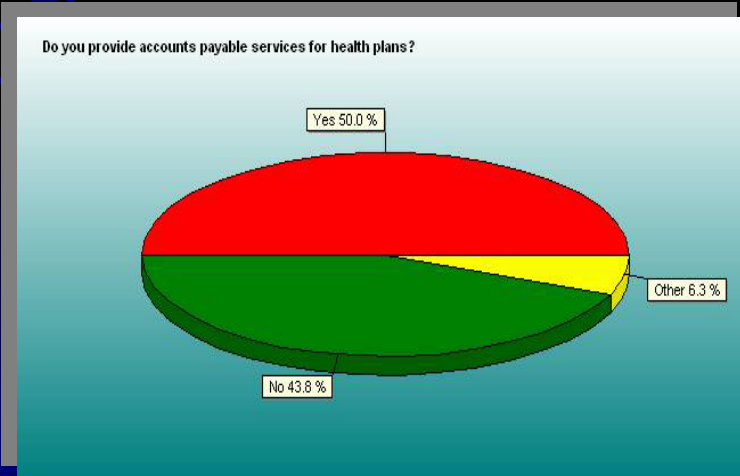
Medical Banking Economics



Automated Claim Functions	Manual Cost	Digital
Cash posting	\$1.25	
Contractual Allowance Processing	\$2.50	
Reject Note Posting	\$1.25	
Financial Class Updates	\$1.25	
Secondary Billing	\$5.00	
Patient Statement Processing	~ \$5.00	
TOTAL COSTS	> \$15	< \$5.00
EST. SAVINGS	A minimum of \$10.00	
ANNUAL INDUSTRY SAVINGS	\$35 billion +	

Medical Banking IOS

835 CREATION	835 DISTRIBUTION	835 INTEGRATION
TODAY... Health Plan or Health Plan's Bank (ODFI)	<i>Electronic:</i> ACH → Provider's Bank (RDFI); Clearinghouses <i>Paper:</i> Lockbox / USPS	Point Solutions automate primarily Medicare remittances Commercial and Self-Pay done manually
TOMORROW... Specialized Outsourcing Channels	Specialized Bank Networks move dollars w/remittances - Lockboxes convert remaining "mountains of EOB paper" to electronic remittances	"Straight Through Processing" for all financial classes Accelerated Denial Management Enhanced Capital Access New Enterprise Decision Tools

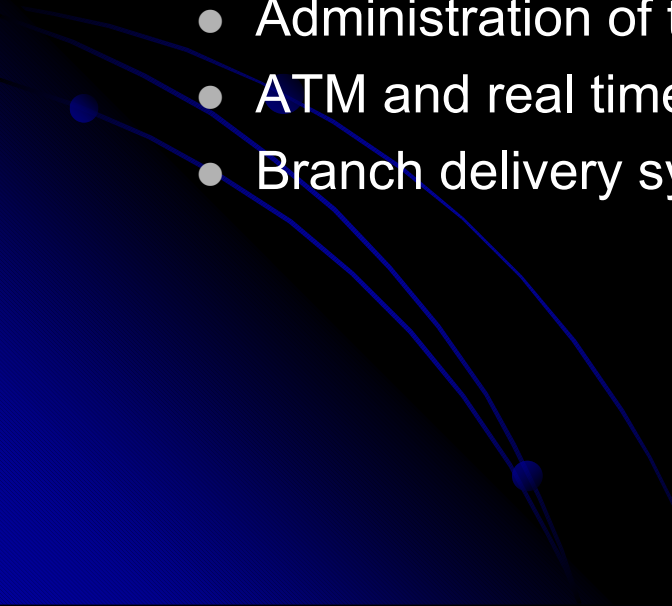


On the Medical Banking Horizon...

- **MBIOS Fuels Credit Access**

- Recognizing non-productive A/R assets in credit arrangements
- New consumer credit services

- **Ramping Healthcare Providers onto NHII**

- Leverages IT/IS investment made by banks over decades
 - Administration of the “Master Patient Index”
 - ATM and real time architectures
 - Branch delivery system extends deep into rural areas
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Loopholes in the HIPAA Armor

- **Critical path policy issues**

- Privacy and security of PHI as it moves through banking system
 - The Clearing House Report - protecting the “payment franchise” is essential for banks
 - Will GLB, FACT Act, other regulations plug loophole?
- Section 1179 exemption
 - Does HIPAA apply equally across market structures?

- **The Loophole...Section 1179**

- Intent was to exempt processing of “consumer-conducted financial transactions”
 - Will emerge as decisive issue as banks implement HSA strategy
- “Payment Theory”
 - Does payment mean dollars and data?
 - Section 1179 exempts payment – not remittance – processes

Loopholes in the HIPAA Armor

- **Can the Business Associate contract alone work?**
 - Why are clearinghouses a HIPAA covered entity?
 - Exempt all clearinghouses, or, make sure all clearinghouses comply
- **Provider's bank not required to convert to HIPAA standard – mutually agreed upon electronic format**
- **If we expand the loophole, what is the macro-economic impact?**
 - Banks will acquire clearinghouses
 - Clearinghouses will become banks
 - A two standard system may emerge
 - MBIOS progress will stall, delaying benefits of digital savings for medical providers

Medical Records Privacy

- **Both electronic and paper remittances have PHI**
 - Lockbox Issues...EOB/P that contains paper-based PHI
 - ACH Issues...835 may contain Table 2 PHI
 - As a result, many banks are business associates
- **“Intermediaries” (i.e., ACH) may fall outside web of protection**
 - Encryption of PHI-laden 835s from plan to provider
 - 835s are decrypted and then re-encrypted upon receipt and forward by an intermediary
 - Transactions are archived for 6 years
 - Is this data subject to data mining?

Recommendations

- **Encourage the new bank-based, healthcare stakeholder**
- **Special cross-industry panel to review unique policy issues**
 - Clearinghouse debate
 - HIPAA Gap analysis of ACH network
 - Healthcare credit practices - “True sale” versus privacy interest
- **Implement HHS/OCC cross-regulatory panel**
 - Medical banking is a broad market-based development
- **Applaud regulators: HIPAA energized medical banking industry, even with loopholes**
 - Policy success – major banks positioning in this area
 - Macro-economic effect: reduced healthcare administrative costs