Operational Impacts of Administration Simplification

Lessons Learned and Practical Approaches to Compliance

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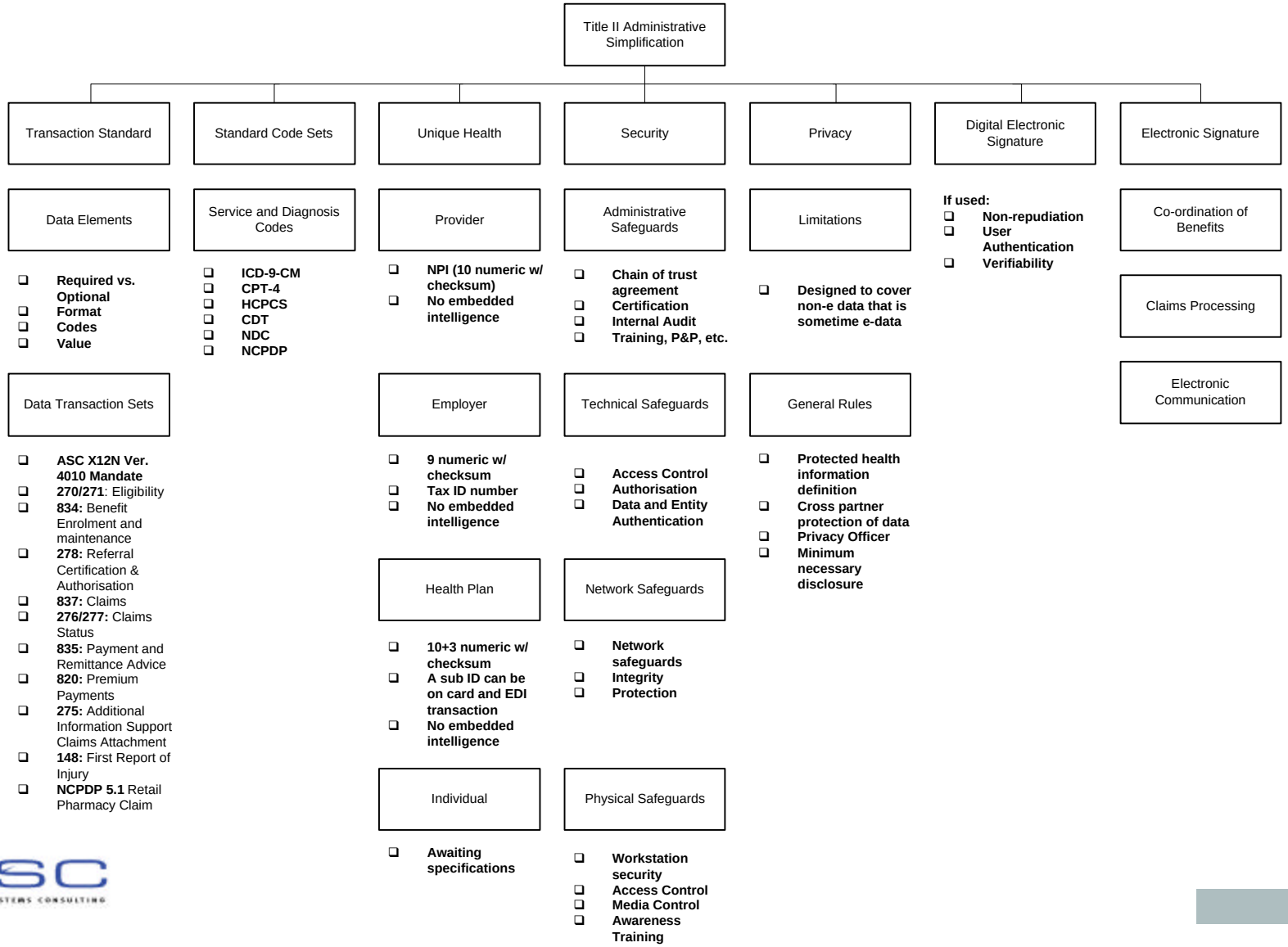
Five Main Titles

- **Title I – Health Care Access, Portability and Renewability**
- **Title II – Preventing Health Care Fraud and Abuse, Administrative Simplification; Medical Liability Reform**
  - Standardizing electronic patient health, administrative, and financial data
    - Transaction changes
    - Code Set changes
  - Providing unique identifiers for employers, health plans, and health care providers
    - Identifier changes
  - Implementing security standards for protecting the confidentiality and integrity of any information that can identify an individual
- **Title III – Tax Related Health Provisions**
- **Title IV – Application and Enforcement of Group Health Plan Requirements**
- **Title V – Revenue Offsets**

Administrative Simplification



EDI Impact of HIPAA

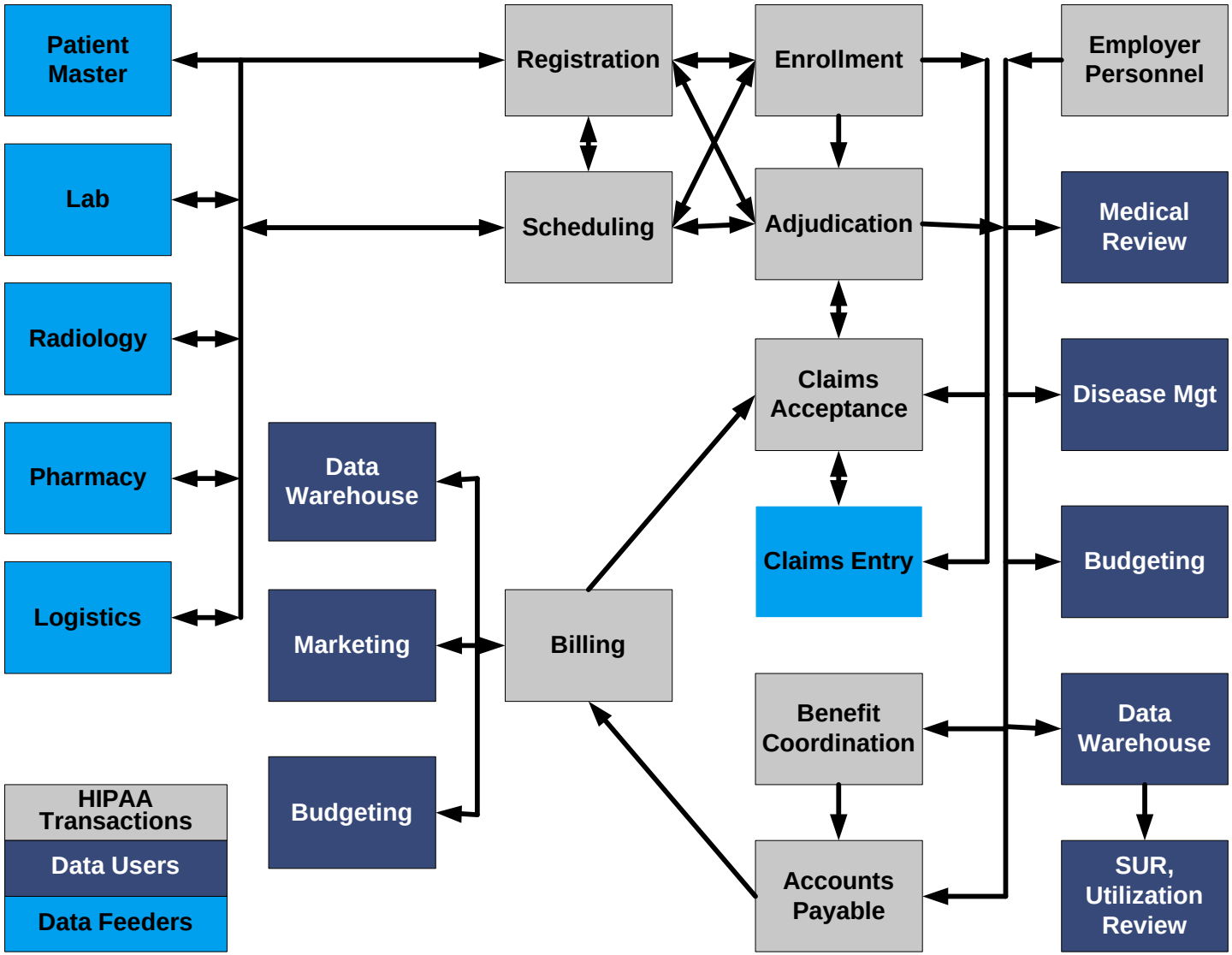
- **HIPAA Will Require Investment**
  - The Secretary of Health and Human Services has estimated that the ten-year cost for HIPAA compliance will be $18 billion. However, others have projected the cost of compliance to be $32 billion. Until all of the regulations are passed into law, it is anyone's guess.

- **It Will Reduce Cost for End Users Long Term**
  - The estimated savings for companies impacted by HIPAA are projected by DHHS to be $32 billion over five years. These savings include the reduced maintenance costs on the now over 200 transactions sets used in electronic data interchange, and the associated data files, program code and disaster recovery plans.

Impact of HIPAA (Continued)

- **Significant Challenge for the Industry**
  - It is estimated the effort is projected to be three to five times what was invested on Y2K remediation.
  - The reasons why the effort is so much greater than for Y2K remediation are numerous, but a few key reasons include:
    - HIPAA is a business issue, which affects business processes as well as IT systems.
    - HIPAA is far more complex. Data elements that are impacted contain a whole variety of information, not just date information
    - For HIPAA, many changes will require discussions with business analysts and HIPAA experts and the extent of the changes is such that managing these changes manually is unrealistic.

The System - provider and payer enterprise

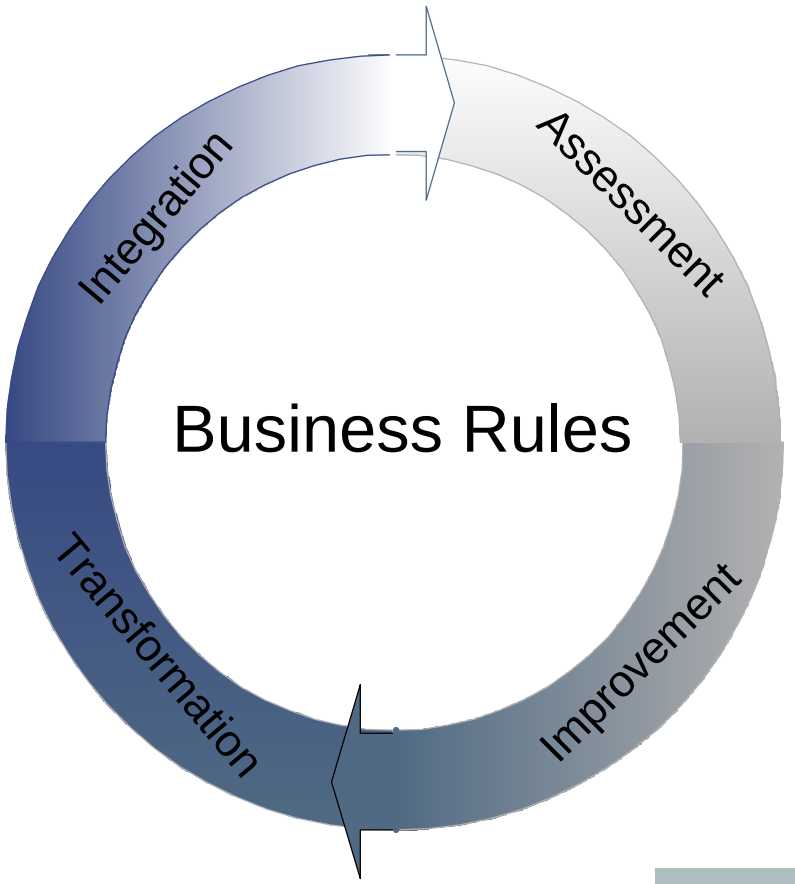


HIPAA Life Cycle

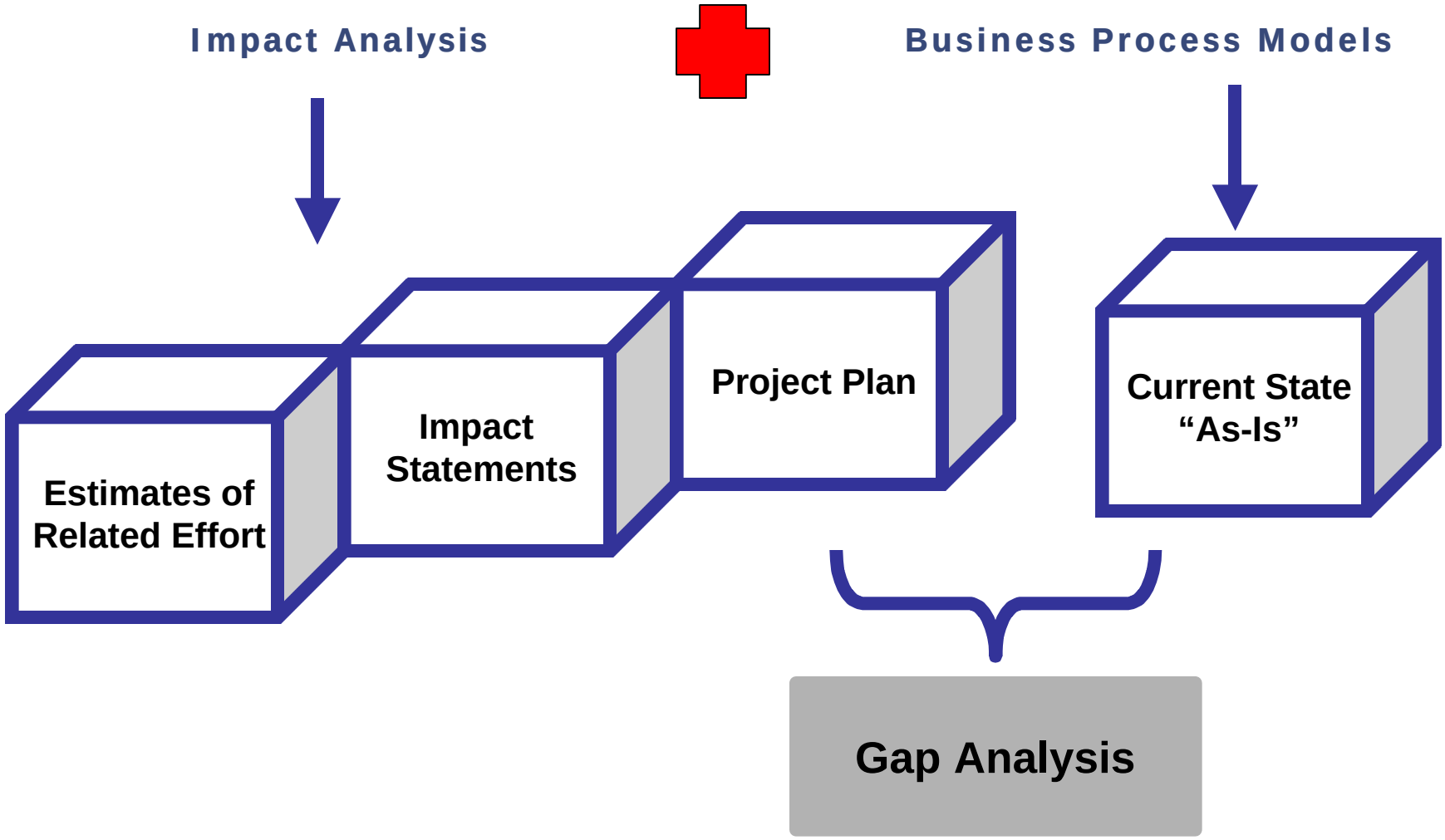
HIPAA Life Cycle

- Awareness
- Environmental Profile
- Integration Strategy
- Detailed Assessment Gap Analysis
- Remediation methods
- Solution Validation
- Implementation & Certification

Reuse Life Cycle

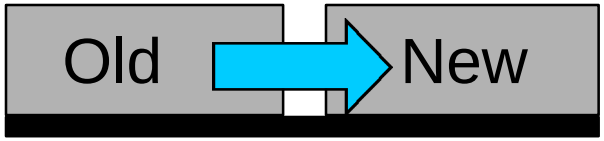


Detailed Assessment & Gap Analysis

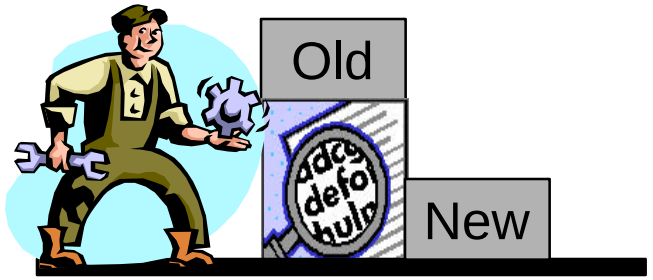


Remediation Approaches

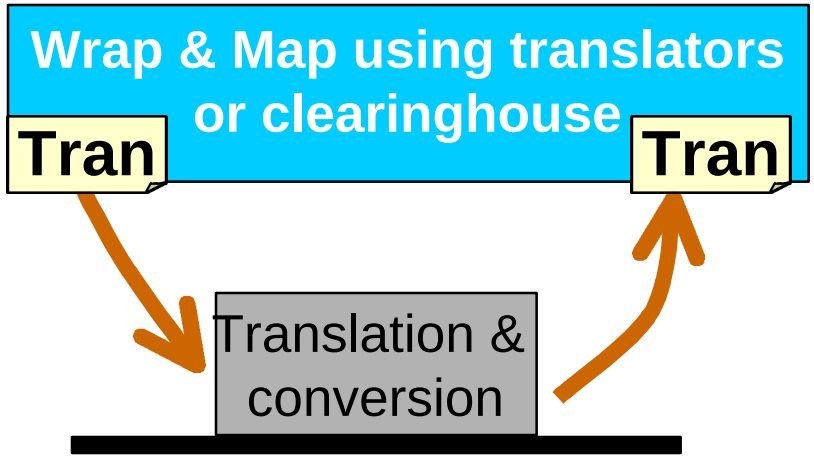
Replace



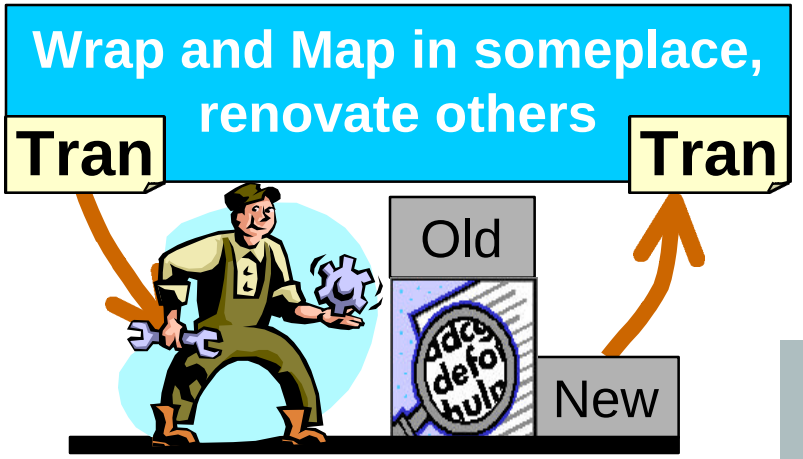
Renovate



Wrap and Map

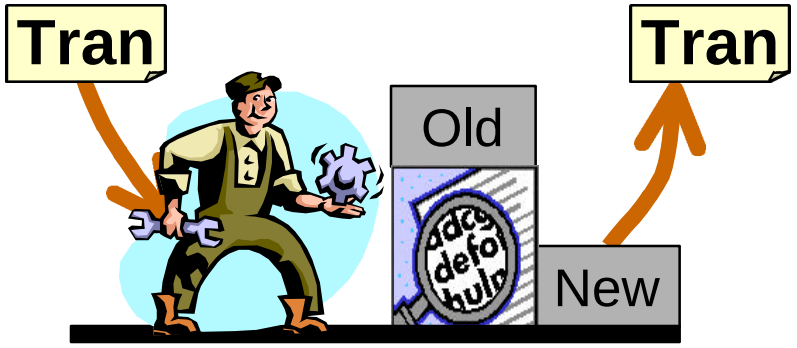


Wrap, Map and Renovate



Renovation Code Assessment

- Code assessment required for
  - evaluation of replacement options
  - determining “wrap and map” specifics
  - code renovation
- Mass change remediation experience can provide
  - an inventory of source code
  - a testing methodology
  - source code migration approach
- Differences
  - Business Process Change
  - Transformation engine config. files
  - X12N Implementation Guide Tables
  - Other standards, NCPDP, ICD9, etc.
  - Testing with trading partners
- Automate if at all possible

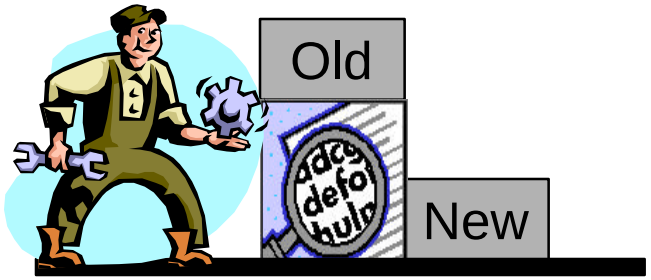


Code Assessment Opportunities

- Logic and Data Analysis – ***Determine and identify the impact and solutions***
  - Transaction and Code Sets
  - Identifier Standards
- Assess, scope, and **educate**
  - Audit and impact assessment reviewing
- Analyze, design, and **educate**
  - Processes and information systems that must be changed with HIPAA
  - Options for modifying (redesign, buy, build, outsourcing)
  - Business impact and risk
  - Cost of conversion and ongoing compliance administration
- Develop, test, convert/implement, and **educate**
- Monitor compliance, report, and **educate** regarding any changes to requirements
- Educate and build strategy for future integration activities

Replacement and Renovation

- System assessment
  - Evaluation options - Impact assessment on your system
  - Catalog of business rules to determine impact of code set changes to build requirements for replacement
  - Create inventories of modules and impact assessment for renovation
    - X012N assessment experience and customizable tools
  - Identify data elements that are candidates for wrap and map versus those that must be renovated - "wrap, map and hack" specifics
- Remediation
  - Source code inventory
  - Project code renovation work list
    - Manifest of change
  - Renovation estimate generation
- Build Integration Strategy



Assessment / mass change tools reduce cost of remediation

Sample Problem - Medicaid POS

- **System:** Claims processing. System accept claims and eligibility transactions in a variety of formats: UB92, HCFA 1500 (paper and EDI). All incoming and outgoing transactions are reformatted into system's unique internal record format for adjudication and processing.
- **Problem:** HIPAA-compliance requires that all external transactions must comply to X012 standards. A comparison of X012 transaction requirements to existing internal file formats is needed, plus a determination of which X012 fields:
  - Map directly to an internal field
  - Require a change to the format of an internal field
  - Require a new field
  - Identify internal fields that would not be supported under an ANSI-compliant system

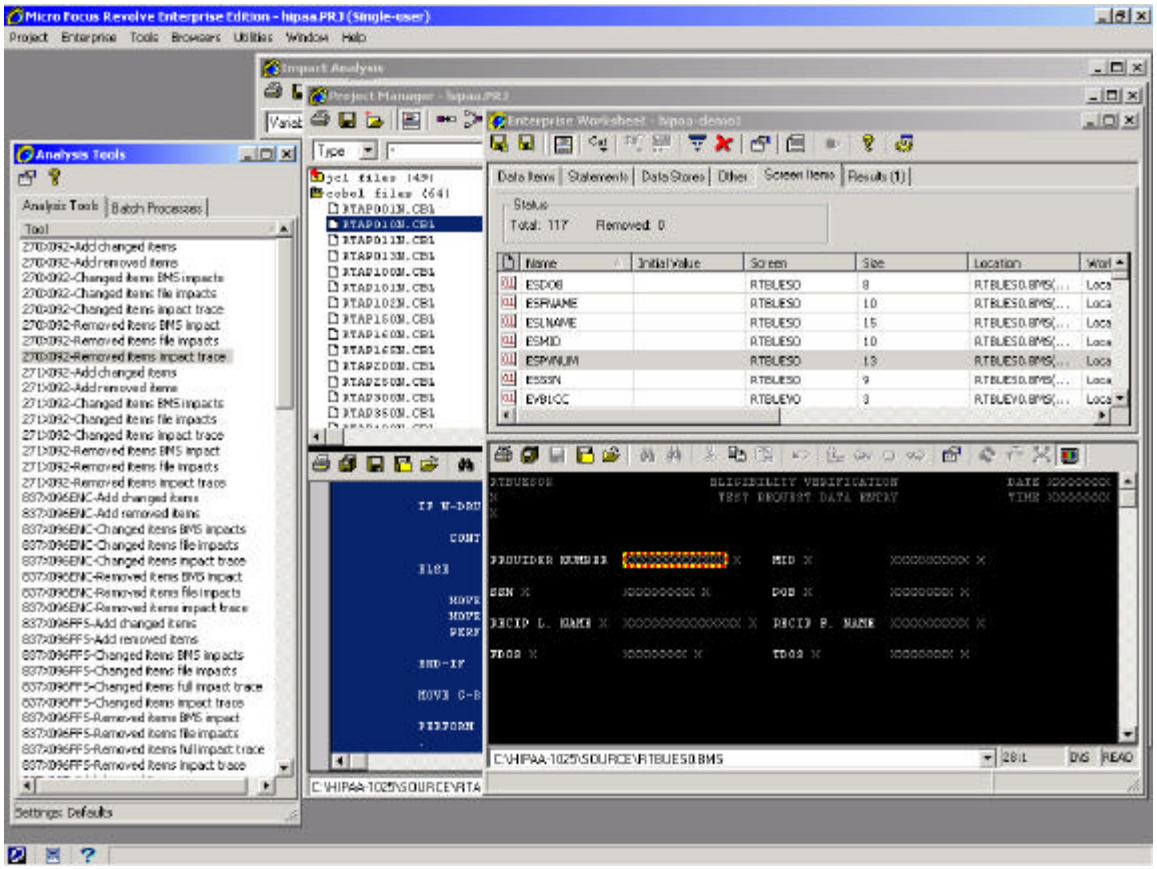
Make the system comply to HIPAA EDI standards

Impact Analysis

- Categorizing and defining the points of interest
  - ***Category definition***
    - Establish procedural code that formats transactions before electronic exchange
    - Data Definitions that hold code set data where format will change for HIPAA
    - Screens that need to be changed for HIPAA
    - Hard coded non-HIPAA compliant code
    - Data items and code that identifiers unique
- Prototyping Analysis
  - ***Composite tool prototypes to capture your impact analysis process***
- Isolate the elements that require change
  - ***Configurable composite analysis tools to provide flexibility***
- Estimate Effort and Costs
  - ***Composite Analyses are fed into Estimation to generate effort and cost estimates for representative code sample***
- Tracking and Auditing

Worksheet and Project Manager

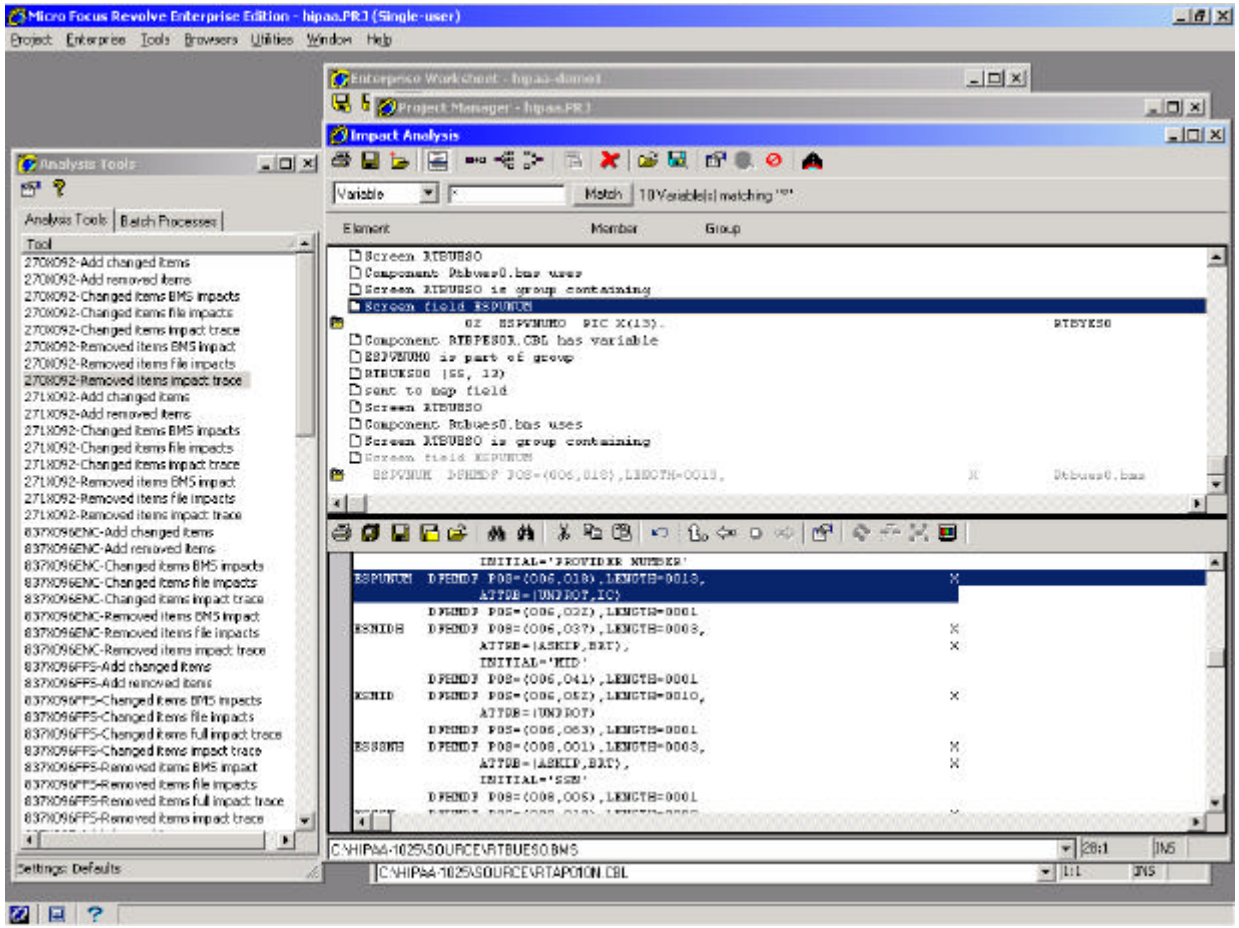
- Inventory system
- Audit documentation
- Research/annotations
- Eliminate unused code sets
- Improved quality - Less rework
- Reduction in errors
- Managed process
- Define cost estimation
- Document impact
- Repeatable process
- Centralize control and reporting



Automation improves productivity & quality

Impact Analysis

- Apply composite tools to define impact
- Filter to simplify complex analysis questions
- Trace change, follow impact trail
- Research impact at:
  - Inventory level
  - Project level
  - Change level
  - Unit/member level
- Define change

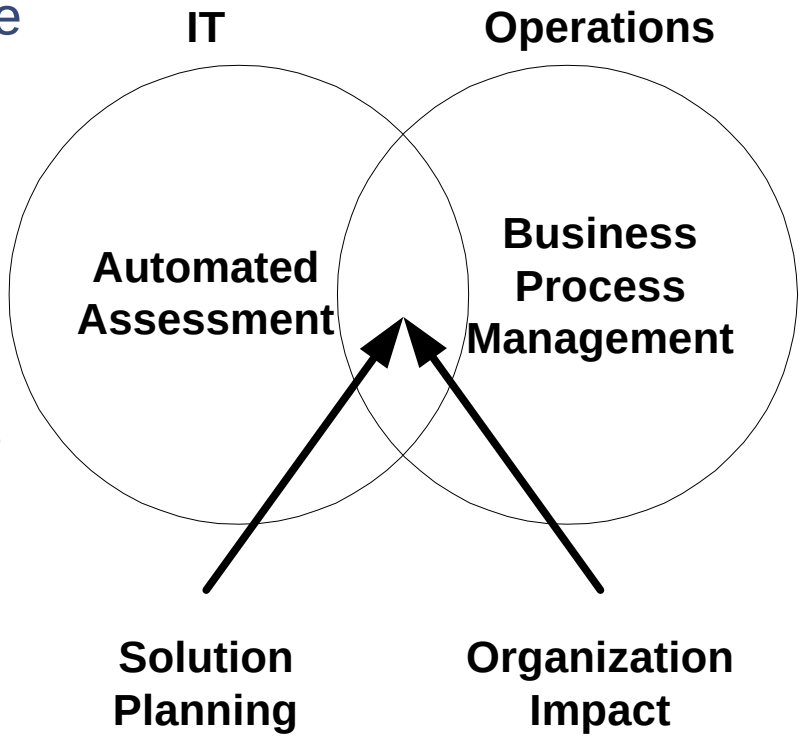


Recommendations and Benefits

- Recommendation – the right approach may be a hybrid
  - Automated code assessment to determine remediation approaches
  - Renovation tools support for your remediation approaches
  - Separate systems with map-able interfaces based on middleware
  - Remediation code when map-able interfaces don't make sense
  - Utilize EDI and operational consultants to mitigate risk
  - Focus on Application Integration for long term benefits
- Benefits – do your work up front / analysis
  - Automated code assessment
    - Improve accuracy of effort, cost estimates and analysis for renovation or transaction mapping approach
    - Reduce associated mainframe maintenance costs by 50%
    - Howard & Muscarello, DePaul University, 1998 – 1999.
      - Improve project quality by 59%, Shorten bug fix cycles by 68%
  - The right remediation approach/s will
    - Improve Time to Market, Reduce Costs, Decrease Risk by Improving Quality through Business Process Improvement

Summary

- HIPAA Life Cycle is also a reuse life cycle
- Possible Remediation approaches
  - Renovate or wrap and map strategies
  - Replace needs rule based gap analysis
  - High breed – one size may not fit all
- Opportunity – devil is in the details
  - Mix of System Assessment and Business Process Management
  - Short-term remediation strategies can produce long-term problems
  - Provides opportunity to standardize integration strategy
  - Successful integration strategies start with knowledge of system/inventory and the impact of change



Thank You