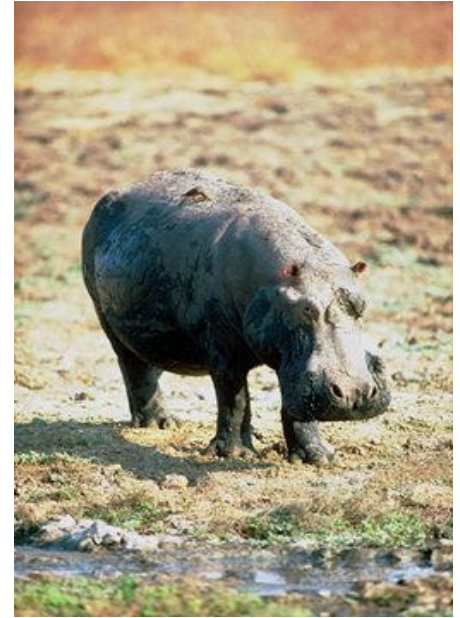


# Projecting and Budgeting Costs and Savings of HIPAA Compliance



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*[www.hipaainfo.net](http://www.hipaainfo.net)*

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# **BOUNDARY INFORMATION GROUP (BIG)**

- **Virtual Consortium of Health Care Information Systems Consulting Firms**
- **Founded 1995**
- **Internet-Based**
- **Company website: [www.boundary.net](http://www.boundary.net)**
- **BIG HIPAA Resources: [www.hipaainfo.net](http://www.hipaainfo.net)**
- **Senior Consultants with HIPAA Leadership Experience Since 1992**
- **Clients include:**
  - **Hospitals and multi-hospital organizations**
  - **Medical groups**
  - **Health plans**
  - **Vendors**

# WEDI



- **Founded 1991**
- **Nonprofit Trade Association**
- **Consumers, Government, Mixed Payer/Providers, Payers, Providers, Standards Organizations, Vendors -- 185 organization members**
- **Named in 1996 HIPAA Legislation as an Advisor to the Secretary of DHHS**
- **Website: [WWW.wedi.org](http://WWW.wedi.org)**
- **Strategic National Implementation Process (SNIP)**
- **WEDI Foundation formed in 2001**
- **Steven Lazarus, WEDI Chair**

# WEDI MISSION



- To foster widespread support for the adoption of electronic commerce within healthcare
- WEDI accomplishes its mission by:
  - Policy Advisory Groups (PAGs)
  - WEDI Strategic National Implementation Process (SNIP)
  - Emerging Technology Forums
  - WEDI Foundation

## WEDI SNIP



- **Develops industry consensus for HIPAA implementation**
- **Has 3000 plus participants on the LISTSERV**
- **Presents and receives HIPAA implementation advice through [www.wedi.org/snip](http://www.wedi.org/snip) and conferences**
- **Reaches to local areas through regional SNIPs**
- **WEDI SNIP Summit, November 12-14, 2001, Orlando**

# SNIP DELIVERABLES



- **White papers**
- **Audio and Web conferences**
- **Quarterly WEDI SNIP conferences**
- **Other Forums**

# THE MAJOR PROVIDER BENEFITS



- Reduce staff in business office and registration
- Reduce IS support for interface engine and EDI communication
- Reduce staff that manage enrollment, referral, and eligibility by phone and paper
- Collect most accounts at time of service; health plan and sponsor payments possible within ten days.
- Reduce bad debt
- Protection of information resources
- Standard security/privacy policies and procedures

## QUICK AND DIRTY HIPAA ADMINISTRATIVE SIMPLIFICATION BENEFIT CALCULATION ESTIMATOR

Assumes Implementation of all Standard Transactions, Code Sets  
and Identifiers, Excluding Implementation and Operations Cost

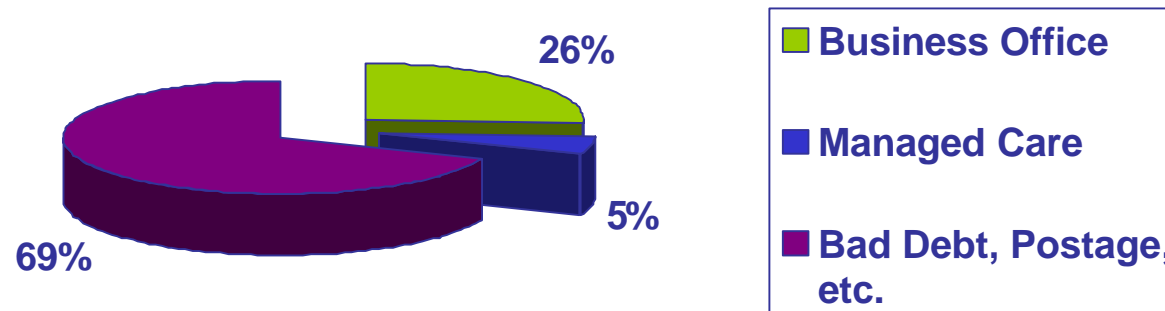
	(1) Number of Staff	(2) 50% of (1)	(3) Salaries, benefits & overhead for (2) per year
1. Business Office -- Staff posting paper insurance remittance -- Patient and insurance collections staff -- Error correction and insurance rebilling staff			
2. Managed Care Coordination -- Precertification/ preauthorization staff -- Eligibility and benefit verification			
3. Cash to bottom line -- Patient bad debt in dollars x 25% -- 25% Insurance denials for lack of preapproval or timely filing -- 50% of postage and fees for patient statements	N/A	N/A	
Total annual operation saving potential (excluding EDI setup and transaction fees)	N/A	N/A	

# **“BIG” ESTIMATED TRANSACTIONS AND CODE SETS BENEFITS FOR HOSPITALS**

- **Sample Demographic**
  - 16 Hospitals (CA and NV)
  - 1,407 hospital beds
  - \$1B in revenue (\$62M average)
- **Average Annual Savings**
  - \$1.1M per hospital
  - \$2.4% percent of revenue (range 0.9% to 7.5%)
- **Five Year Impact (assume four years of benefits)**
  - \$4.4M per hospital (excluding costs)
  - \$1.2M in the business office

# “BIG” ESTIMATED TRANSACTIONS AND CODE SETS BENEFITS FOR 16 HOSPITALS

- **Business Operations Savings Areas**



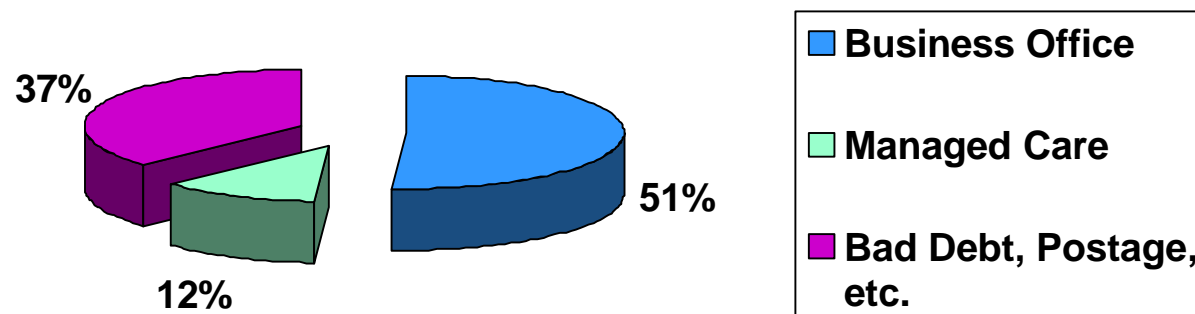
- **Business Office Benefit Sources**
  - Increased electronic claims
  - Electronic remittance
  - Eligibility (registration)
- **Improve Collections Policy and Practice**

# **“BIG” ESTIMATED TRANSACTIONS AND CODE SETS BENEFITS FOR MEDICAL GROUPS**

- **Sample Demographics**
  - 20 medical groups
  - 19 groups of 8 or more physicians
  - 1000 physicians
- **Average Annual Savings (excluding cost)**
  - \$360,000 per medical group
  - \$7,200 per provider
  - 2.9% of revenue (range 0.6% to 6.0%)
- **Five Year Impact (assume four years of benefits)**
  - \$1.4M per medical group
  - \$0.7M in the business office

# “BIG” ESTIMATED TRANSACTIONS AND CODE SETS BENEFITS FOR 20 MEDICAL GROUPS

- **Business Operations Savings Areas**



- **Business Office Benefit Sources**

- Increased electronic claims
- Electronic remittance
- Eligibility (registration)

## ACHIEVE THE SAVINGS BY:

- **Take an enterprise approach**
- **Implement E-health (e-commerce)**
- **Change collections/adjudication policy and practice**
- **Change workflow**
- **Use the SNIP industry consensus white papers**
- **Participate in national and local SNIP**
- **Share lessons learned**



# Model HIPAA Timeline

Task Name	9	2000		2001		2002		2003		2004		2005		2006	
	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
Transactions															
Employer Identifier															
Provider Identifier															
Security															
Privacy and Patient Confidentiality															
Claims Electronic Attachments															
Health Plan Identifier															
Enforcement															

# HIPAA BUDGET FORMAT

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>A. HIPAA Project Management</b>				
<b>B. Strategic and Operations Improvement</b>			<b>Operations</b>	<b>Operations</b>
<b>C. Transactions</b>			<b>Operations</b>	<b>Operations</b>
<b>D. Security</b>			<b>Operations</b>	<b>Operations</b>
<b>E. Privacy</b>			<b>Operations</b>	<b>Operations</b>
<b>F. Identifiers</b>				
<b>G. Benefits</b>			<b>Operations</b>	<b>Operations</b>
<b>H. Other</b>				
<b>Total</b>				

# **PROJECT BUDGET ASSUMPTIONS**

- 1. Include six HIPAA regulations**
- 2. Project timeline consistent with HIPAA compliance requirements**
- 3. Initial HIPAA Readiness Assessment completed by June 30, 2001**
- 4. Resource utilization timeframes based on HIPAA Project Plan**
- 5. Plan and implement security with privacy**
- 6. Develop a Budget Plan through at least 2003**
- 7. Examples presented are for a provider, health plans would have more resource needs for identifiers and transactions**

# BUDGET COMPONENTS

- **Core HIPAA Project team**
- **Internal subject matter experts**
- **Internal staff resources**
- **Support for internal resources**
- **Capital expenses**
- **Operating expense for external resources**
  - **consultants**
  - **legal**
  - **travel**
- **Other**
- **Total**

# **A. HIPAA Project Management (Core Team)**

- 1. Staff and Others (personnel resources)**
  - Project Manager**
  - Information Security Officer**
  - Information Privacy Officer**
  - Other staff (e.g., education, training, consultants and legal)**

# **A. HIPAA Project Management (Core Team)**

## **2. Expenses**

- Staff salary, benefits and overhead**
- Consulting and legal fees**
- Travel**
- Phone**
- Printing, Intranet support**
- Conference registrations, memberships**
- Subscriptions and publications**
- Other**

## **A. HIPAA Project Management (Core Team)**

- 3. Timeframe: through December 31, 2003 (or longer)**
- 4. Other**

# **C - H.      HIPAA Regulations**

- 1. Staff and others (personnel resources)**
  - Information Security Official**
  - Information Privacy Official**
  - IT**
  - Business office**
  - Workflow/reengineering**
  - Consultants and legal**

# **C - H. HIPAA Regulations (con't)**

## **2. Expenses**

- Salary, benefits and overhead**
- Consultants and legal fees**
- Travel (vendor discussions, conferences, consultants)**
- Phone**
- Conference registrations and memberships**
- Subscriptions and publications**
- Vendor software upgrades and licensing fees (patient accounting, interface engines other)**
- Vendor software replacement**

# **C-H. HIPAA Regulations (con't)**

## **2. Expenses (continued)**

- Security software and hardware**
- Network penetration testing**
- Print forms for consent, authorization, and notice**
- Clearinghouse fees**
- Training (trainers and staff time)/or subscriptions/licenses**

# FOR MORE INFORMATION

- **WEDI:** [www.wedi.org](http://www.wedi.org)
- **DHHS/HIPAA:**  
[aspe.os.dhhs.gov/admnsimp](http://aspe.os.dhhs.gov/admnsimp)
- **BIG HIPAA:**  
[www.hipaainfo.net](http://www.hipaainfo.net)

