# HIPAA as Strategy

## Optimizing Financials
## via Standardized e-Commerce

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- Don't have to do e-commerce under HIPAA
- Can continue on paper
- Or do paper with one payer and electronic with another
- But, if any standard transactions is done electronically, it must be done using HIPAA standards

- Must be able to accept any standard transaction from any requestor

- Cannot reject a standard transaction because of data elements not needed

- Cannot offer incentive to have provider use direct data entry

- Cannot delay or reject transaction because it is standard

- May not charge provider for clearinghouse services provided on behalf of health plan

- If you are a provider, your Test Strategy hinges greatly on:
  - Your ability to generate an X12 file from your internal systems
  - Your clearinghouse capabilities – and if you can get them to test YOUR DATA streams for you, or if you can get them to give you back an X12 file that you can see yourself
  - Your "trust tolerance"
  - Vendor management is the #1 Critical Success Factor for providers

- If you are a provider, now is the time to PUSH for ALL-PAYER SOLUTIONS

- All payers must say "yes" when you want to engage in any of the HIPAA transactions with them

- Identify which transactions would help you most with which payers, and leverage your collective voices to DEMAND compliance!
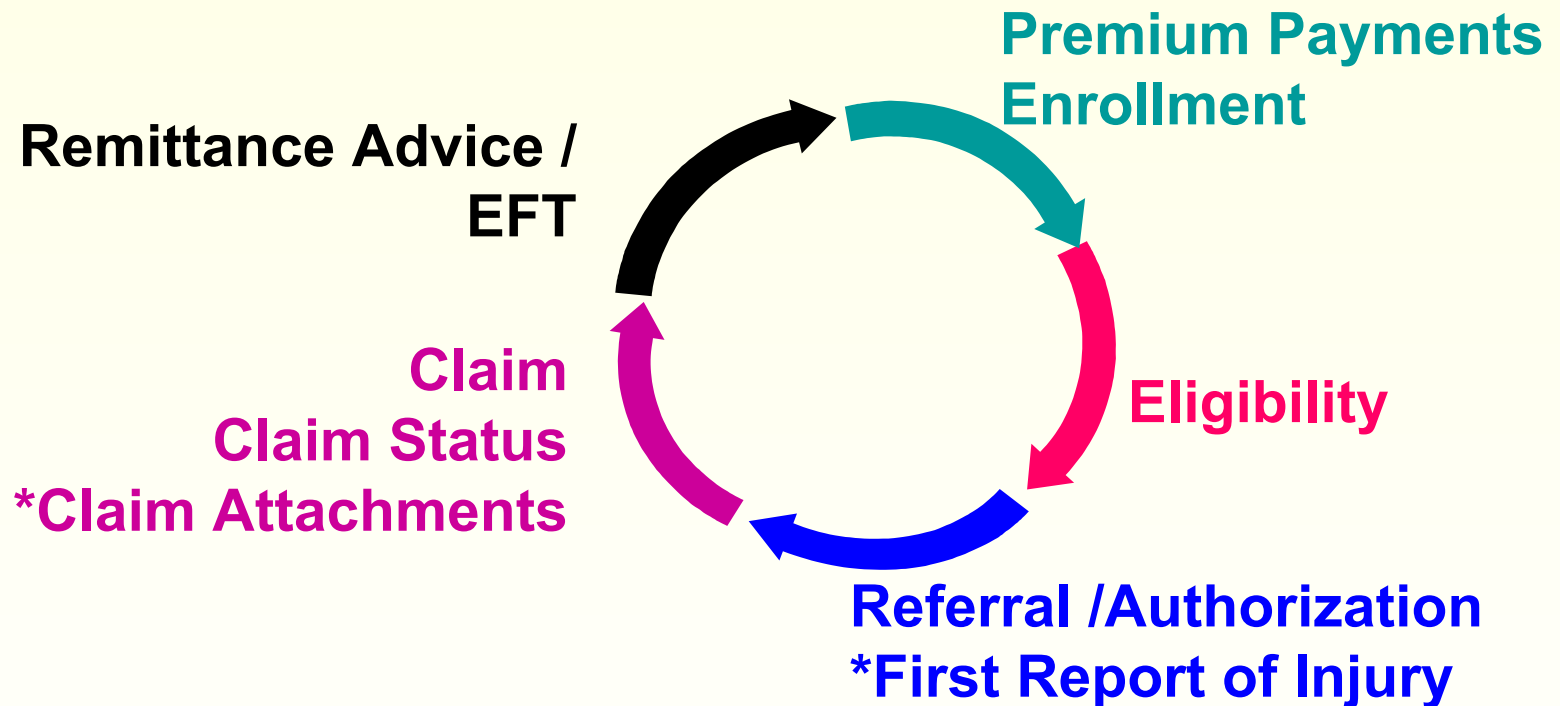
![Paramore Consulting Inc. — e-commerce for healthcare logo]



If you don't…

Here's the boat you just missed.

| Transaction Type | ASC X12 Standard | HIPAA IG |
|---|---|---|
| Claims, encounters, and COB | ASC X12N 837 | 004010x098A1 (professional) <br> 004010X097A1 (Institutional) <br> 004010X096A1 (Dental) |
| Enrollment/ Disenrollment | ASC X12N 834 | 004010X095A1 |
| Eligibility | ASC X12N 270/271 | 004010X092A1 |
| Payment and Remittance Advice | ASC X12N 835 | 004010X091A1 |
| Premium Payment | ASC X12N 820 | 004010X061A1 |
| Claim Status | ASC X12N 276/277 | 004010X093A1 |
| Referral Certification and authorization | ASC X12N 278 | 004010X094A1 |

# The HIPAA Wheel of Fortune



Premium Payments
Enrollment

Remittance Advice /
EFT

Eligibility

Claim
Claim Status
*Claim Attachments

Referral /Authorization
*First Report of Injury

*(Source: Thanks to Patrice Thaler of Allina Health Systems)*

# HIPAA Opportunities

- HIPAA provides the tracks for healthcare to recognize the benefits of e-commerce currently enjoyed by other major industries

- Optimized revenue cycles for payers and providers

- HUGE ROI Potential!!!

- Correct Capture of Data at Enrollment
- No Re-Keying of Data from One to the Next Process
- Quicker Submission and Response for Eligibility Checks, Referrals & Authorizations
- Quicker Submission of Claims
- Automation and Faster Turnaround of Responses & Status Checks
- Accurate Remittance Advice & Faster Payment of Claims

# Revenue Benefits

- Staff (increased automation, staff efficiencies)

- Time (faster submission of claims)

- Dollar (faster payment of claims)

- Reduction of Bad Debts

- Reduction of Authorization & Eligibility Denials

- Other (paper, postage, etc.)

- The average electronic claim submission takes less then 1 minute each (if edits exist)

- Paper submission averages 5-6 minutes each

- Therefore 4-minute savings with 90 paper bills per day = 360 minutes savings

- FTE Savings: 1 FTE

- Average electronic verification takes 1-2 minutes

- Average electronic verification telephone call takes 10 minutes

- Therefore 8-minute savings per verification = 600 minute savings per day

- FTE Savings: 1.25 FTE's

- Highly organized – special HIPAA program office

- Huge education and awareness campaign at all levels including BOD

- Created specific metrics

- Worked with finance to approve a NPV/ROI model

- Measured savings through use of ANSI X12 837 claim and 270/271 eligibility

# Allina's Thunder

- Over $60M net positive cash flow over 5 years

- Over $3.5M operational cost savings in Year 4

- About $11M investment over 5 years (capital and operating)

Context – Allina's Scope

17 owned & managed hospitals; 6 nursing homes; 56 clinics; medical transport; hospice and home care

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## Cooper Health System, Camden New Jersey
### A 381-bed acute care, inner city hospital

Transactions: (270-271), (276/177), (178)

Problem: 24% of all claims rejected because of poor registration data quality, invalid member ID number, invalid group number, no valid referral, no pre-certification/authorization, member ineligible, services not covered or invalid diagnosis/revenue code

Solutions: Registration redesign: education and training, front-end accountability for institution revenue, Internet tool for online transaction processing during registration and billing

Results: Rate of rejected claims reduced from 34% to 3%, accuracy of registration increased from 75% to 90%, increased co-pays collected and decreased claim rebilling saved about $200,000 in 3 months; after a loss of $17.2 million in 1999, the hospital posted a $2.3 million profit in the first half of 2000 and has been profitable since.

# Siemen's Case Study #2

## Cape Fear Valley Health System, Fayetville, NC
A 4-hospital county health system

Transactions: 270/271, 835, 837

Problem: Excessive # of denials; only able to verify insurance coverage for 6% of patients, about 2,000 inpatients per month with existing staff; payers use different file formats for electronic remittance and to process claims

Solutions: Registration staff trained to interpret eligibility information, deductibles and co-pays; staff collects co-pays upfront; back end staff shifts emphasis to follow-up and collections, early adopter of EDI and electronic billing combined with hospital reengineering.

Results: Verify insurance coverage for 80% of patients or 25,000 patients per month with same staffing, yearly savings estimated at $200,000 from minor registration errors, improved collections, eliminated more then 1 million pieces of paper per year and redundant processes, improved customer satisfaction and productivity. Abandon-call rates dropped from 20% to less then 10%, gross days in accounts receivables dropped an additional 10 days to 67 days in the last year.

Let them hear your voice

- WEDI SNIP RSAs
- HFMA
- AHA
- HIAA
- Regional Trade Groups

# Protecting Cash Flow Under HIPAA

- ## Well-Structured and Timely Implementation Process
  - Project Management Plan
  - Support of Executive Management

- ## Establishment of Project Team
  - Appropriate Skills and Knowledge
  - Representation of entire organization

- ## Business Process Evaluations
  - Assessment of Current Operations
  - Identification of Areas That Can Be Improved by HIPAA

- Coordination of HIPAA Plan with Payers and Other Business Partners
  - Trading Partner Agreements
  - Testing and Certification
- Evaluation and Implementation of Tools to Assist with HIPAA Implementation
  - Translators, Clearinghouses, and testing tools
- Tracking and Reporting of Implementation and Cost Savings
  - Ongoing project management
  - Quantifiable and measurable results

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(*source: HFMA)*

- Data gap
  - Paper Forms:  HCFA 1500, UB92
  - Print Image Files
- Revision of Business Processes
- Elimination of local codes
- Coordination of Implementation with Trading Partners
- Vendor Management

# Critical Success Factor: Vendor Management

## Vendor Management: Can they help you with HIPAA

- Does the file format utilized meet the X12 v4010 standard? Content only? Content and format?

- Will your e-billing system (or other snap-on system) take a true X12 file from your source system?

- Must you use your software vendor's clearinghouse to accomplish X12 compliance?

- Does your vendor tell you they will "extrapolate it" for you?

- Is your clearinghouse telling you they will test all payers for you?

# Critical Success Factor: Vendor Management

- Which transactions does your upgrade

    Create?

    Receive?

    In what sequence?

- When is the TCS addenda from 2/03 going to be available for use?

- How does the content from the entry screens map to the files produced?

- Have all necessary situational fields been accommodated?

- How has the vendor accommodated new mandatory fields?

# Resources

- **DHHS
  http://aspe.os.dhhs.gov/admnsimp/index.htm**

- **Medicaid HIPAA Home Page
  http://www.hcfa.gov/medicaid/hipaa/**

- **HCFA Admin Simplification Links
  http://www.hcfa.gov/medicare/edi/hipaaedi.htm**

- **Association for Electronic Healthcare Transactions
  http://www.afehct.org/**

- **Workgroup for Electronic Data Interchange
  http://www.wedi.org/htdocs/resource/sources.htm**

- **Washington Publishing Company
  http://www.wpc-edi.com/HIPAA_40.asp**

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