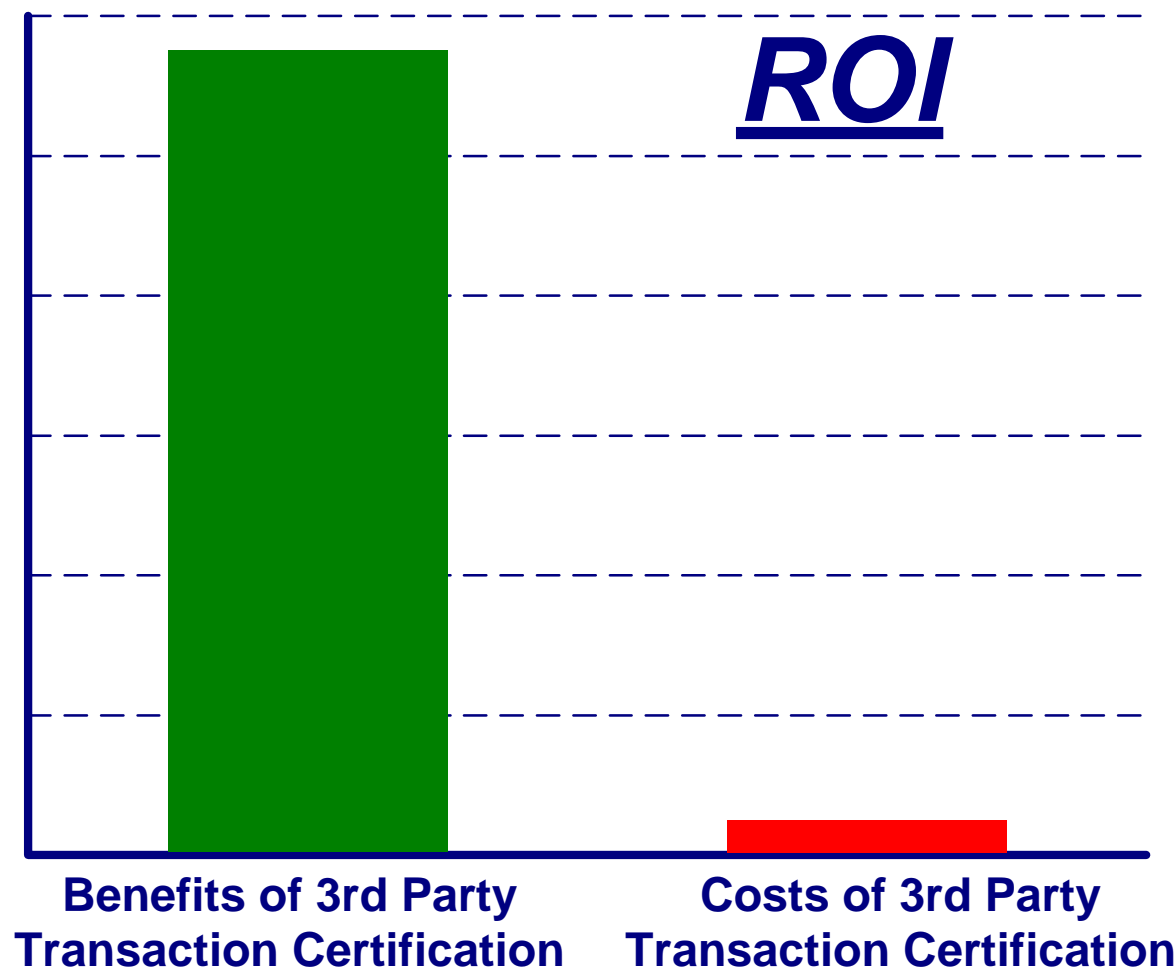


ROI: Economics of Certification

May 9, 2002

Peter T Barry

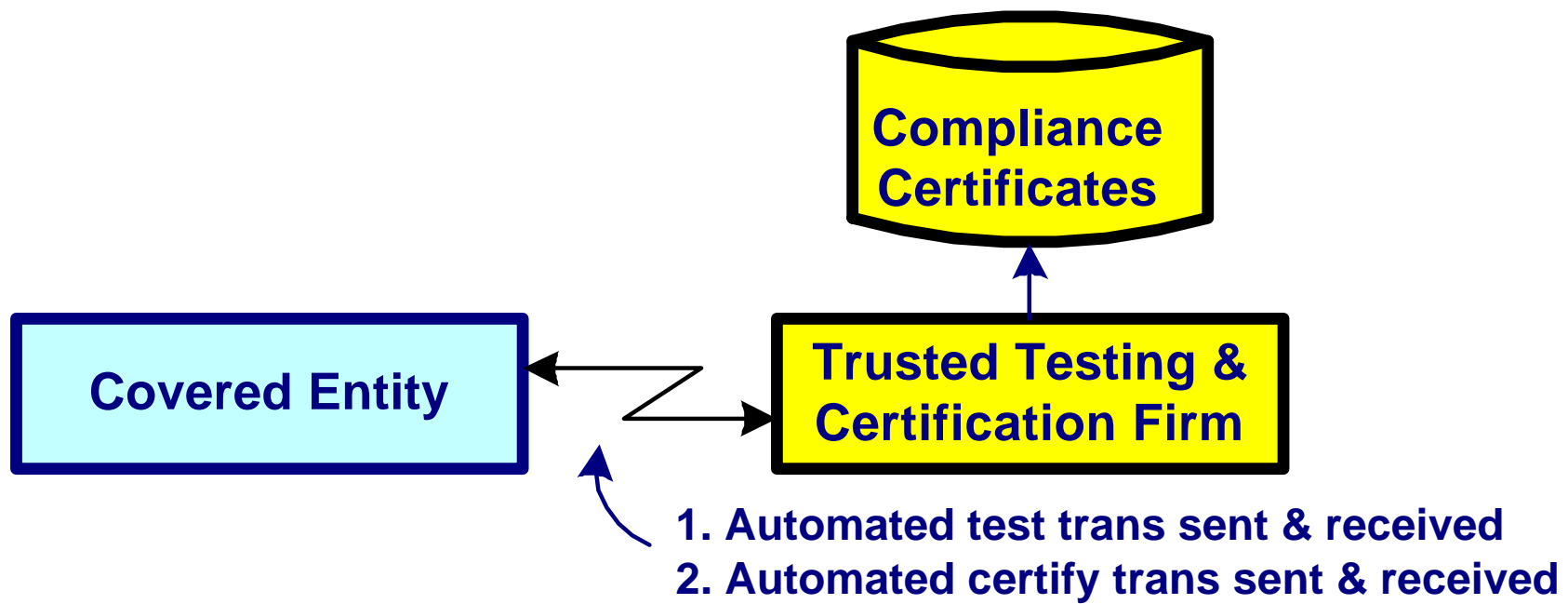




Testing Alternatives

- Do it yourself. Test own systems in-house, then test one-on-one with partners.
- Contract to test your systems, then test one-on-one with partners
- Use trusted third-party certification.
 - Test own systems against the middle
 - Partners test their systems against the middle
 - Then go one-on-one, ready for production.

What is Third-Party Transaction Certification?



Third-party Transaction Certification



The Transaction Certification Process

- Get your systems ready to test.
- Test your system with Trusted 3rd Party.
- Certify with the Trusted 3rd Party.

Note 1: Certificate should include detailed list of the capabilities you have demonstrated.

Note 2: It is just as important to certify ability to receive standard transactions.

Why Certify?

1.7

Why not just Test?

- No more work, no added cost to certify after completion of complete testing.
- Certification assures objective compliance
- Within entity, certification is the standard of performance, the passing grade.
- With trading partners, certification is good faith demonstration of readiness.
- For industry, reduces risk of cash flow disruption, increases confidence.



Definition of Certified Entity

Single Source of Error Principle

Definition: A **Certified Entity** is workflow of payer, provider, clearinghouse, vendor, or system that embodies only a **single source of error**.

- If two systems, certify two entities.
- Clearinghouse certifies self and all clients.
- Vendor certifies self and all installations.
- Billing service certifies its clients.



You should require trading partners to certify.

- It is not legally mandated and it would be unreasonable and unfair to burden one party, who has exhaustively tested and certified its own capability, to run debug tests one-on-one with trading partners who have not yet made their systems compliant.
- It is entirely reasonable, as a condition of doing business, to require trading partners to certify.



Benefits of Third-Party Certification

- Savings: (1) own system, (2) trading partners
- Enables industry to meet the deadline
- Avoids last minute chaos of the deadline
- Significant reduction of risk and liability
- Certify at your own pace, don't wait for others
- Much, much faster
- Everyone measures against same standard
- Avoid disputes between trading partners



Benefits of Third-Party Certification

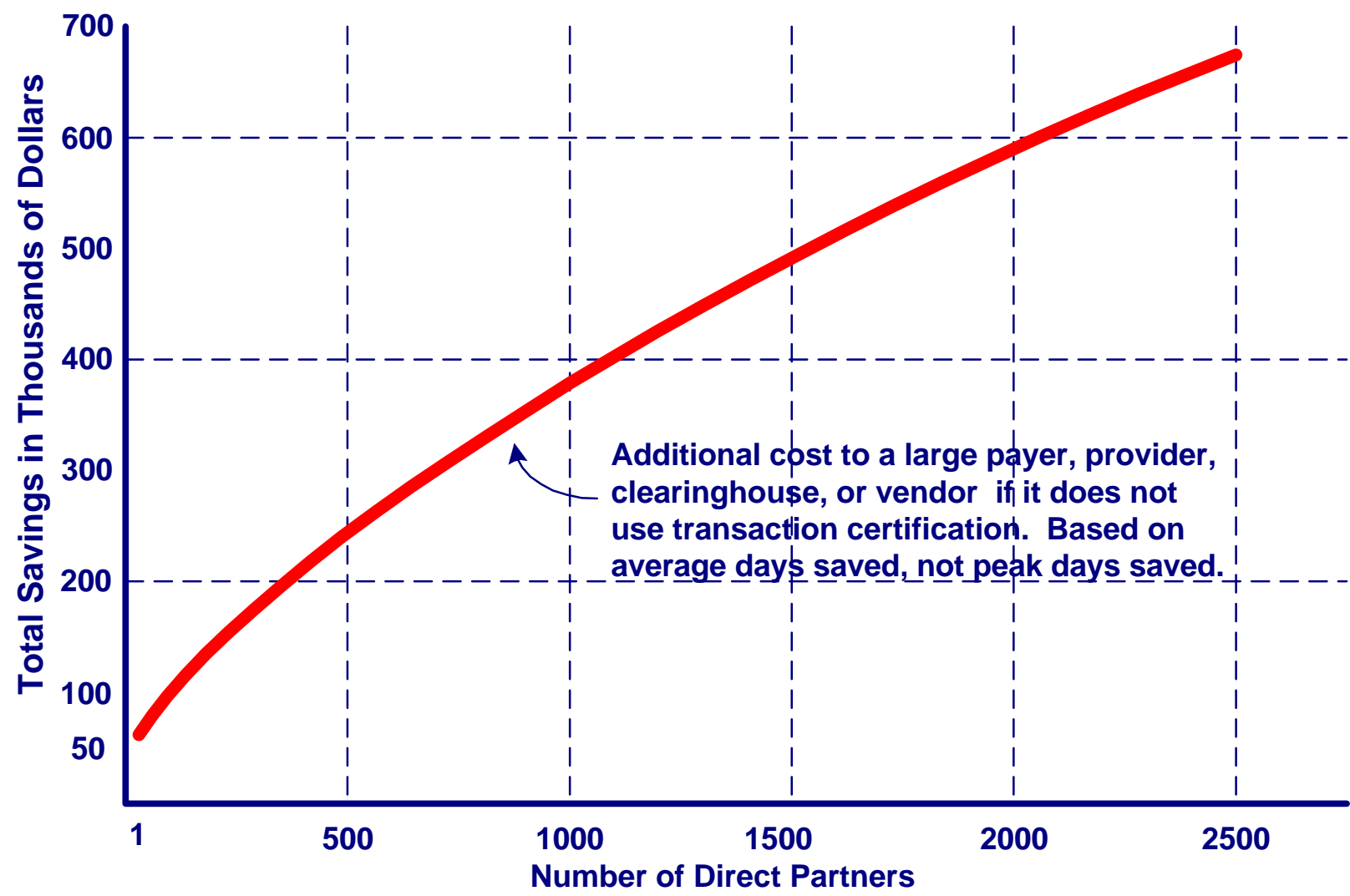
- Avoid contract disputes
- Demonstrate good faith effort, could be critical in defending liability
- Certification list exact capabilities
- Reduction in production errors
- Purchasers can independently determine if vendor or business associate complies
- Requires only one-third average support staff and only one-fourth peak staff.



Savings for Large Entity

Method	Testing Own System	Plus Per Trading Partner
Do it yourself, 1:1 testing	230 person-days \$92,000 cost	12-15 hours \$375 / partner
Third-party Certification	67 person-days \$32,800 cost	2-4 hours \$125 / partner
Savings	163 person-days \$60,000	8 hours \$250 / partner

Total Savings Large Entity





Transaction Certification is Only Way to Meet Deadline

Estimate for Large Payer or Clearinghouse 2500 Partners

Large Entity 2500 Partners	Average Staff	Peak Demand Factor	Peak Staff
Without Certification	30 Persons	2.00	60 Persons
With Certification	10 Persons	1.50	15 Persons



Savings by Type of Entity

Type of Entity	Savings
Large Payer or Clearinghouse with 2500 Partners	\$680,000
Hospital with Own System 150 Partners	\$106,000
Large Vendor	\$60,000 plus \$2,000 per site
Small Provider	\$2,000+ implicit in upgrade or fees



Summary of Certification

- Large savings in cost and time.
- All entities, large and small, can and should require certification of partners.
- Certification will help you meet deadline.
- So Certification is a Total Win-Win.
- Recommendation:
 - Certify your own capabilities.
 - Require certification from trading partners.