



# HIPAA's Impact on Self-Insured Employers

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# *Continuum* →

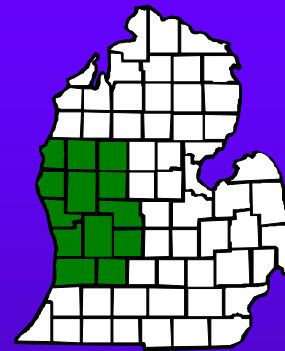
- ◆ Healthcare Performance Measurement Management
- ◆ Employer Coalition Development and Management
  - Administration
  - Health Plan Development
  - Member Benefit Development
- ◆ Healthcare Business Development



# REAL Health Association

## ◆ Regional Employer Alliance (REAL) on Health

- Grand Rapids
- Holland
- Muskegon



- ◆ 93 Members, 65,000+ employees
- ◆ Value Purchasing Organization (VPO<sub>SM</sub>)
  - Health Plan (July '99)



## Why a VPO<sub>SM</sub>?

- ◆ Create an environment where the purchase of healthcare is based on VALUE

$$\text{Value} = \frac{\text{Quality}}{\text{Cost}}$$

- ◆ Create knowledge with which purchasers can make value-based decisions

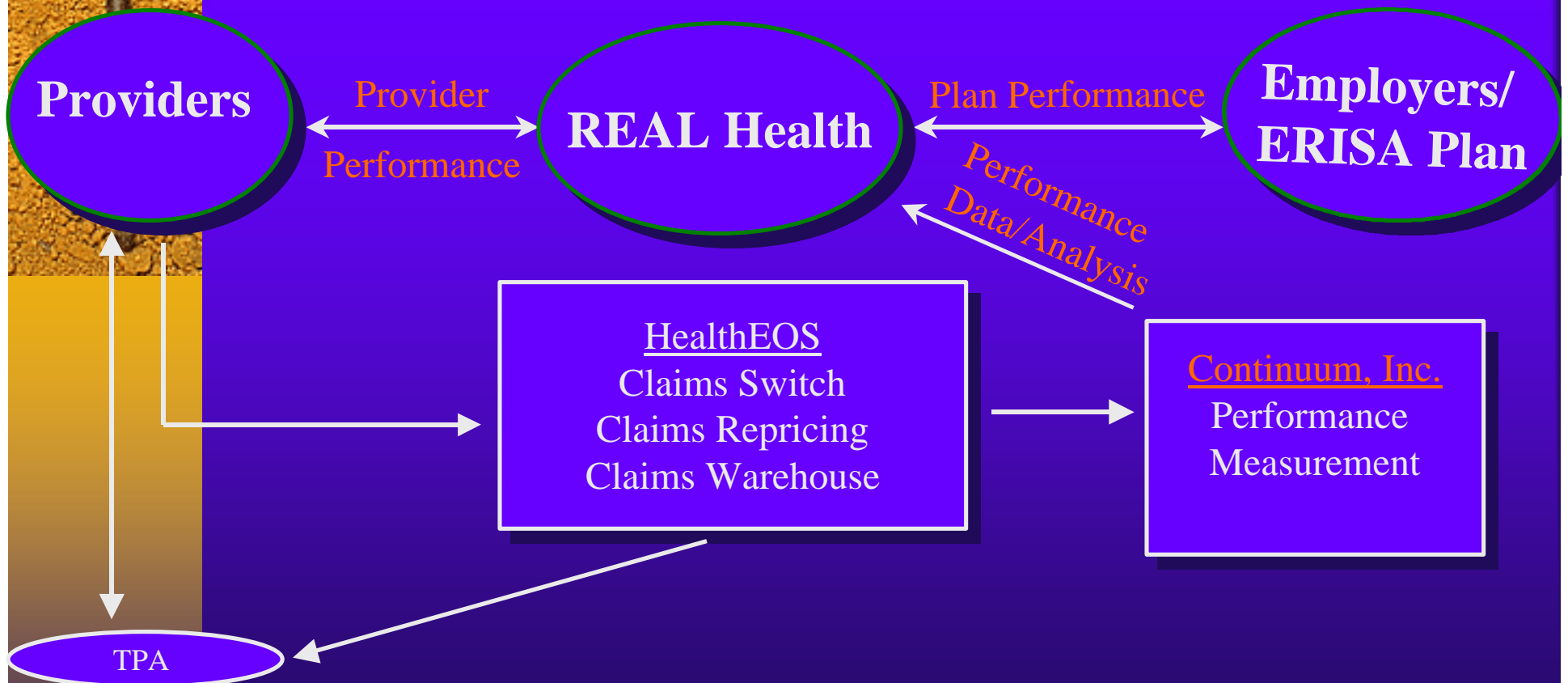
*“You can’t manage what you don’t measure.”*



# Performance Measurement

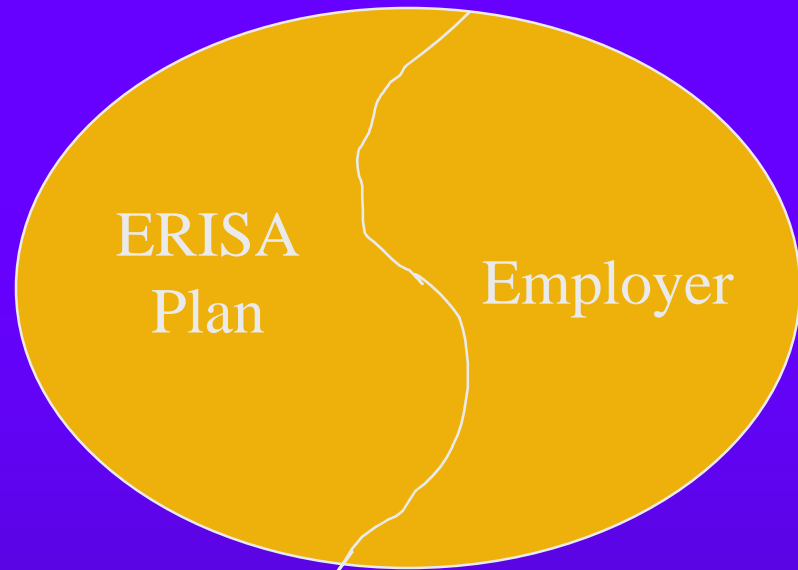
- ◆ Financial/Benefit Analysis
- ◆ Risk Management
  - High cost case identification
  - Predictive risk modeling
  - Comparative plan assessment
- ◆ Quality Improvement
  - Provider Profiling
  - Disease Profiling
  - Utilization Measurement

# REAL Health – Current Network





# Before HIPAA



- ◆ Multiple standards for storing, processing, communicating and securing data
- ◆ Lack of standard data format
- ◆ Over 450 different electronic claim formats
- ◆ Lack of transaction uniformity among existing standards

Under  
HIPAA

Employer

ERISA Plan  
(Covered Entity)

Consultants

TPA

Continuum

(Business Associates)







# HIPAA's Focus

- ◆ Standardize electronic formats and transactions
- ◆ Encourage electronic processing
- ◆ Establish privacy guidelines



# HIPAA's Focus

- ◆ Establish security guidelines
  - Data integrity, confidentiality, availability
  - Protection against unauthorized access
  - Provision for electronic signatures
- ◆ Ensure protected health information is not used to discriminate in employment decisions



# Employer Benefits

- ◆ Reduced paperwork
- ◆ Improvements in eligibility processing
- ◆ Improvements in claims processing
- ◆ Less administrative time
- ◆ Better data
- ◆ \$ savings

# HIPAA - PRIVACY

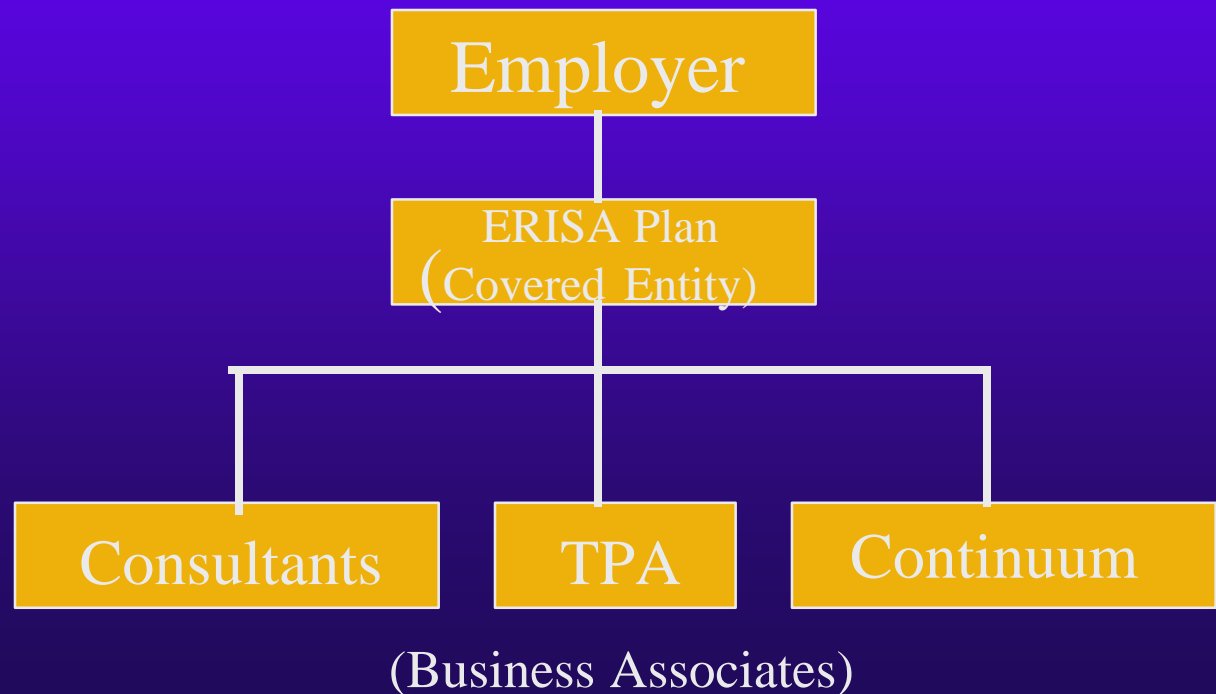
DEADLINE: April 2003





# Employer Obligations

- ◆ Self-insured Employers are not “Covered Entities”, subject to Privacy Rule
- ◆ Self-insured Employers are not considered “Business Associates”
- ◆ The Employer ERISA Plan is covered!





# Self-Insured Obligations

- ◆ Limits Protected Health Information (PHI)
- ◆ Prohibits using PHI to discriminate against an individual based on eight (8) protected health factors



# Protected Health Information (PHI)

## Names

- ◆ All geographic subdivision smaller than States

- ◆ All elements of Dates excluding year

- ◆ Telephone numbers

- ◆ Fax numbers

- ◆ Electronic mail addresses

- ◆ Social security numbers

- ◆ Medical record numbers

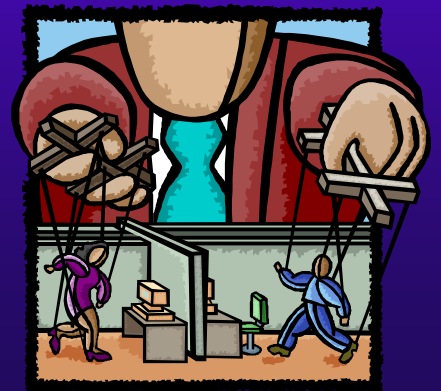
- ◆ Health plan beneficiary numbers

- ◆ Account numbers
- ◆ Certificate/License numbers
- ◆ Vehicle identifiers
- ◆ Device identifiers and serial numbers
- ◆ WEB universal resource locator (URL)
- ◆ Internet protocol address number (IP)
- ◆ Biometric identifier
- ◆ Any other unique identifying number, characteristic, or code

# Protected Health Factors

(Specific to Non-discrimination in Employment)

- ◆ Health status
- ◆ Medical condition
- ◆ Claims experience
- ◆ Receipt of health care
- ◆ Medical history
- ◆ Genetic information
- ◆ Evidence of insurability
- ◆ Disability





# PHI Disclosure...



...to an Employer by an ERISA Plan requires:

- ◆ Certification
- ◆ Amendment to Summary Plan Document (SPD) and data shared only for designated purpose
- ◆ Disclosures to member participants



# PHI Employer Certification

- ◆ Prohibit use or disclosure of PHI other than as permitted by the Summary Plan Document
- ◆ Ensure subcontractors and/or agents agree to same restrictions
- ◆ Preclude use of any PHI in employment-related decisions
- ◆ Report to Group Health Plan any impermissible use or disclosure
- ◆ Make available to plan participants an accounting of the plan's disclosures of PHI as provided in the Privacy rule



## PHI – Plan Document Amendments

- ◆ Identify permitted and required uses and disclosures of PHI by the Employer
- ◆ Identify all employees or classes of employees to whom PHI may be disclosed
- ◆ Restrict plan administrative functions performed by employer to those named in plan
- ◆ Create mechanism to resolve issues of non-compliance by designated persons



## PHI – ERISA Health Plan may...

- ◆ ...disclose PHI to Employer for defined administrative functions only
- ◆ ...not disclose PHI to Employer for employment-related decisions
- ◆ ...provide summary health information to plan sponsor for purpose of obtaining premium bids on health insurance
- ◆ ...provide notice of privacy practices



# Administrative Requirements

- ◆ Designate a Privacy Official to manage HIPAA
- ◆ Institute and document policies and procedures to comply with Privacy rule
- ◆ Train and document employees on all PHI policies and procedures
- ◆ Have in place appropriate administrative, technical and physical safeguards to protect privacy of PHI
- ◆ Apply and document sanctions against workers who violate privacy policies



# Bush Proposed Changes

- ◆ Drop prior consent requirements
- ◆ Allow providers to discuss - with other providers - patient treatment without fear of sanction
- ◆ Allow providers to target patients with high-cost diseases for education and product information follow-up



# HIPAA - Transaction Standards, Codes & Identifiers (TCI)

DEADLINE: ~~October 2002~~ October 2003





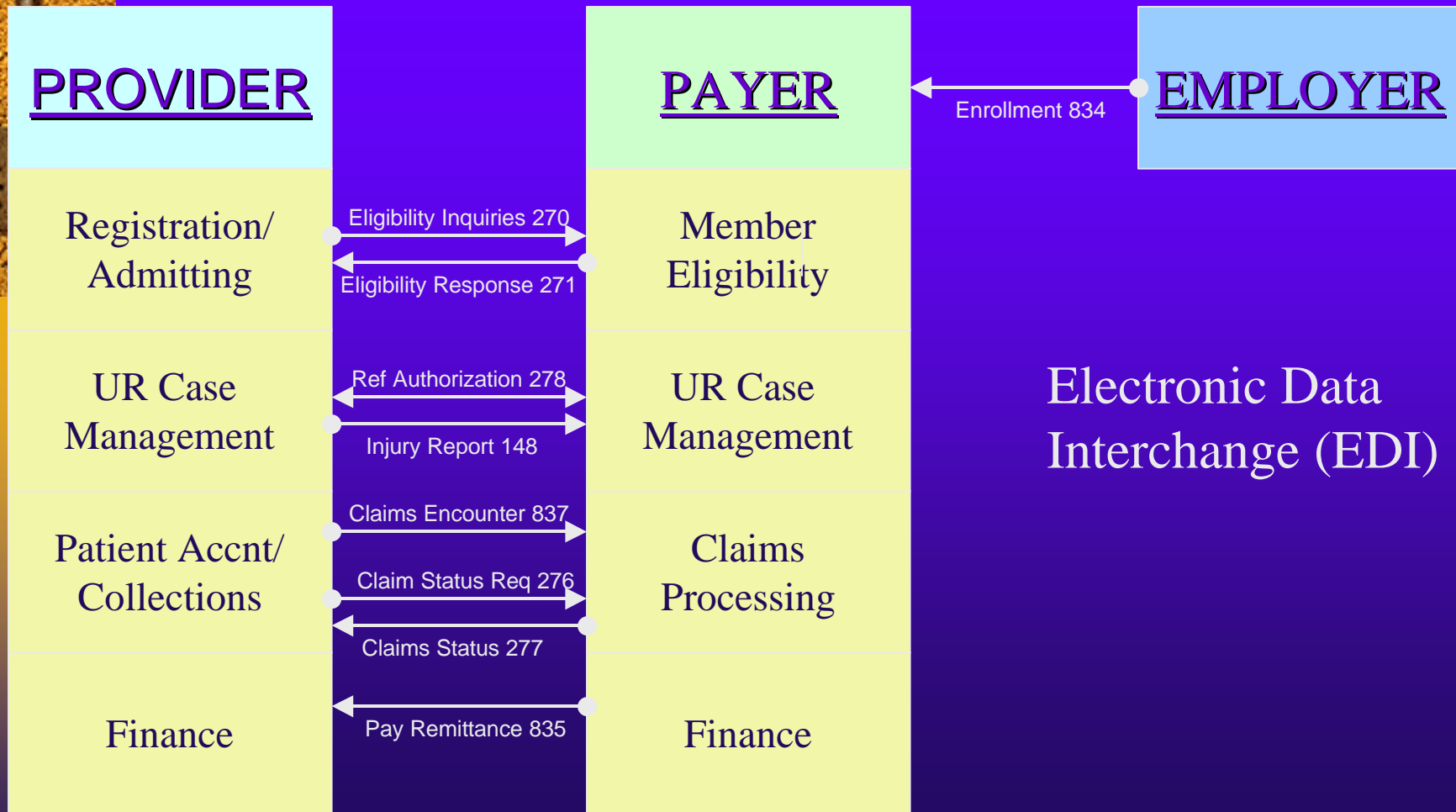


## TCI – Transactions

- ◆ Compliance required for large Health Plans and Clearinghouses
- ◆ Clearinghouses may accept nonstandard transactions (for translating into standard formats)
- ◆ All electronic transactions must comply with EDI standard
- ◆ Employers, when acting as health plan or provider, must comply.



# TCI – EDI Paths





# TCI Implications

<i>Member Demographics</i>	Decreases time to collect/update member info Improves quality of member information Decreases member liability by maximizing collections
<i>Provider Adjudication</i>	Maximizes co-pay & deductible payments Improves collections & maximize COB with 3 <sup>rd</sup> parties Decreases denials
<i>Health Plan Processing</i>	Automates manual processes Decreases time to conduct transactions Decreases duplicate tasks Enables intelligent processes by working exceptions



# TCI Impact on Employers

- ◆ Minimizes duplication
- ◆ Creates opportunities for savings
- ◆ Creates opportunities for re-engineering claims processing
- ◆ Creates opportunities for fitting alternative benefit services
- ◆ Improves delivery & efficiency of healthcare delivery

# Opportunities for Change

## Health Plan Structure





# Barriers to Implementation

- ◆ Standards dependent on consistent policies, practices and technologies
- ◆ Actions of one business associate may generate liabilities for others
- ◆ Sloppy planning and implementation by one may be costly to all.

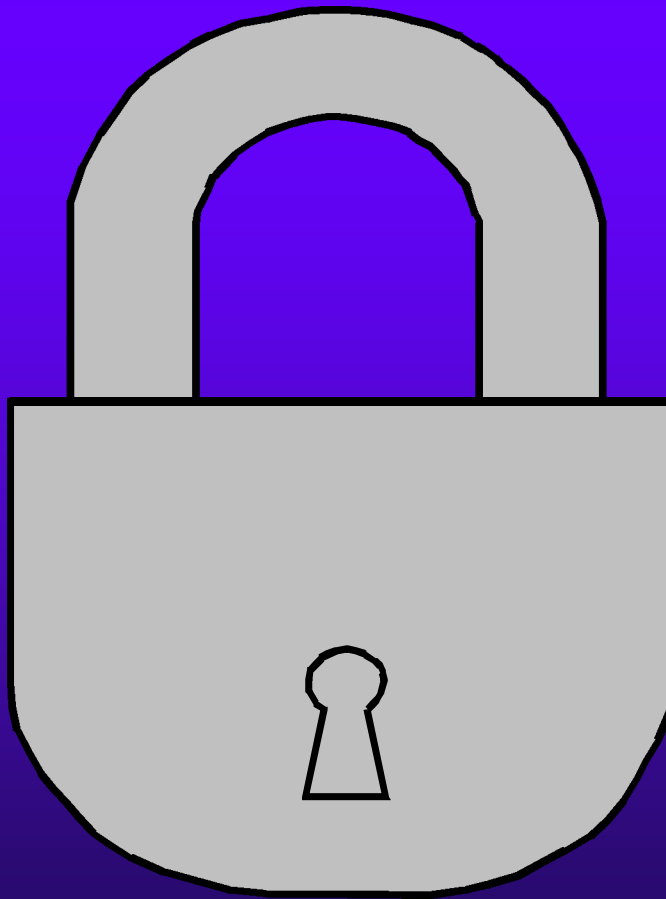


## Employers' Concerns

- ◆ Providers not obligated to implement TCI standards if they stay with paper
- ◆ Providers have no direct incentives to convert
- ◆ Efficiencies HIPAA is designed to deliver can be eroded
- ◆ Employers' ability to consider other alternatives is compromised

# HIPAA - SECURITY

DEADLINE: under review





# HIPAA Security Guidelines

- ◆ Assigned Security Responsibility
- ◆ Physical Access Controls
  - Facility security plan
  - Media control
  - Authorization procedures
  - Visitor escort policy
- ◆ Workstation & Laptop Use
  - Physical access
  - Security software/hardware controls
  - Encryption
- ◆ Security Awareness Training
- ◆ Gap Analysis

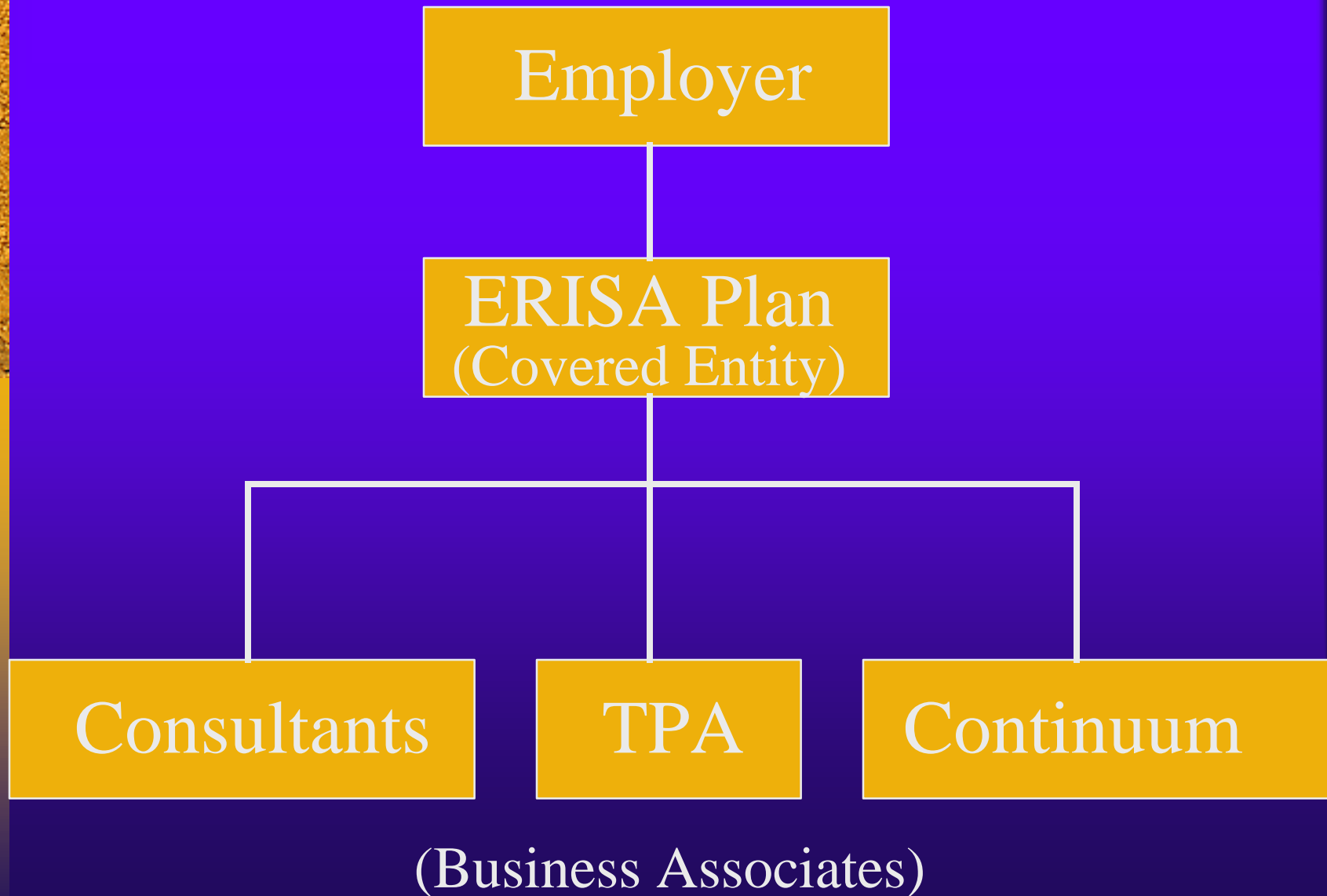




# Whew!

And on top of all that...the regulations do not preempt states from introducing more stringent standards...

So here comes HIPAA...





# HIPAA: Threat or Opportunity

## Conventional Wisdom

- HIPAA is a major compliance challenge bigger than Y2K
- Implementation should be delayed as long as possible
- HIPAA compliance is an IT problem
- Trading partner implementation negotiations will be contentious

## Opportunistic Perspective

- HIPAA presents an industry-defining opportunity
- Early adopters will achieve benefits sooner
- HIPAA is a business process improvement opportunity
- Trading partner incentives for implementation are aligned



# Business Associate Value

- ◆ Reduces exposure associated with use of PHI – for both employer and ERISA Plan. **Firewall.**
- ◆ Provides capability to aggregate PHI data between several plans in support of community-based Performance Measurement activities



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