



The 13th National HIPAA Summit

The Status of HIPAA Implementation and Compliance

Presented by

Mark McLaughlin

Chairman, WEDI Board of Directors

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Healthcare Regulatory Changes and Future Market Trends

- ◆ “The United States spends more than a thousand dollars [\$1,000] per capita per year—or close to four hundred [\$400] billion dollars—on health-care-related paperwork and administration.”
 - Malcolm Gladwell, “The Moral-Hazard Myth,” The New Yorker, August 29, 2005, p.45.
- ◆ Need to “help the healthcare system adopt top quality information technology systems to increase productivity and accuracy, and to cut costs.”
 - Newt Gingrich, Winning the Future: A 21st Century Contract with America. Washington, DC: Regnery, 2005, p.105.
- ◆ “There also is a substantial difference in cost using [different expenditure methods], ranging from \$7.50 for a paper transaction to \$1.50 for an electronic transaction.”
 - J.M. Prince, “Medical Banking: The Future is Here.” Presentation at the WEDI Fall Conference, Atlanta, GA, November 18, 2004.

Healthcare Regulatory Changes and Future Market Trends

◆ Federal Healthcare Initiatives

- Health Insurance Portability and Accountability Act (HIPAA)
 - August 1996
- Consolidated Health Informatics (CHI) Initiative
 - March 2003
- Decade of Health Information Technology
 - July 2004
- Prospect of Congressional Action on Health Information Technology (HIT)
 - HR 4157
 - September 2006

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◆ HIPAA is 10 Years Old

- Public Law 104-191, August 21, 1996
- Subtitle F, Part C: Administrative Simplification (14 pages)
- “Sec. 1174. (a) Initial Standards—The Secretary shall carry out section 1173 not later than 18 months after the date of the enactment of the Health Insurance Portability and Accountability Act of 1996, except that standards relating to claims attachments should be adopted not later than 30 months after such date.”
(<http://aspe.hhs.gov/admnsimp/pl104191.htm>)
- Claims Attachments Notice of Proposed Rulemaking: Federal Register (Part III), September 23, 2005

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◆ Final Rule Compliance Dates

- Privacy
 - April 14, 2003
- Transactions and Code Sets Addenda
 - October 16, 2003
- National Employer Identifier
 - July 30, 2004
- Security
 - April 20, 2005
- National Provider Identifier (NPI)
 - May 23, 2007
- Enforcement
 - March 16, 2006

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- ◆ HHS August 4, 2005 “Contingency”
Announcement for Transactions and Code Sets
 - End of contingency period for claims, effective October 1, 2005.
 - “The contingency continues for other electronic health care transactions, but CMS expects to end the contingency plan for these transactions in the near future. *The remittance advice transaction is the next HIPAA transaction for which CMS expects to end its contingency plan* [emphasis added].”
 - www.cms.gov

◆ Status of Other Standards

- Claims Attachments
 - Notice of Proposed Rulemaking
 - September 23, 2005
 - Estimated 5 billion claims processed annually, of which approximately 25% require additional documentation for adjudication. Very few are requested or transmitted electronically today. “CMS FAQ #6251,” updated February 28, 2006
- National Plan Identifier
 - Under Development
- National Individual Identifier
 - Congressional Hold on Development

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- ◆ Consolidated Health Informatics (CHI)
 - A federal initiative launched in March 2003 that requires federal agencies that engage in healthcare activities to adopt a common set of clinical, administrative, and messaging standards “for the electronic exchange of clinical health information ...across the federal government.
 - There are 24 domains, including HIPAA Administrative Simplification transaction and code set standards.
 - 19 domains have been approved.
 - www.whitehouse.gov/omb/egov/downloads/CHIExecSummaries.doc

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◆ Consolidated Health Informatics (CHI)

- Although CHI applies only to federal agencies, it provides signals to the private sector for adoption of the same standards.
- CHI encompasses and integrates both clinical and administrative standards and is a precursor of “voluntary” EHR standards that have undergone a pilot under Health Level Seven (HL7) auspices and await approval as ANSI standards.
- CHI standards adoption by the federal government is faster than adoption of HIPAA Administrative Simplification standards by the private sector, given Administration support and growing Congressional interest in the initiative.
- Recommend strongly that healthcare constituents follow progress of CHI implementation by visiting periodically the CHI Web site: www.whitehouse.gov/omb/egov/gtob/health_informatics.htm.

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- ◆ Decade of Health Information Technology
 - On May 6, 2004, Secretary Thompson announced the appointment of David Brailer, MD, PhD, as the National Health Information Coordinator to coordinate and facilitate implementation of a federal Health Information Technology (HIT) policy, the focus of which was to “transform the delivery of health care by building a new health information infrastructure, including electronic health records and a new network to link health records nationwide.”

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- ◆ Decade of Health Information Technology
 - In July 2004 at the *Secretarial Summit on Health Information Technology* in Washington, DC, Secretary Thompson Launched the “Decade of Health Information Technology”.
 - He announced initiation of a two-year pilot test of Health Level Seven’s (HL7’s) Electronic Health Record (EHR)—Draft Standard for Trial Use (DSTU).

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◆ Decade of Health Information Technology

- The EHR-DSTU pilot covered three broad areas of functionality
 - Direct Care
 - Supportive
 - Information Infrastructure
- “The EHR-System could be one system with applicable functionality in the draft standard, or it could be a variety of interoperable systems that combine to meet the functionality of the DSTU. **An EHR is the data content contained within the EHR system.**” Journal of AHIMA, 76(2), February 2005, p.64a.
- Focus was on achieving standard performance outcomes, with inputs determined by business need.

◆ Decade of Health Information Technology

- At the *Secretarial Summit*, Secretary Thompson also articulated 4 goals and 12 strategies for achieving HIT policy objectives, primarily on the clinical side.
 - Goal 1: *Inform Clinical Practice*. This goal centers largely around effort to bring EHRs directly into clinical practice.
 - Strategy 1: *Provide Incentives for EHR Adoption*.
 - Strategy 2: *Reduce Risk of EHR Investment*.
 - Strategy 3: *Promote EHR Diffusion in Rural and Underserved Areas*.

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◆ Decade of Health Information Technology

- Goal 2: *Interconnect Clinicians*. Interconnecting clinicians will allow information to be portable and to move with consumers from one point of care to another. This will require an interoperable infrastructure to help clinicians get access to critical health care information when their clinical and/or treatment decisions are being made.
 - Strategy 1: *Regional Collaborations*.
 - Strategy 2: *Develop and National Health Information Network*.
 - Strategy 3: *Coordinate Federal Health Information Systems*.

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◆ Decade of Health Information Technology

- Goal 3: *Personalize Care*. Consumer-centric information helps individuals manage their own wellness and assists with their personal health care decisions.
 - Strategy 1: *Encourage Use of Personal Health Records*.
 - Strategy 2: *Enhance Informed Consumer Choice*.
 - Strategy 3: *Promote Use of Telehealth Systems*.

◆ Decade of Health Information Technology

- Goal 4: *Improve Population Health*. Population health improvement envisions improved capacity for public health monitoring, quality of care measurement and bringing research advance more quickly into medical practice.
 - Strategy 1: *Unify Public Health Surveillance Architecture*.
 - Strategy 2: *Streamline Quality and Health Status Monitoring*.
 - Strategy 3: *Accelerate Research and Dissemination of Evidence*.

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◆ Decade of Health Information Technology

- On November 15, 2004, ONC released for 60 days of public comment a *request for information* “to learn how widespread **interoperability** of health information technologies and health information exchange could be achieved through a NHIN [National Health Information Network].” www.hhs.gov/healthit/rfi.html
- In June 2005 ONC issued its report, available at www.hhs.gov/healthit/rfisummaryreport.pdf.

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◆ Decade of Health Information Technology

- Also, in June 2005, and as a result of the findings in the *RFI Report*, ONC issued four *requests for proposals*, to be funded by the end of September 2005, covering the following areas
 - Standards Harmonization
 - Security and Privacy
 - Network Functionality (Interoperability)
 - EHR Functionality
- Information on the contracts awarded is available at www.hhs.gov/news/press/2005pres/20051006a.html and www.hhs.gov/news/press/2005pres/20051110.html.

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◆ Decade of Health Information Technology

- In addition, ONC announced formation of a national collaborative, American Health Information Community (AHIC), with up to 17 commission members, to further advancement of “President Bush’s call for most Americans to have electronic health records within ten years.” www.hhs.gov/healthit/ahic/html.
- One of the contracts awarded in September 2005 was to a private, non-profit organization, the Certification Commission for Healthcare Information Technology (CCHIT), “to develop an efficient, credible, and sustainable mechanism for certifying health care information technology products” for functionality, interoperability, and security. www.cchit.org.

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◆ Decade of Health Information Technology

- CCHIT is developing certification criteria and inspection processes for health IT products in three phases
 - Outpatient or Ambulatory EHRs (March 2006)
 - Inpatient or Hospital EHRs (March 2007)
 - Architectures for Electronic Information Exchange (March 2008)
- CCHIT announced first group of certified ambulatory EHR product vendors (19) on July 18, 2006.
- At announcement, Secretary of HHS, Mike Leavitt said: “I think this is undoubtedly the most important thing happening in healthcare today. This is the center of the healthcare IT universe today.”

◆ Decade of Health Information Technology

– Health Information Technology Standards Panel (HITSP)

- Announce by September 29, 2006, “instructions on implementation of 92 standards for EHR interoperability, PHR (personal health record), and biosurveillance” for “use cases” developed by Secretary Leavitt’s American Health Information Community (AHIC).
- HITSP under contract between ONC and the American National Standards Institute (ANSI).
 - Health Management Technology, August 2006, p.8.

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◆ Prospect of Congressional Action on HIT

- HR 4157
 - Health Information Technology Promotion Act of 2006.
 - Passed the House on July 27, 2006, 270-148.
 - Three provisions of interest for discussion here
 - Enables ONC statutorily rather than via Executive Order
 - Permits *transaction standards* version change from 4050 to 5010 as early as April 2009.
 - Facilitates adoption of ICD-10 from current ICD-9 as early as October 1, 2010.
- S 1418
 - Wired for Health Care Quality Act of 2005
 - Passed Senate on November 18, 2005
- HR 4157 and S 1418 are going into Conference in September

Healthcare Regulatory Changes and Future Market Trends

◆ Future Market Trends

- National Healthcare Expenditures (NHE) is projected to continue as an increasing share of GDP.
 - Projected 2006 NHE of \$2,163.9 billion just over 16% of GDP.
 - Projected 2014 NHE of \$4,031.7 billion expected to be 20% of GDP.
 - Health Affairs, January/February 2006 and Health Affairs-Web Exclusive, 22 February 2006.
 - Nobel Laureate Robert Fogel: 25% of GDP in 2030.
 - New York Times, August 22, 2006, p.D5.
 - Cost containment necessitates federal government fostering faster adoption of more efficient and cost-effective electronic data management and exchange tools.
 - Consolidated Health Informatics (CHI)
 - Office of National Coordinator of HIT (ONC) strategic plan

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◆ Future Market Trends

- Accelerated shift to consumer-directed health plans.
 - Shifts risk from employers to employees and healthcare providers.
 - Individuals will have more choice in managing healthcare risk and choosing providers at higher out-of-pocket costs.
 - Shifts healthcare payment processing costs from health plans to healthcare providers.
 - Individuals and individual health savings accounts are not considered covered entities for transaction purposes.
 - Facilitates growing role of banks as health savings account (HSA) and healthcare reimbursement arrangement (HRA) fiduciaries, plan managers to track and verify (substantiate) expenditures—increasingly with debit and credit card financial instruments—and interface with high-deductible health plans.

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◆ Future Market Trends

- Internet will play an increasing and material role in all aspects of healthcare.
 - Service delivery will change to accommodate fee-based email communication between provider and patient.
 - Office visits will diminish in relation to overall service delivery.
 - Transactions will increasingly involve application service provider (ASP) business models for eligibility verification, financial exchange, data archive and retrieval, and direct data entry (DDE) for low volume claim submission (e.g., single practice dental practices).

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◆ Future Market Trends

- Increased role of banks in
 - Facilitating electronic remittance advice (ERA) and electronic funds transfer (EFT).
 - Facilitating the shift from check based transactions to debit/credit card transactions.
 - Expediting auto-posting and reconciliation of accounts receivable.
- Why banks?
 - Every dollar of the 2006 projected \$2,163.9 billion in US health expenditure travels through a bank.
 - Payment instruments are cost-effectively managed by banks.
 - Consumer-directed health plans require a fiduciary partner and substantiation of expenditures.
 - US will be moving to real-time point of sale adjudication.
 - Provider's bank is only institution that can serve as single source to funnel remittance and payment from all payers.

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◆ Future Market Trends

- Increasing federal emphasis on “voluntary” clinical EHR initiatives from “mandatory” HIPAA Administrative Simplification standards
 - Incentives, including grants, loans, and higher and faster payments for electronic submission of claims in the private sector, along with Medicare mandates, will encourage “voluntary” adoption of interoperable and integrated EHR and practice management systems.
 - “A 2005 Rand Corporation study concluded that if 90 percent of America’s hospitals and physician practices were using EHRs, the yearly savings for the healthcare industry would top \$162 billion.” Health Management Technology, August 2006, p.9.
 - Avoiding the 2011 and beyond “Baby Boomer—Medicare Cost Spike” Train Wreck.
 - David Brailer, ONC: “I think it will take five years for us to work through the 50 or 60 key business problems that the U.S. faces to really have the extent of standards defined.” Healthcare Informatics, June 2006, p.87.

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◆ Future Market Trends

- Healthcare constituents are getting bigger
 - “The ten largest health insurers control about half of the U.S. market today, up from a quarter a decade ago.” Wall Street Journal, July 31, 2006, p.A1.
 - UnitedHealth Group purchase of PacifiCare Health Systems
 - WellPoint purchase of WellChoice and Lumenos
 - The top 10 EMR/EHR vendors comprise 46.7% of the market today, representing significant recent consolidation. Modern Healthcare, June 27, 2006.

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◆ Future Market Trends

- Accelerated adoption of electronic tools by healthcare providers and electronic “gateways” by health plans
 - “America’s Health Insurance Plans [AHIP], a trade group for the managed care industry, said that a survey of its member found that 75% of current claims were now electronic, compared with 44 percent four years ago.” [New York Times](#), May 26, 2006, p.C10.
 - “Today, 14% to 17% of doctors use [electronic medical records], says Mark Leavitt, chairman of the non-profit CCHIT.” [USA Today](#), July 19, 2006, p.7B.
 - US and Canada health IT investments in 2008 to total \$39.5 billion, representing for US a
 - “[E]lectronic health record spending is expected to reach \$1.5 billion in 2010, compared with \$289 million in 2005. [Modern Healthcare](#), May 19, 2006.
 - In 2005, Rand Corporation estimated annual \$81 billion or more in savings from moving US healthcare system from paper to EHRs. [USA Today](#), July 19, 2006.

◆ Conclusion

- HIPAA ROI will take time but will improve
- Decade of HIT will impact movement toward interoperable exchanges of information
- Consumer directed healthcare will ultimately help lower the costs of healthcare