How Well Are You Conforming to Healthcare Reform?

March 20, 2014

Topics

HIPAA:
- Overview & Key Components
- Concerns & Impact
- Omnibus Rule

Challenges Ahead:
- Meaningful Use:
  - Medicare vs. Medicaid
  - Eligibility Requirements
  - Certification & Testing
- ICD-10
  - Where is ICD-10?
  - ICD-9 vs. ICD-10
  - Cost of Implementation
  - Are you ICD-10 ready?
- Is outsourcing right for you?
- Q & A

Prior to HIPAA:
Concerns About a Loss of Privacy

Primary Issues of Concern (1999 Survey):
- Unauthorized access to personal information
- Personal information is being shared

Were these concerns unfounded?
- In 1993, the Boston Globe reported that Johnson and Johnson marketed a list of 5 million names and addresses of elderly incontinent women.
- A banker who also sat on a county health board identified people with cancer and called in their mortgages.

HIPAA: The Health Insurance Portability and Accountability Act

What was the purpose for HIPAA?
To establish federal standards for ensuring the privacy of individually identifiable health information. (Enacted: August 21, 1996)

The original law had three key components:
- Protection from fraud and abuse
- Obtaining new insurance at new job with pre-existing conditions
- Administrative simplification:
  - Electronic transmittal of data for billing purposes (ICD-9-CM; ICD-10-CM; mandated by CMS)
  - Privacy issues related to transmission of clinical data (mandated by DHHS)

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HIPAA: What is Covered?

Personal Health Information (PHI): electronic, written, or oral.

How HIPAA impacted health care:
- Standardized financial and administrative transactions and data elements for transactions. (ICD-9-CM; CPT-4; HCPCS; 5010)
- Mandated the use of unique identifiers for providers, health plans, employers, and individuals receiving health care services. (NPI; EIN; UPIN)
- Expanded the coverage of administrative, physical, and technical safeguards for all electronic and non-electronic protected health information. (HITECH Act)
- Established requirements for covered entities and defined rights specific for each patient.

HIPAA: Omnibus Rule

What is the “HIPAA Omnibus Rule”?
- On January 25, 2013, HHS published the “HIPAA Omnibus Rule,” a set of final regulations modifying the HIPAA Privacy, Security, and Enforcement Rules to implement various provisions of the HITECH Act.

What does the Omnibus Rule Include?
- Business Associates (BAs) and subcontractors of BAs of covered entities are directly liable for HIPAA compliance
- Strengthens the limitations on the use and disclosure of PHI
- Expands an individual’s rights to receive electronic copies of their health information
- Creates an increased and tiered civil money penalty structure for security breaches.
HIPAA: Penalties for Security Breaches

The Omnibus Rule formally adopts the following penalty scheme for violations of the HITECH Act occurring on or after Feb. 18, 2009:

- For violations where a covered entity did not know and, by exercising reasonable diligence, would not have known that the covered entity violated a provision, a penalty of not less than $100 or more than $50,000 for each violation.
- For a violation due to reasonable cause and not to willful neglect, a penalty of not less than $1,000 or more than $50,000 for each violation.
- For a violation due to willful neglect that was timely corrected, a penalty of not less than $10,000 or more than $50,000 for each violation.
- For a violation due to willful neglect that was not timely corrected, a penalty of not less than $50,000 for each violation; the penalty for violations of the same requirement or prohibition under any of these categories may not exceed $1.5 million in a calendar year.

HHS Announces More Than $1 Million Each in Penalties for HIPAA Security Rule Violations

- The Alaska Department of Health and Social Services Case: Reported the 2009 theft of a USB hard drive possibly containing ePHI of 500 individuals from an employee’s vehicle. Under the terms of the resolution agreement, the Alaska Department agreed to pay HHS $1,700,000 in fines and implement a corrective action plan.
- HHS announced an agreement with Massachusetts Eye and Ear Associates (MEEI), Inc. on Sept. 17, 2012 following the OCR investigation of a breach involving the theft of an unencrypted personal laptop containing ePHI of approximately 3,600 patients. Under the terms of the resolution agreement, MEEI agreed to pay HHS $1,500,000 in fines and agreed to take corrective action.

Are You HIPAA Compliant?

How do you know?

- Has a risk analysis been completed?
- Are you currently tracking IS activity as it relates to HIPAA requirements?
- Who is your assigned security official?
- Do you have policies and procedures in place that address security incidents?
- What is your ePHI contingency plan?

Challenges Ahead: Meaningful Use

<table>
<thead>
<tr>
<th>Medicare EHR Incentive Program</th>
<th>Medicaid EHR Incentive Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Run by CMS</td>
<td>Run by your state Medicaid Agency</td>
</tr>
<tr>
<td>Maximum incentive amount is $44,000</td>
<td>Maximum incentive amount is $63,750</td>
</tr>
<tr>
<td>Payments over 5 consecutive years</td>
<td>Payments over 6 years, does not have to be consecutive.</td>
</tr>
<tr>
<td>Payment adjustments will begin in 2015 for providers who are eligible but decide not to participate.</td>
<td>No Medicaid payment adjustments</td>
</tr>
<tr>
<td>Providers must demonstrate meaningful use every year to receive incentive payments.</td>
<td>In the first year providers can receive an incentive payment for adopting, implementing, or upgrading EHR technology. Providers must demonstrate meaningful use in the remaining years to receive incentive payments.</td>
</tr>
</tbody>
</table>

Meaningful Use: Eligibility Requirements For Professionals

- Incentive payments for eligible professionals (EP) are based on individual practitioners.
- Each EP may qualify for an incentive payment if they can successfully demonstrate meaningful use of certified EHR technology.
- Each EP is only eligible for one incentive payment per year.

<table>
<thead>
<tr>
<th>EP – Medicare Incentive</th>
<th>EP – Medicaid Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctors of Medicine or Osteopathy (MDs, DOs)</td>
<td>Physicians (MDs, DOs)</td>
</tr>
<tr>
<td>Doctor of Dental Surgery or Dental Medicine</td>
<td>Nurse Practitioner</td>
</tr>
<tr>
<td>Doctor of Podiatry</td>
<td>Certified Nurse-Midwife</td>
</tr>
<tr>
<td>Doctor of Optometry</td>
<td>Dentist</td>
</tr>
<tr>
<td>Chiropractor</td>
<td>PA who furnishes services in a Federally Qualified Health Center or Rural Health Clinic that is lead by a PA.</td>
</tr>
</tbody>
</table>
Meaningful Use: Important 2014 EHR Participation Dates

- March 31, 2014 at 11:59 pm ET: Attestation deadline for Medicare eligible professionals for the 2013 program year
- September 30: End of 2014 fiscal year and end of the 2014 reporting period for eligible hospitals
- November 30, 2014 at 11:59 pm ET: Attestation deadline for Medicare eligible hospitals for the 2014 program year
- December 31: End of 2014 calendar year and end of the 2014 reporting period for eligible professionals

Meaningful Use: It’s Not too Late to Participate!

- For Medicare participants, who first demonstrate meaningful use in 2014, the potential incentive is a maximum of $24,000, to be earned over the next 3 years. Physicians practicing in a Health Professional Shortage Area (HPSA) are eligible for an additional 10%.

Challenges Ahead: ICD-10

ICD-10
It Changes Everything!

What changes come with ICD-10?

<table>
<thead>
<tr>
<th>ICD-9-CM</th>
<th>ICD-10-CM</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-5 Digits</td>
<td>3-7 Digits</td>
</tr>
<tr>
<td>Approximately 13,000 Codes</td>
<td>Approximately 68,000 Codes</td>
</tr>
<tr>
<td>First digit may be alpha [E or V] or numeric; digits 2-5 are numeric</td>
<td>Digit 1 is alpha; Digits 2 &amp; 3 are numeric; Digits 4-7 are alpha or numeric (alpha digits are not case sensitive)</td>
</tr>
<tr>
<td>Limited space for adding new codes</td>
<td>Flexible for adding new codes</td>
</tr>
<tr>
<td>Lacks detail</td>
<td>Very specific</td>
</tr>
<tr>
<td>Lacks laterality</td>
<td>Has laterality</td>
</tr>
<tr>
<td>Difficult to analyze data due to non-specific codes</td>
<td>Specificity improves coding accuracy &amp; richness of data for analysis</td>
</tr>
<tr>
<td>Codes are non-specific and do not adequately define diagnosis needed for medical research</td>
<td>Specificity improves coding accuracy &amp; richness of data for analysis</td>
</tr>
<tr>
<td>Does not support interoperability because it is not used by other countries</td>
<td>Supports interoperability &amp; the exchange of health data between other countries &amp; the U.S.</td>
</tr>
</tbody>
</table>

Where is ICD-10?

- Some 25 countries currently ICD-10 for reimbursement and resource allocation in their health system:
  - Australia (1998-1999)
  - Canada (2001)
  - China (2003)
  - France (2005)
  - Germany (2006)
  - Korea (2008)
  - Nordic Countries (Sweden, Denmark) (1994-1997)
  - South Africa (2005)
  - United Kingdom (1991)
  - Thailand (2007)
  - Dubai (2012)

- January 1, 1999 - U.S. implemented ICD-10 for mortality (death certificates).

The only industrialized country not using ICD-10, for morbidity reporting.

Who Does ICD-10 Affect?

- Administrative Staff
- Clinicians
- Coders
- Billers
- Collections Staff
- PROVIDERS will be heavily involved
- Payers
- IT Department
Costs to Implement

In October 2008, the Nachimson Advisor Study resulted in a "landmark" paper that estimated the costs of implementing ICD-10 on the clinical level:

Factors that contribute to the difference in estimated cost:
- Cost to purchase or upgrade software (2014 certified EHR technology) (CEHRT)
- Tasks that were not recognized as critical in 2008 (e.g. testing)

<table>
<thead>
<tr>
<th>Practice Type</th>
<th>2008 Estimated Costs</th>
<th>2014 Estimated Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Practice</td>
<td>$83,290</td>
<td>$56,639</td>
</tr>
<tr>
<td>Medium Practice</td>
<td>$285,195</td>
<td>-$226,105</td>
</tr>
<tr>
<td>Large Practice</td>
<td>$2,728,780</td>
<td>$213,364</td>
</tr>
</tbody>
</table>

How will you approach ICD-10? Proactive vs. Reactive

Have you considered the following?
- EHR/EMR/PMS ICD-10 ready
- Clinician and Staff training
- Implementation strategy
- Conducted a risk assessment
- Prepared for the financial impact
- Communication & Awareness
- Internal/External testing

The time to act is NOW!

The Impact - Are you ready?

Possible systems and applications affected:
- Billing systems
- Electronic health record system
- Encoding software
- Registration/Scheduling systems
- Accounting systems
- Decision support systems
- Utilization management systems
- Test ordering systems
- Performance measurement systems
- Medical necessity software
- Disease management systems

The Impact - Are you ready?

You really need to know where you are now in order to manage through, and survive, challenges like ICD-10

What metrics are currently impacting your accounts receivables?
- DSO (Days Sales Outstanding)
- Average Days to get a Claim out the Door
- Rejection and Denial Rates
- Cash Collection to Gross or Net Revenue Percentages
- Write Off/Adjustment Rates
- Bad Debt Rates
- Percentage unreimbursed claims over 90 Days

The time to act is NOW!

Costs to Implement

2008 Total Cost Summary:

<table>
<thead>
<tr>
<th>Practice Type</th>
<th>Education</th>
<th>Process Analysis</th>
<th>Changes to Superbills</th>
<th>IT Costs</th>
<th>Documentation Costs</th>
<th>Cash Flow Disruption</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Practice</td>
<td>$2,405</td>
<td>$6,900</td>
<td>$2,985</td>
<td>$7,500</td>
<td>$44,000</td>
<td>$19,500</td>
<td>$83,290</td>
</tr>
<tr>
<td>Medium Practice</td>
<td>$4,745</td>
<td>$12,000</td>
<td>$9,950</td>
<td>$15,000</td>
<td>$178,500</td>
<td>$65,000</td>
<td>$285,195</td>
</tr>
<tr>
<td>Large Practice</td>
<td>$46,280</td>
<td>$48,000</td>
<td>$48,000</td>
<td>$100,000</td>
<td>$1,785,000</td>
<td>$650,000</td>
<td>$2,728,780</td>
</tr>
</tbody>
</table>

The last two being the biggest cost factors!
Top 3 Questions You Should Be Asking:
1. What processes need to be modified now with respect to patient flow and the current workflow?
2. Review of the budget – Does it allocate for additional resources to cover possible upgrades, training; and does it allow for the financial impact due to reduction of productivity and payer issues?
3. Has a practice plan and timeline for ICD-10 role out been identified and communicated with the staff which clearly define roles, tasks, etc.?

Are you ready for ICD-10?

Is Outsourcing your best Option?

Why that may be true:
- Staff need to stay focused on daily tasks and patient care
- Admin staff plates are already full with little time left for new projects
- You may not have anyone with the required level of experience or understanding
- Getting ahead of these new changes will cost you more if you try to do it “when you have time”

Who is SergeMD?
- Local Company
  - Memphis (Training Center)
- We offer client centered Information Technology Solutions and Services locally and throughout the region.
- IT Services
  - Healthcare Consulting (PM/DIK/EMR)
  - Revenue Cycle Management
- Our purpose is to transform how healthcare is delivered through offering a wide range of expertise and cost-effective solutions with a promise of high quality services.

References:
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- www.professionalside.com/PACT_Shared/2004476504t655Mpdf
- www.hhs.gov/hipaasafey/about/TB-82.pdf
- www.oig.hhs.gov/oei/reports/an02-04-007.pdf
- www.navicure.com
- http://carepath.com/ehi-incentives