SILAS TECHNOLOGIES

Industry Trends Report

ROI from HIPAA
through Process Improvement

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ROI from HIPAA through Process Improvement

While many healthcare executives view the Health Insurance Portability and Accountability Act (HIPAA) of 1996 as a regulatory burden to their already depleted IT budgets, the reality is that HIPAA is a potential ROI boon for organizations that capitalize on process improvement opportunities that the law presents.

Hanging over the healthcare industry for years, HIPAA soon will become a reality. A final ruling on the act's Security standards is expected by December 2002, and the final Privacy rule already has been released with compliance scheduled for April 2003.

Having endured many changes and opposition to the regulations as well as deadline extensions, some healthcare executives have relegated HIPAA to a low priority. Still others look at HIPAA compliance as just another cost of doing business and have not considered that the legislation could create a return on investment (ROI). In addition, most executives have not envisioned HIPAA as an opportunity to improve business and operational processes.

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— Healthcare CIO

HIPAA: It's Not Just IT

The mixed message may derive from many healthcare organizations categorizing HIPAA as an information technology (IT) problem and expecting that their IT vendors will flip a switch and make them HIPAA compliant. A CIO from a leading South Dakota-based healthcare organization recently stated, "HIPAA is commonly seen as an IT problem, but administration, policies, and process development consume 70 percent of the cost of HIPAA compliance."

So, let's breakdown the goals of HIPAA:

◈ Simplification of administrative tasks and cost reduction

◈ Continuity of data across healthcare organizations

◈ Privacy and security of patient information

According to the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration (HCFA), an average of 26 cents of each healthcare dollar is spent on administrative overhead, including such tasks as:

◈ Enrolling an individual into a health plan

◈ Paying health insurance premiums

◈ Obtaining authorization to refer a patient to a specialist

◈ Processing claims

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The goal of administrative simplification is to reduce the number of forms and methods of completing claims and other payment documents. Administrative simplification is a method of making business practices (billing, claims, computer systems and communication) uniform in order that providers and payers do not have to modify their interaction as a result of proprietary systems.

Security and Privacy: Setting the HIPAA Stage

HIPAA requires that the healthcare industry adopt the use of standardized, electronic transmission of administrative and financial data. HIPAA also requires the Department of Health and Human Services to adopt national uniform standards for the electronic transmission of certain health information such as enrollment, claims and health claim status. These requirements will force a change to traditional transactions processes in order to have continuity of data across healthcare organizations.

Security standards were developed for all health plans, clearinghouses and providers to follow at all stages of transmission and storage of health care information. The purpose is to ensure integrity and confidentiality of the records at all phases of the process, during and after transmissions. Privacy

standards have been developed to define appropriate disclosures of individually identifiable health information and the protection of patient rights.

To successfully address all of the goals of HIPAA, it must be viewed as a process issue with a technology component. Technology changes alone will not make a healthcare organization HIPAA compliant. Organizations should first understand the equation and determine a viable solution before implementing technology. Technology can be only as effective as the process attached to it. Healthcare organizations cannot depend on vendor software solutions for total compliance, since, for example, technology on its own does not address HIPAA requirements for customer service and administrative personnel.

Visionary healthcare organizations will have positioned HIPAA compliance as a costly one-time event with on-going savings opportunities. The U.S. Department of Health and Human Services estimates the cost of compliance nationally at $17.6 billion over the next 10 years. An estimate from the Blue Cross Blue Shield Association, however, is closer to $40 billion, with the highest costs centering around education and training for HIPAA standards and regulations.

HIPAA vs. Y2K: A Bad Idea

While comparisons have been made to HIPAA and Y2K – with some estimates revealing that costs associated with HIPAA could be more than double those of Y2K – the comparison is faulty. Unlike Y2K, HIPAA is a comprehensive enterprise strategy, not simply a technology-driven issue. Each rule includes several legal, regulatory, process, security and technology elements that must be carefully evaluated before implementation begins. Through process improvements associated with becoming HIPAA compliant, healthcare organizations can run more efficiently and effectively. Improvements in customer service inquiries, data transmission and processing, capacity monitoring, and elsewhere can lead to both short- and long-term ROI.

A comprehensive HIPAA implementation will reduce process time and cost by eliminating redundant processes, such as paper and electronic. For example, two processes that commonly run parallel to accomplish the same objective can result in increased costs and time. A study performed at the Mayo Clinic by Phoenix Health Systems showed that 80 percent of

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electronic claims were processed within 30 days, while only 30 percent of paper claims were processed in the same time frame.

A comprehensive HIPAA implementation can reduce inconsistent customer information across an organization, because it brings everyone to the same page. Inconsistent information such as discrepancies between provider and payer regarding patient data can lead to increased costs, poor customer service and potential HIPAA non-compliance.

Improving Processes: Keys to HIPAA Success

An effective process improvement consultation for an organization's HIPAA efforts should address the people and process aspect of the gap analysis, link and monitor the process end-to-end, teach personnel to take ownership of the process, and connect departments. A process solution consultation with the most direct benefit would align the business process with technology changes required by HIPAA. This bridges any break in communication between strategy and operations. Requirements gathered at all levels ensure that the project reflects the needs at all levels.

A successful consultation should include business metrics on key operational processes, customer satisfaction and quality of patient care. Time and cost on current work processes should be gathered, cycle times and cost per transactions measured, and savings related to process improvements documented. A foundation for documenting procedures also should be included. Proper documentation of procedures is a critical step toward HIPAA compliance and goes a long way in educating an organization on new/current processes.

A forward-thinking process improvement consultant should recommend improvements, while working to establish client self-sufficiency. Measurable improvements must make good business sense and direct an organization toward HIPAA compliance, while automated process statistics (metrics) provide the ability to continue process improvement and modifications without outside help.

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The Benefits of Process Improvement

Benefits from a strategic process improvement consultation include:

◈ Documented direct and indirect costs of existing processes;

◈ Pinpointed opportunities for resource allocation;

◈ A baseline for subsequent improvement efforts;

◈ Knowledge of appropriate metrics for validating HIPAA efforts;

◈ Maintenance or establishment of service levels;

◈ The value associated with doing a particular process quicker;

◈ Reduced expenses;

◈ Gathering requirements at all levels, which results in employee 'buy-in' and increases the chance for change to stay in place; and

◈ Increased HIPAA awareness.

The example below represents a well-defined process improvement project progression.
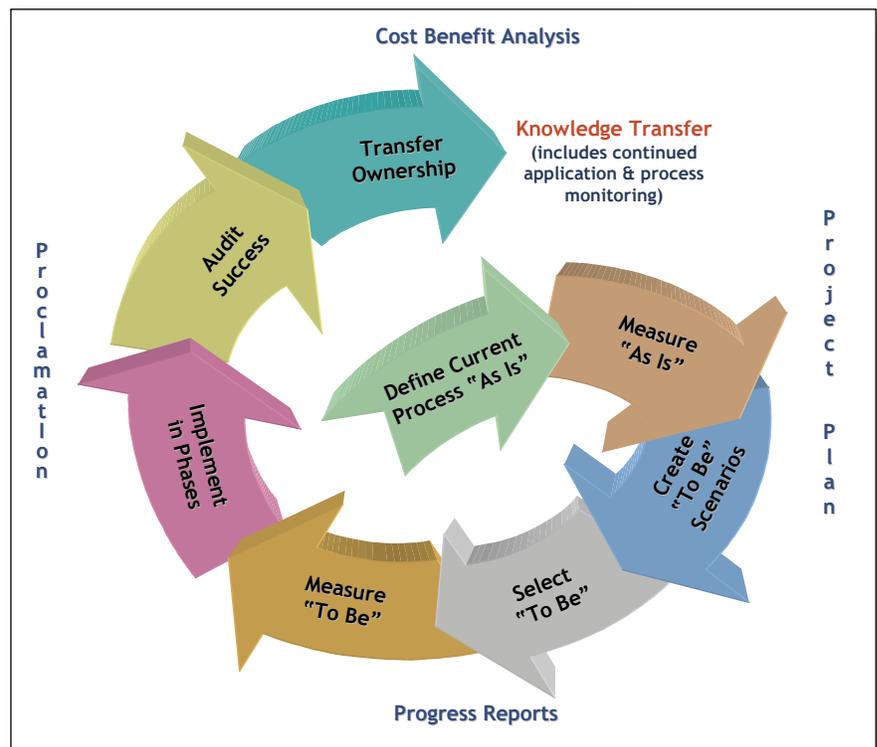
HIPAA + Process Improvement = ROI

The legislative goals of HIPAA work in conjunction with those of all healthcare organizations. The back-office and boardroom challenge has remained how those in health care would comply with the law, while maintaining their fiscal and organizational health. Implementation of strategic process improvement can enable organizations to work within the boundaries of the law and realize a return on the investment that is necessary to achieve compliance.

About Silas Technologies Business Process Consulting

Silas Technologies Business Process Consulting provides extensive experience in operational workflow and redesign, accountable and measurable results, and sensitivity to cultural impact with quick results. To learn more, visit www.silastechnologies.com, call 1-877-897-2579 or email info@silastechnologies.com.

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