

Learning to *Speak* the Healthcare Language

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Discussion Topics

- Background – Healthcare Landscape
- Legislative Impact
- CCD+ Transaction

The Clearing House

Clears and settles 65 million payments, valued at nearly \$2 trillion, each day, representing nearly half of the automated clearing house, funds-transfer and check image payments in the United States.

Service	Avg Daily Volume	Avg Daily Value
CHIPS	380 thousand	\$1.6 trillion
Electronic Payments Network (EPN)	39 million	\$89 billion
SVPCO Image Exchange Network	24 million	\$37 billion

Annual average daily volume and value for 2011

The Federal Reserve Banks

Mission:

Ensure integrity, reliability, & accessibility of U.S. payment system

Provide robust and efficient payment services to payments providers
(e.g. financial institutions, third party service providers) including -

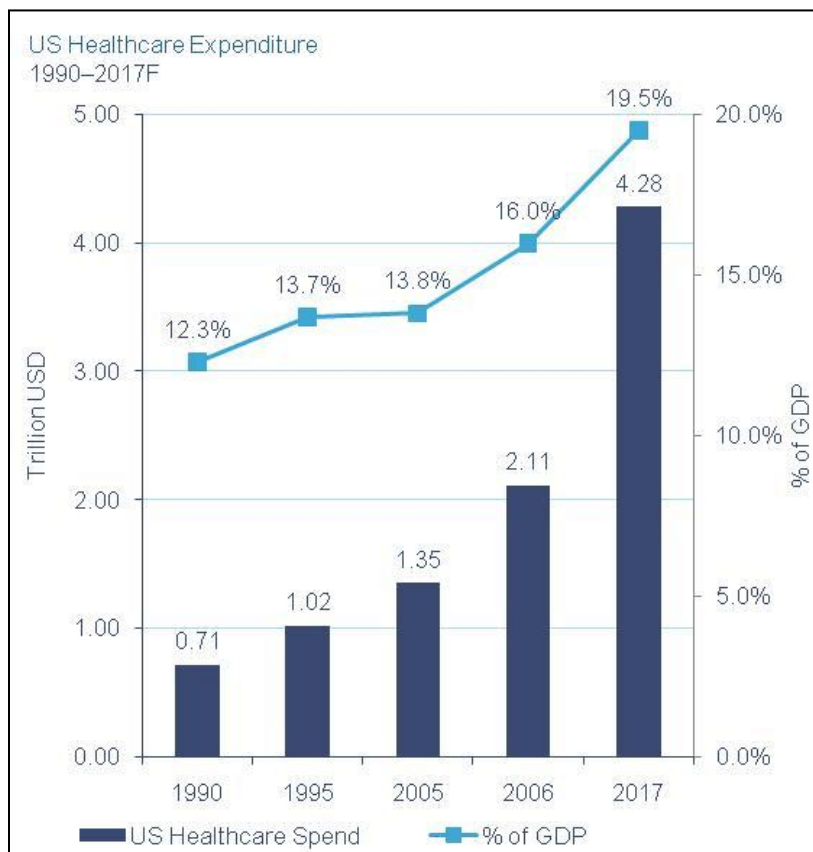
- Check
- ACH
- Wire
- Securities settlement
- Cash

Annual average daily volume and value for 2011

Service	Avg Daily Volume	Avg Daily Value
Fedwire Funds	506,065	\$2.6 trillion
Fedwire Securities	74,156	\$1.2 trillion
FedACH	46.4 million	\$89 billion
Check	28.3 million	\$40.9 billion
National Settlement	2,276	\$62.7 billion

Total U.S. Healthcare Expenditure

US healthcare spend is projected to double to over \$4 trillion by 2017.



Source: National Health Expenditure. CMS; Bureau of Economic Analysis

- Healthcare is the largest industry in the US, providing jobs for approximately 14 million people
- The US population is aging, driving demand for healthcare products and services
- The demand for professional healthcare services is eclipsing the supply of professionals providing services
- 15% of the population currently claims 75% of total healthcare expenditure. As chronic disease incidence is growing, associated expenditure is also likely to grow
- Innovative healthcare technologies have generally increased cost, whereas in other industries innovation usually decreases cost

Total Medicare Spend

Within the federal government, Medicare and Medicaid consume one-fifth of the federal dollar

Sizing Up the US Healthcare Market



1. Budget Year 2008, Source: U.S. Office of Management and Budget (OMB)

2. Budget Year 2006, Source: National Defence Budget Summary Greenbook (www.defenselink.mil)

3. Cost Years 2001-2008, Source: Reuters, CBO Estimates \$2.4 Trillion Long Term War Costs

4. Year 2008, Source: National Coalition on Health Care, www.nchc.org/facts/costs.shtml

Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group

Waste in the System



- \$30 billion annually is wasted on paper in American healthcare. Two-thirds of this is bound up in paper based health claims, billing and payments by checks to doctors and hospitals¹
- Healthcare industry estimates EFT adoption to be approximately 10-30% of transactions
- It is estimated 25 to 40 cents of every dollar spent on healthcare is consumed by administrative costs
- Impact of continued use of paper payments may be as high as \$4.80 per transaction for payers and providers combined²
- Transitioning from paper to electronic could save the healthcare industry \$11B³

1 The national progress Report on Healthcare Efficiency, US Healthcare Efficiency Index (USHEI), 2010

2 Overhauling the US Healthcare Payment System, The McKinsey Quarterly, June 2007

3 National Progress Report on Healthcare Efficiency, US Healthcare Efficiency Index, 2010

Alphabet Soup of Healthcare Payments....

OCR

ERA

EOB

PPACA

HIPAA

NCVHS

PHI

CMS

NACHA

CCD+

EFT

CAQH

BA

EDI

ACH

HITECH

CTX

HHS

Legislative Efforts to Improve Healthcare

- **HIPAA 1996** - Health Insurance Portability and Accountability Act
- **ARRA 2009** - The American Recovery and Reinvestment Act of 2009; “The Stimulus or The Recovery Act “
- **HITECH** - The Health Information Technology for Economic and Clinical Health (HITECH) Act
- **PPACA 2010** - aka Healthcare Reform - Patient Protection and Affordable Care Act



What is the 835 and why are they Problematic?

- EDI 835 is the electronic standard for defining the healthcare claim payment remittance information associated with a payment
- Healthcare payments and the related remittance data are predominantly ***paper based and travel via different paths***
- Although the 835 is the standard, ***rules are not always followed consistently***. Variations are typically seen at the plan level
- Inconsistency in the 835 can make it ***difficult to post*** to the provider's Practice Management System (equivalent to AR)
- As of 1/1/2012 the X12 835 V5010 became the current standard

What is Protected Healthcare Information?

- Protected health information (PHI), under the US Health Insurance Portability and Accountability Act (HIPAA), is any information about health status, provision of health care, or payment for health care that can be linked to a specific individual.

What is a Covered Entity?

A Covered Entity is one of the following:

A Health Care Provider

This includes providers such as:

- Doctors
- Clinics
- Psychologists
- Dentists
- Chiropractors
- Nursing Homes
- Pharmacies

...but only if they transmit any information in an electronic form in connection with a transaction for which HHS has adopted a standard.

A Health Plan

This includes:

- Health insurance companies
- HMOs
- Company health plans
- Government programs that pay for health care, such as Medicare, Medicaid, and the military and veterans health care programs

A Health Care Clearinghouse

This includes entities that process nonstandard health information they receive from another entity into a standard (i.e., standard electronic format or data content), or vice versa.

- HIPAA Privacy and Security Rules apply only to **covered entities**.
- A covered entity must comply with the Rules' requirements to protect the privacy and security of health information

Source: <http://www.hhs.gov/ocr/privacy/hipaa/understanding/coveredentities/index.html>

What is a Business Associate?

- A “business associate” is a person or entity that performs certain functions or activities that involve the use or disclosure of protected health information on behalf of, or provides services to, a covered entity
- The Privacy Rule allows covered providers and health plans to disclose protected health information to these “business associates” if:
 - the providers or plans obtain satisfactory assurances that the business associate will use the information only for the purposes for which it was engaged
 - Business associate will safeguard the information from misuse, and will help the covered entity comply with some of the covered entity’s duties under the Privacy Rule.

Patient Protection and Affordable Care Act

- Puts real teeth to driving cost savings in a number of areas
- Legislation calls for both standards and operating rules as key drivers in reducing administrative cost
- Drives aggressive adoption of new EDI and procedure code data standards
- Mandates rapid adoption of new operating rules
- Medicare payments to EFT by January 1, 2014
- Developments to date for EFT and ERA operating rules:
 - National Committee on Vital Health Statistics (NCVHS) Committee recommendation of CAQH CORE in collaboration with NACHA as authoring entity for healthcare EFT and ERA transactions operating rules
 - HHS issued interim final rule for comment on January 5th, 2012
 - NACHA sent out request for comment on proposed healthcare EFT operating rules

Adoption of Standards for Healthcare EFTs and Remittance Advice

- Interim Final Rule (IFR) for Comment:
 - Driven by PPACA amendment to 1173(a)(2) by adding EFT to the list of electronic healthcare transactions for which the Secretary must adopt a standard under HIPAA
 - Adopts standards for the format and data content of the transmission a health plan sends to its bank when it wants to pay a claim to a provider electronically
- Summary of IFR:
 - Applies only to Stage 1 of payment process – Stage 2 & 3 are out of scope for IFR
 - Provider must request addenda record from Financial Institution
 - Adoption of NACHA Standards for CCD+
 - Acknowledges an exemption citing 1179 for FIs acting as a clearinghouse when converting proprietary files to a NACHA CCD+ transaction
 - Assumes total cost to FI in order to comply with rule estimated to be < \$4,000

A few things about **CCD+**

What is CCD+ all About?

CCD

corporate
credits or debits

credit or debit
entry initiated by
an institution to
consolidate
funds or to fund
an outlying
account

CCD+ is CCD
entry with one
addenda record

Unique Characteristics of a Healthcare CCD+

- CCD+ has been recommended as the HIPAA EFT standard format and content required for health plans to perform EFT transactions
- The CCD+ addenda record will carry the TRN segment for reassociation
 - Trace number segment in addenda record that links the electronic payment (EFT) and electronic remittance advice (ERA)

Key Reassociation Data Elements

- Minimum data elements in the CCD+ transaction set necessary to facilitate reassociation

Minimum ACH CCD+ Reassociation Data Elements		
CCD+ Record #	Field #	Field Name
5	9	Effective Entry Date
6	6	Amount
7	3	Payment Related Information

The Reassociation Trace Number

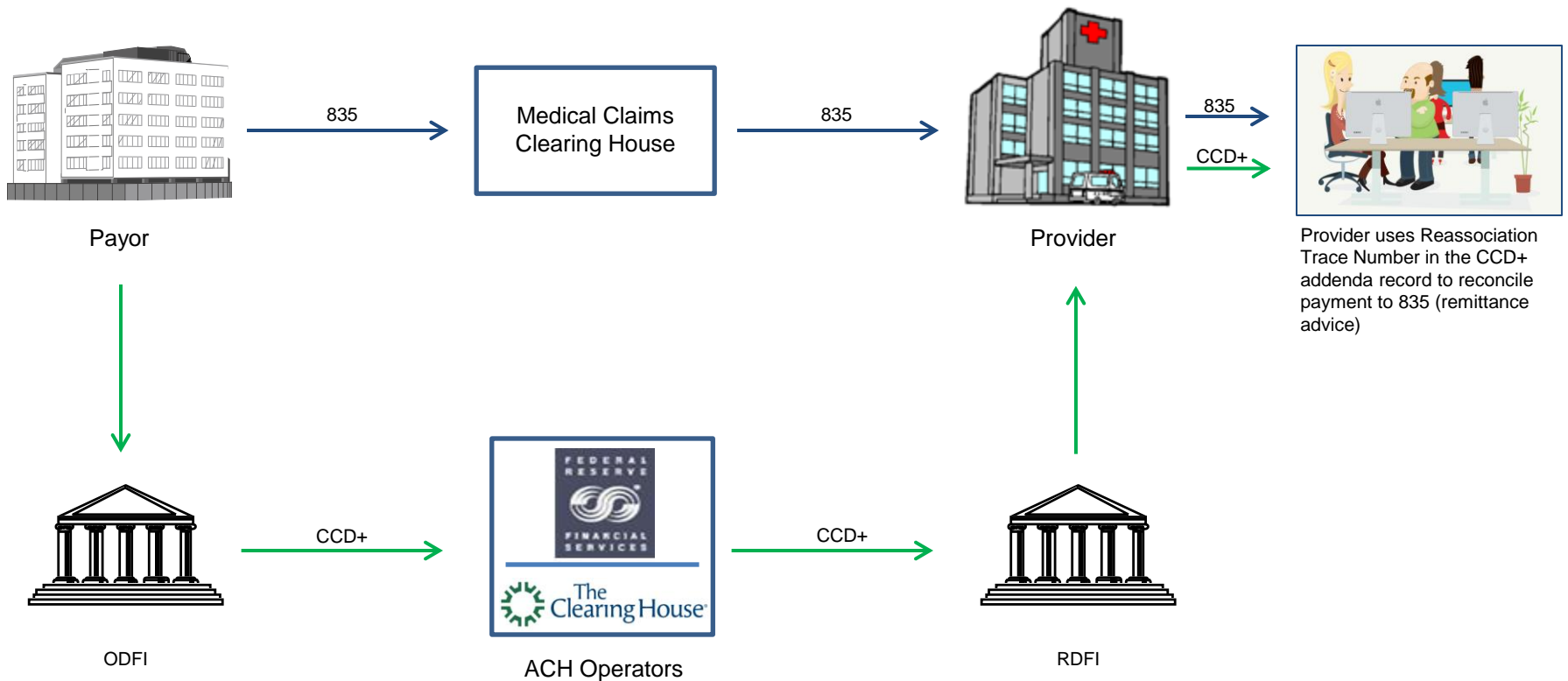
Reassociation Trace Number

A machine readable
number carried in two
places – the ERA and the
CCD+ addenda record

It includes a mix of
numbers and asterisks

TRN*1*12345*1512345678*999999999

Linking the Payment to the Remittance



Next Steps for Financial Institutions

- Evaluate your financial institutions capability to provide Reassociation Trace Number in CCD+ addenda record to provider clients
- Watch for potential NACHA rules changes to address healthcare payments and remittance processing
- Educate your financial institutions' retail staff regarding provider customer's needs around healthcare payments

Questions ?

Thank You!