



*Established to Research, Document and Facilitate  
Medical Banking Convergence*

# The Medical Banking Project

## Reliable Structures for eHealth Workshop

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**From: 10th HIPAA Policy Roundtable | *A Policy Review Webcast Series***  
**Emerging Technologies in Medical Banking**

Produced Live from: 12<sup>th</sup> Annual WEDI National Conference, Washington, DC

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# MB Project

MEDICAL BANKING  
POLICY RESEARCH



## MEDICAL BANKING |

### *The Charitable Face of Healthcare EDI*

*Convergence of:*

- Regulations
- Payment & Remittance Processing Technologies
- Critical need for healthcare funding solutions
- Better utilization of charitable and faith-based resources
- Monitoring terrorist activities





## What is “Medical Banking”?

**Medical Banking**... “the latent integration of banking infrastructure and credit resources with healthcare administrative operations...”

- ❑ **Latent Dynamic**
  - HIPAA policy application in banking channels
  - Integration of treasury/cash management services
- ❑ **Efficiently organizes public, private and charitable/faith-based funds**
- ❑ **Core principles:**
  - Identify operational redundancies in a community (similar in concept to DRGs)
  - End user-centric...Helping the Care Giver
    - ✓ Service/Product concepts are derived from existing administrative needs
    - ✓ Improves long term operating margins
    - ✓ Improves capital formation/access (increased liquidity, targeted c-funds)
  - Organization/Process focus
    - ✓ Re-purposing well established technology based on horizontal workflow needs
    - ✓ Optimizing data streams
  - Recurring fee revenue models
  - Leverages HIPAA/privacy environment for competitive advantage
  - New distribution channel that empowers community banks to help providers

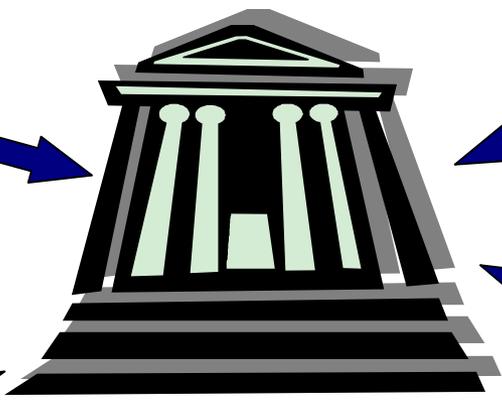
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## Converging Market Forces

### Banks



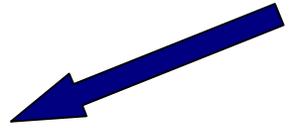
#### Regulations

HIPAA, GLB, Check 21  
FACT, PATRIOT,  
EU Directive, others



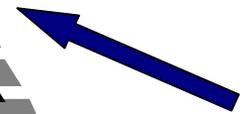
#### Technology

EDI, XML



#### Terrorism

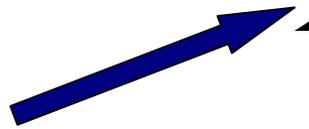
OFAC



#### Payment

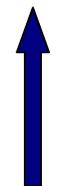
& Remittance Processing

(i.e., all medical txns)



Solutions for funding healthcare

(i.e., HSAs)





### ❑ Short Term Driver: **HIPAA Compliance**

- Many banks are still unaware of HIPAA's impact
  - ✓ Payment processing, ACH, EDI, lending operations, DDA other areas
- Competitive differentiation, (Hibernia, BoA, JPM/B1, etc.)
- Market/policy tension: bank associations seek exemption

### ❑ Mid-Term Driver: **Payment/Remittance Processing Efficiency**

- Advances in technology and dispersion of healthcare EDI supports new processes
- Global technology alliances positioning for this broad industry shift
  - ✓ Securing foothold means identifying and allying with key actors
- Success criteria: Synchronized mass conversion of paper payments to e-venues
- Others skipping transitional steps to offer new cash/claims management tools
  - ✓ Aggregation of claim processing functions at point-of-service

### ❑ Long Term Driver: **Increased Liquidity for Medical Operations**

- Understanding true value of medical A/R (i.e., \$200 billion)
- Enterprise decision support (contract auditing, treatment modalities)
- Efficient distribution of public, private and charitable/faith-based funds



# The Medical Banking **framework** Project

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*Our HIPAA Wizard recommends...*

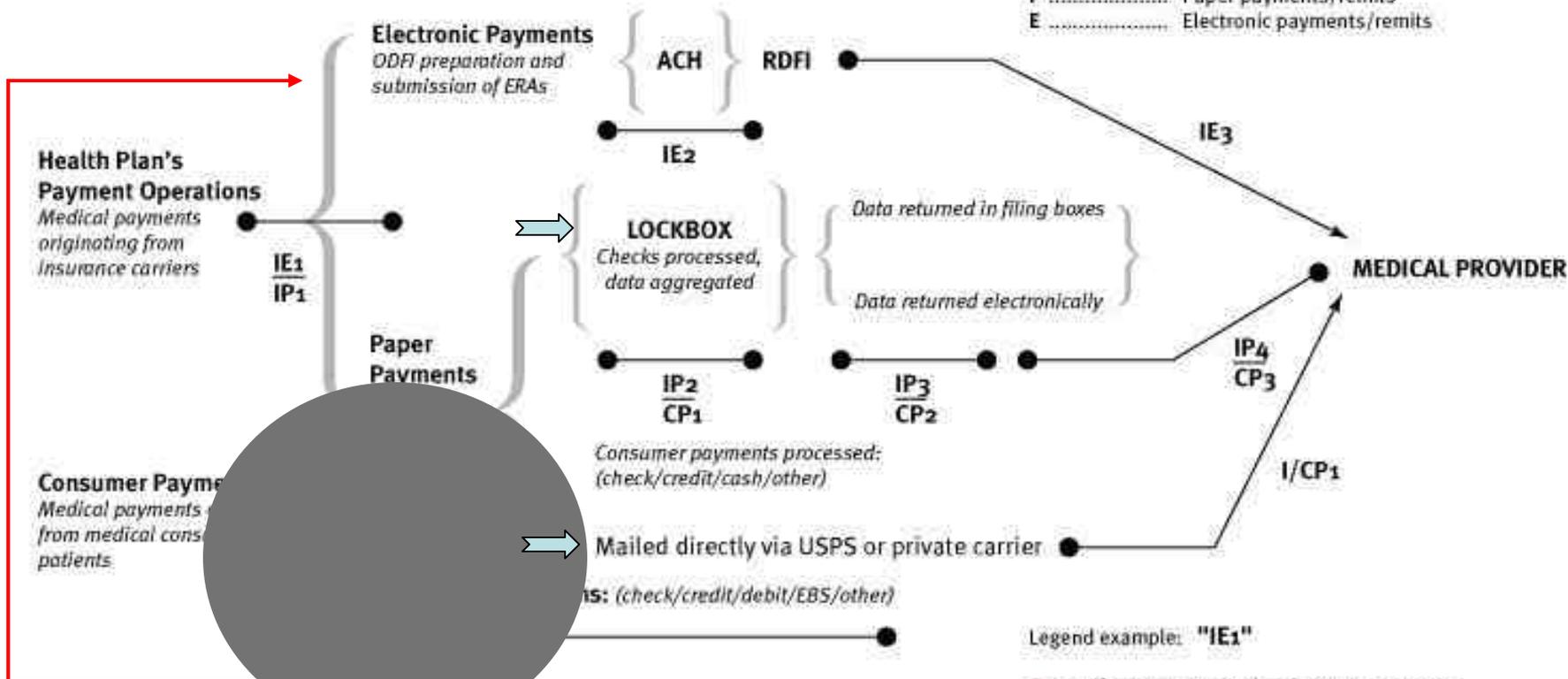


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**ROUNDTABLE FRAMEWORK**  
A typology of medical banking services

**LEGEND:** ● — ● = Impacted Workflow Phases

Symbol	Description
C .....	Consumer
I .....	Institutional
P .....	Paper payments/remits
E .....	Electronic payments/remits



**Banking operations not addressed but impacted:**

- Asset Management: processing medical AR assigned to bank via bankruptcy
- Corporate Credit Management: medical AR funding (including purchase, finance and securitization)
- Other commercial and specialized banking services

Legend example: "IE1"

- I – refers to an institutional payment process; (likewise "C" refers to a consumer payment process)
- E – refers to an electronic payment process; (likewise, "P" refers to a paper-based payment process)
- 1 – references a particular aspect of banking and/or financial service operations highlighted for policy discussion

### Asymmetric Application of HIPAA Policy

- 1st HIPAA Policy Roundtable / HFMA Press Release
- DFI Framework assists understanding of regulatory impact
- Inhibits IOS development

#### FOR IMMEDIATE RELEASE

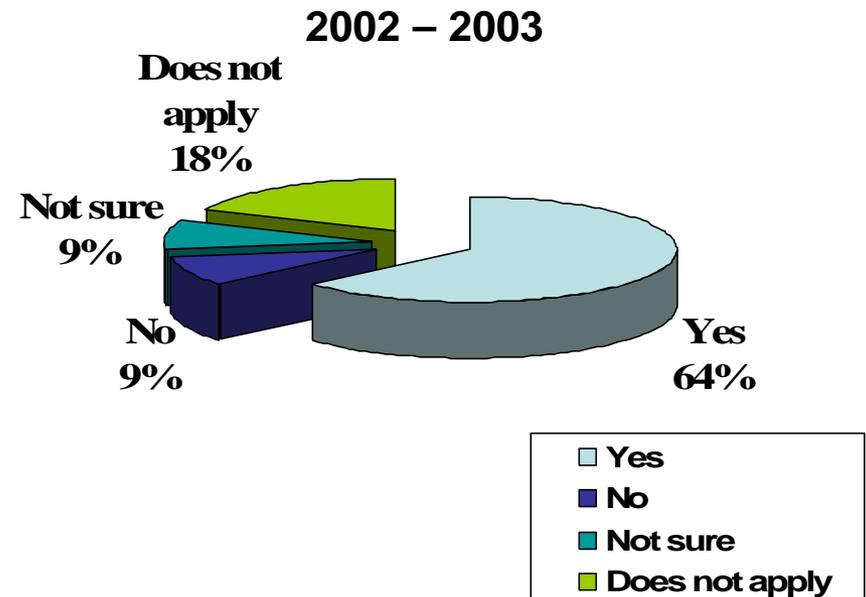
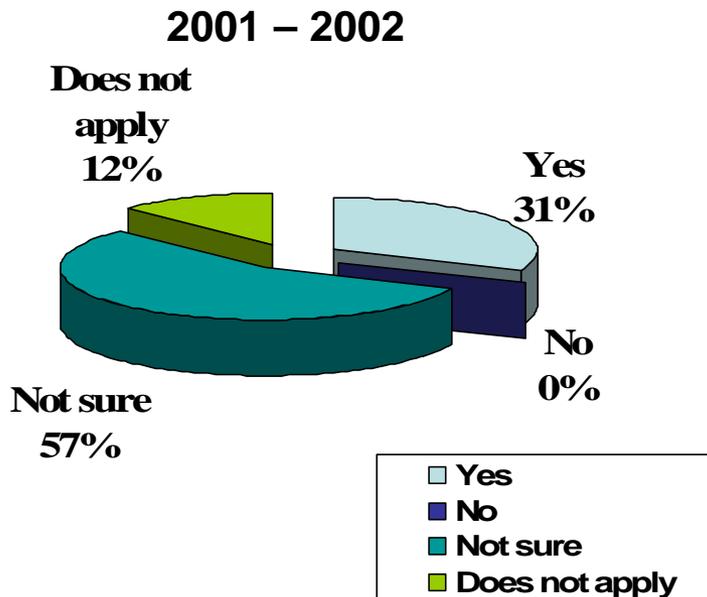
Contact: Terry Arya, public relations consultant  
August 10, 2002  
(800) 252-HFMA, ext. 362 or: tarya@hfma.org

#### HFMA CALLS ON HEALTHCARE ENTITIES TO ASSESS HIPAA'S IMPACT ON BANKING RELATIONSHIPS

**Chicago**— The Healthcare Financial Management Association (HFMA) has published a report to help healthcare providers and payers evaluate how the Health Insurance Portability and Accountability Act of 1996 (HIPAA) may affect their relationships with banks.

HFMA President and CEO, Richard L. Clarke, FHFMA, says, "The role that HIPAA plays in the relationships between banks and healthcare entities has been **largely overlooked** as the healthcare community prepares to implement HIPAA. However, healthcare providers and payers are held responsible that not only their own actions, but the actions of their business partners comply with these regulations. Therefore, providers must take an active role in ensuring that the banks they do business with fully comply with HIPAA's requirements." (Bold font supplied)

Is it your corporate opinion that HIPAA classifies all or a portion of your payment processing operations as forming a business association with a covered entity?

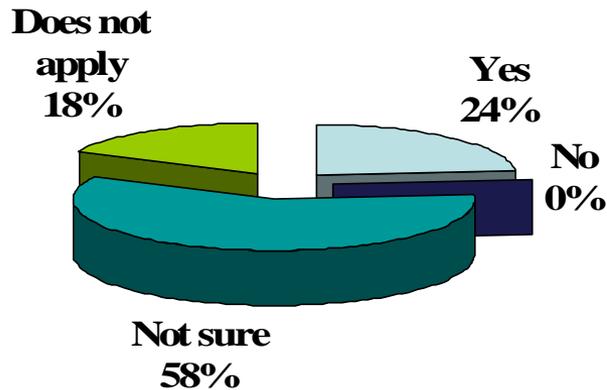


**Statistic highlight:** Twice as many of the nation's largest banks understand that they are a business associate of their medical client.

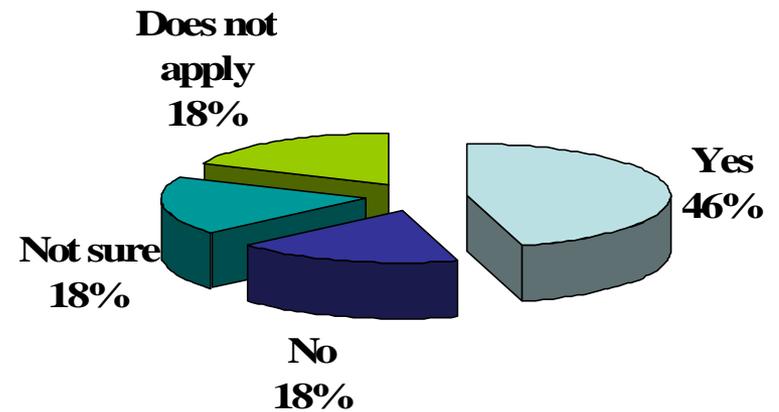


**Is it your corporate opinion that HIPAA classifies all or a portion of your payment processing operations as a clearinghouse?**

2001 – 2002



2002 – 2003



**Statistic highlight:** The number of large banks that acknowledge that they have payment processing operations that are classified as a clearinghouse under HIPAA almost doubled from 2002 to 2003. The banks that are still unclear on this issue decreased.



### Asymmetric Application of HIPAA Policy

- DFI Framework



### RDFI Framework For Assessing HIPAA-Covered Entity Status

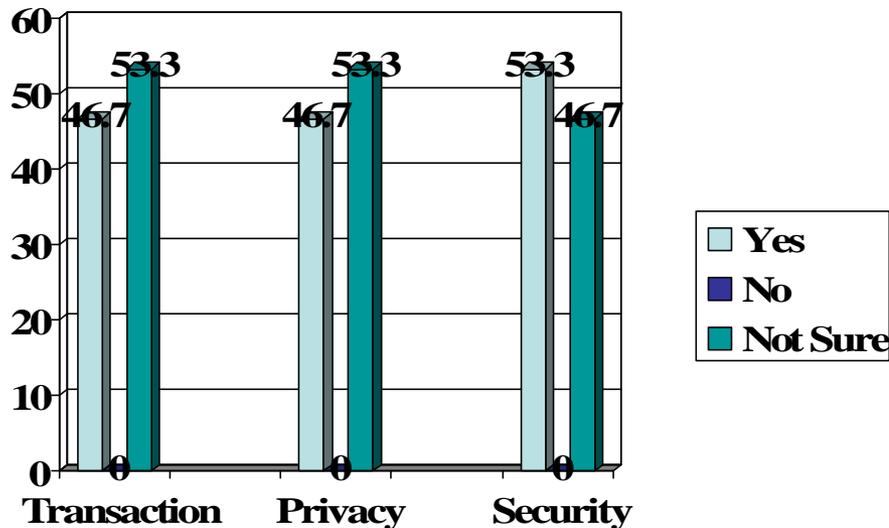
Input File/Format	Credit account	Create Proprietary Electronic File	Create 835	Create 835 from input file and other files (like lockbox)
CCD+	NO	NO	N/A	N/A
CTX/835 with EFT/ERA	NO	YES	NO	YES
CTX/835 just with ERA	N/A	YES	NO	YES
Lockbox (Paper Checks/EOBs)	NO	NO	YES	YES



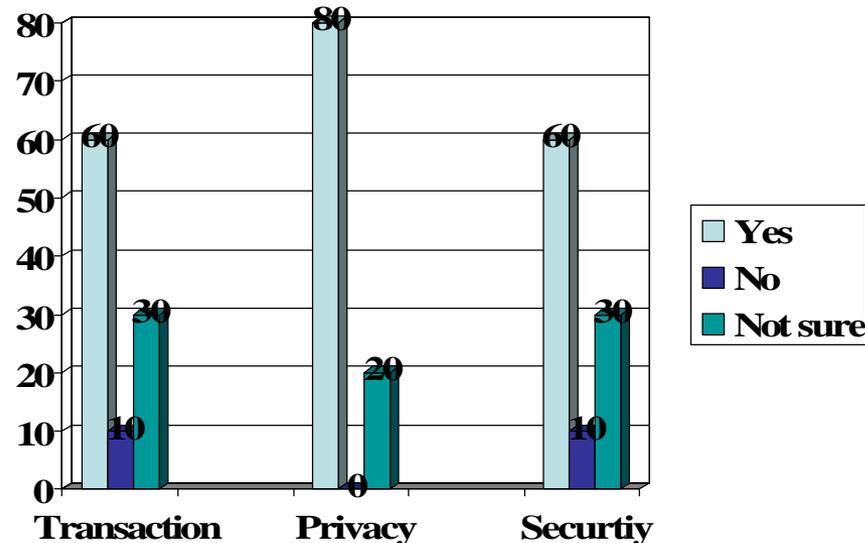
**survey**

**Will you meet the HIPAA deadlines for transactions, privacy and security?**

2001 – 2002



2002 – 2003

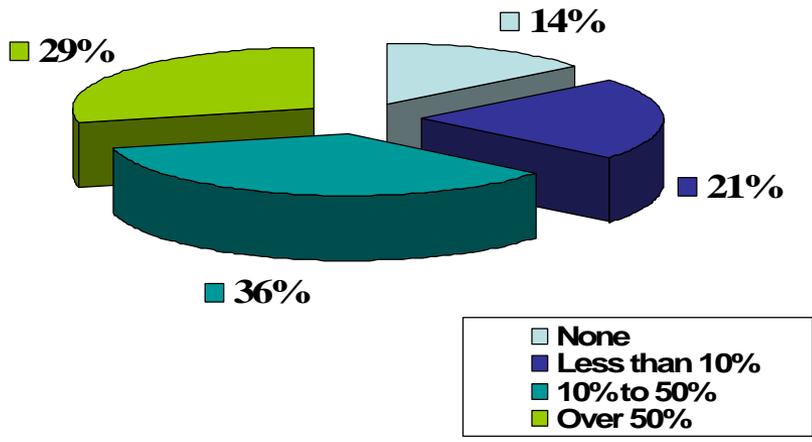


**Statistic highlight:** Generally, more banks feel they will meet the HIPAA compliance deadlines, but much work needs to be done.

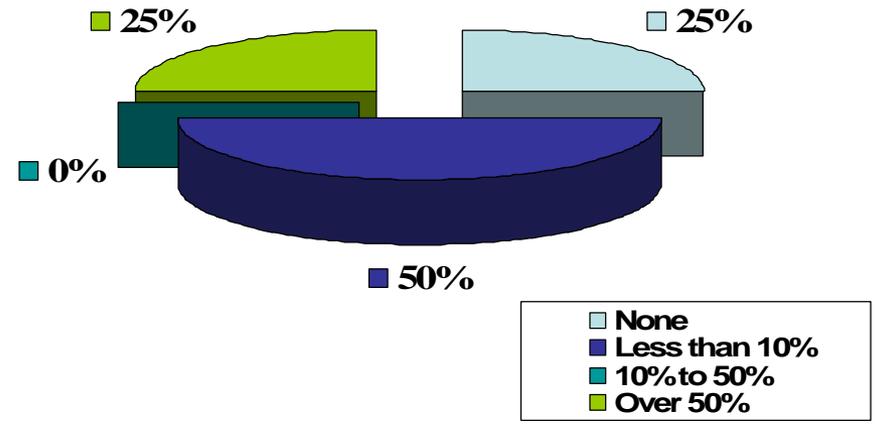


### Generally, what percentage of payments do you process for health plans that contain individually identifiable health information?

2001 – 2002 HIPAA Readiness Survey



2002 – 2003 HIPAA Readiness Survey

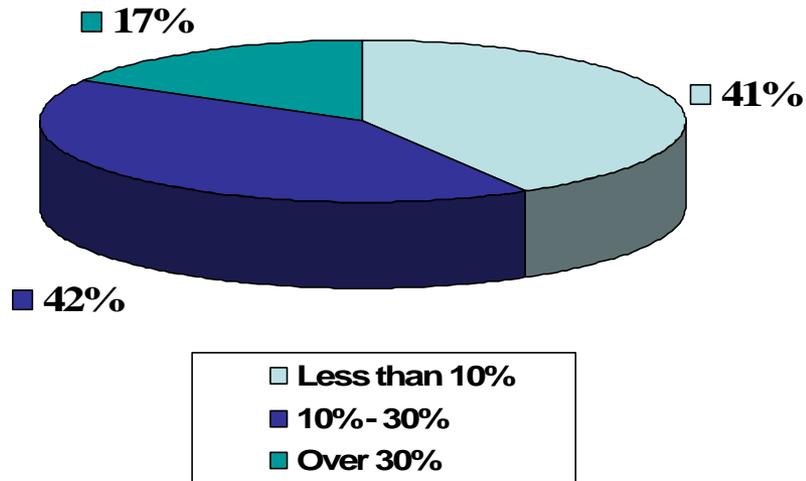


**Statistic highlight:** Apparently, more banks have performed an assessment of their health plan payments and conclude that less than 10% of their payments contain PHI.

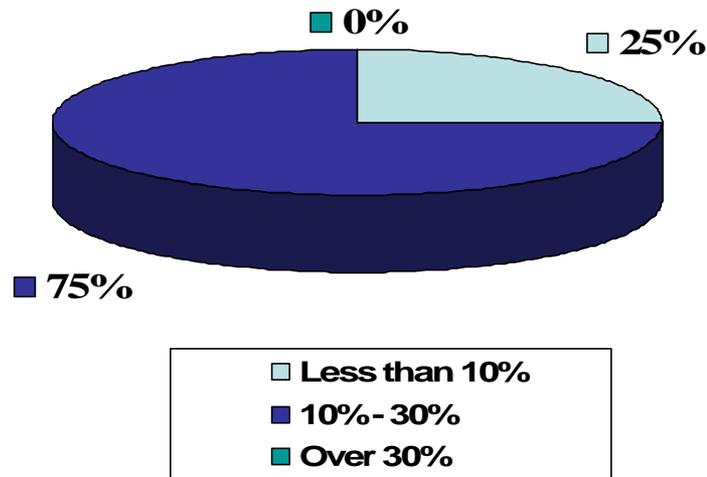


**What percentage of your lockbox revenues are derived from medical clients?**

**2001 – 2002 HIPAA Readiness Survey**



**2002 – 2003 HIPAA Readiness Survey**

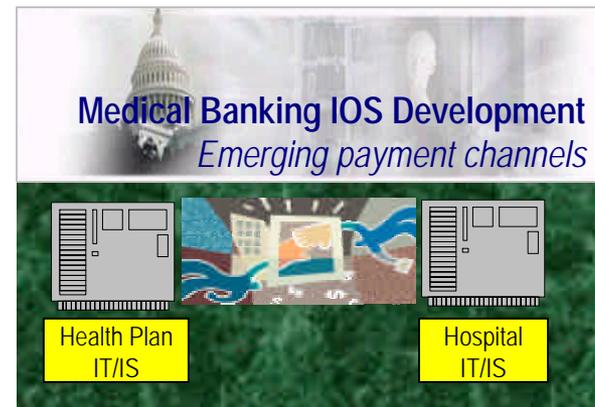


**Statistic highlight:** While cash disbursement operations for a health plan appear less likely to contain PHI, lockbox processing is another story. More banks conclude that their lockbox revenues are derived from medical clients. Lockboxes process payments that are often attached to EOBs or PHI.



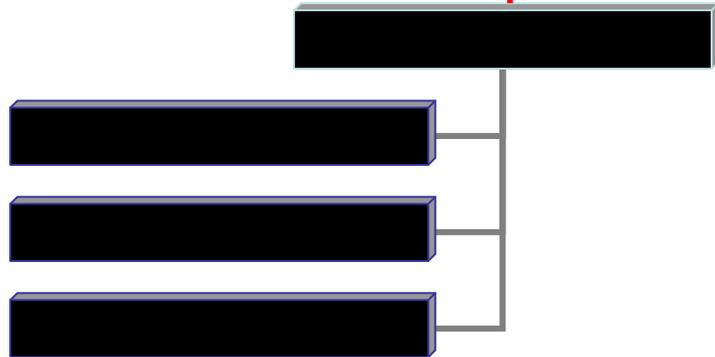
### Implementing “end-to-end, automated, HIPAA-compliant solutions”

- “End-to-end”...Technologies deployed along medical payment channel to create, distribute and reconcile payments
- “Automated”...Utilization of EDI/XML standards to automate payment and complex remittance workflows
- “HIPAA-compliant solutions”...  
Embedding federal regulations





Commercial & Self-pay  
Financial Classes



Serial View of Patient Accounting Functions	Estimated Manual Cost	Digital Cost
Cash posting	\$1.25	
Contractual Allowance Processing	\$2.50	
Reject Note Posting	\$1.25	
Financial Class Updates	\$1.25	
Secondary Billing	\$5.00	
Patient Statement Processing (series)	~ \$5.00	
<b>TOTAL COSTS</b>	<b>&gt; \$15</b>	<b>&lt; \$5.00</b>
<b>EST. SAVINGS</b>	A minimum of \$10.00	
<b>ANNUAL INDUSTRY SAVINGS</b>	\$20 - \$35 billion	

**From potential industry savings to policy issue?**

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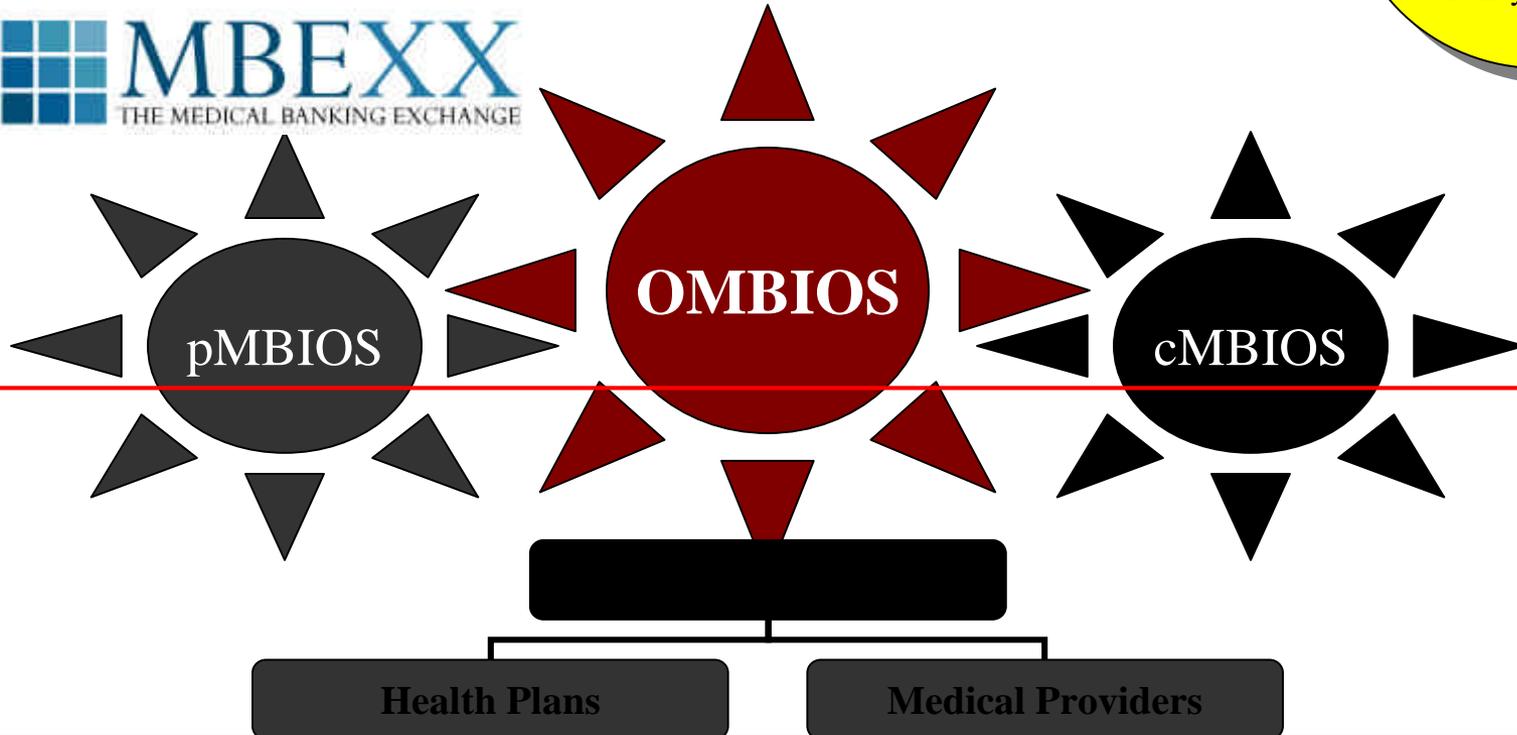
## Implementing MBIOS

**Emerging Market  
Access Forums**  
Card-based Processing  
Capital Access  
Decision Support  
Policy Support

Creation: Health Plan Cash  
Management Solutions

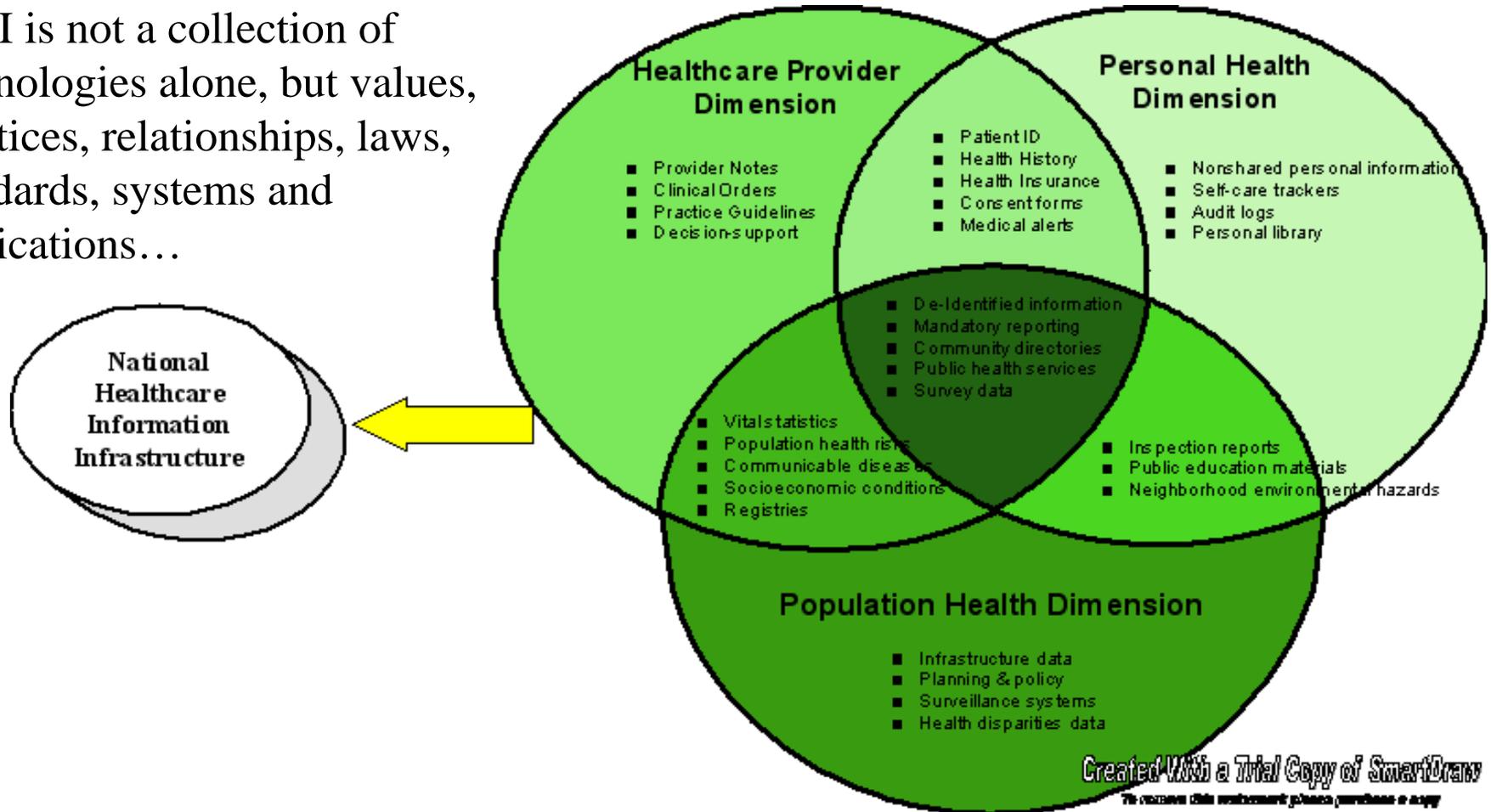
Distribution: Electronic / Paper  
Processing Technologies

Integration: Provider  
Remittance Solutions





NHII is not a collection of technologies alone, but values, practices, relationships, laws, standards, systems and applications...



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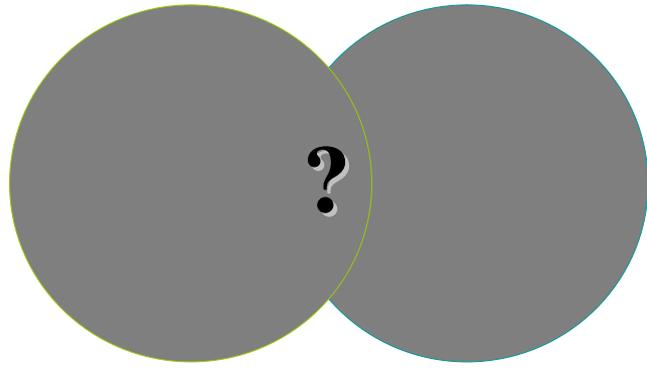


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## Road to NHI Implementation

Clinical



Administrative



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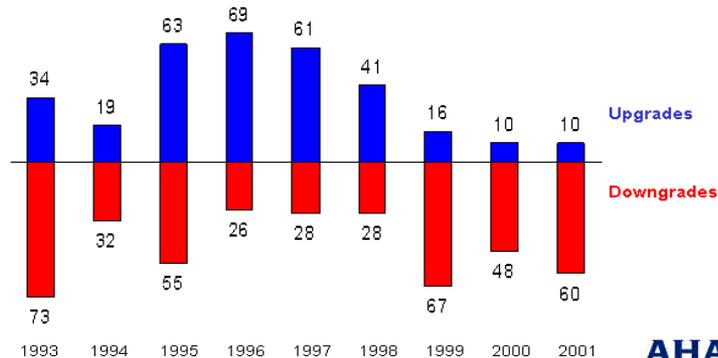
## Strengthening Charitable Missions

**Patient, Operating and Total Hospital Margins have been dropping since 1997**



**Hospitals are having difficulty accessing capital**

**Six Times as Many Hospitals had Bond Downgrades Versus Upgrades in 2001**



Source: Standards and Poor's Credit Week Municipal



**Can MBIOS address both issues at the same time?**

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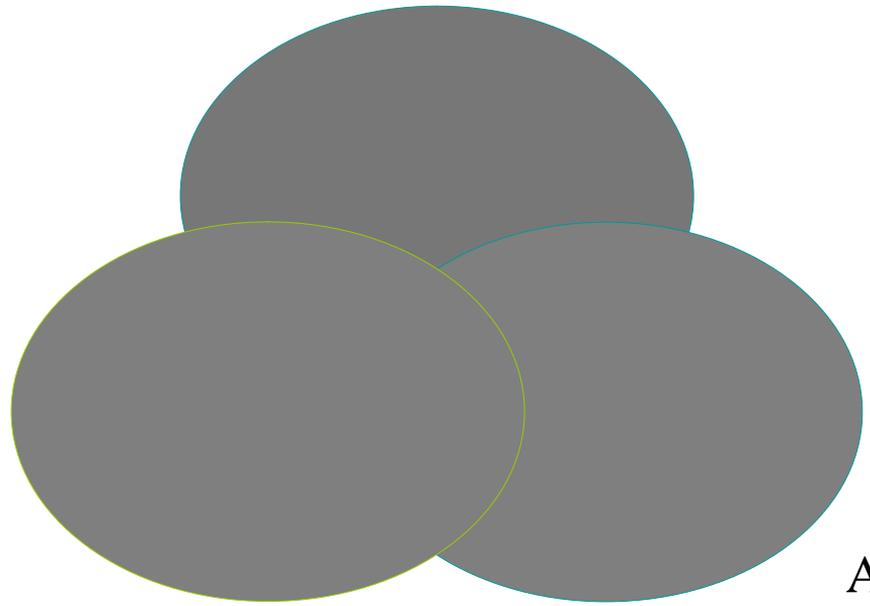
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## Charity & NHII



Charity



Clinical

Administrative

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## Funding & NHII

Health Plan Cash  
Management Solutions

Electronic / Paper  
Processing Technologies

Provider Integration  
Solutions

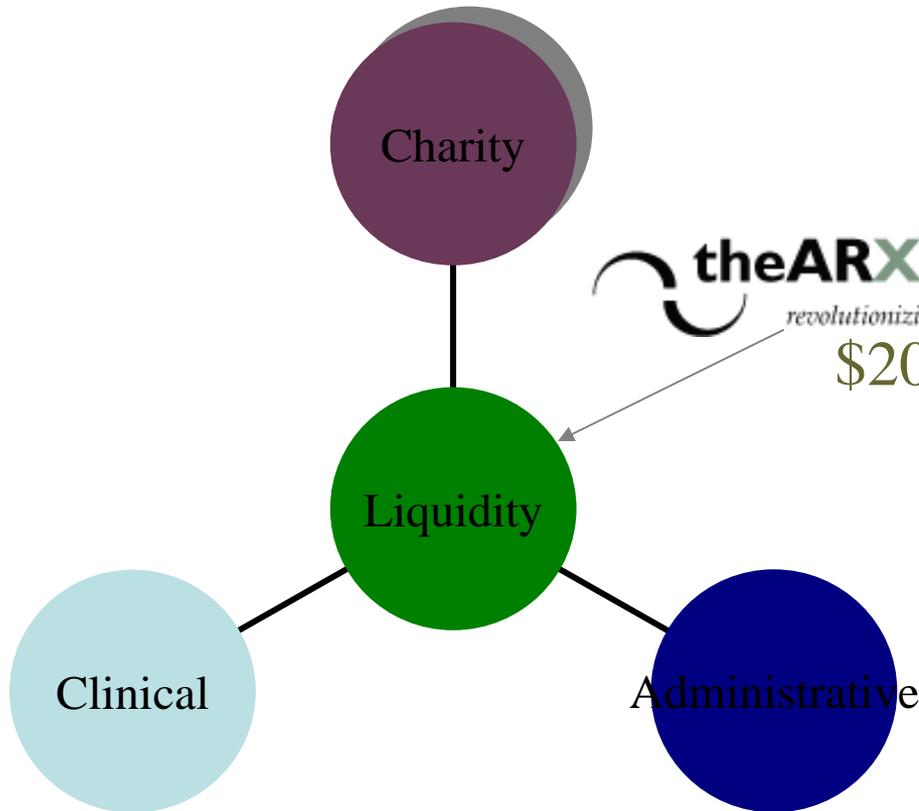
**EMAF**  
Liquidity Portal  
Charity & Faith-based  
Support Systems



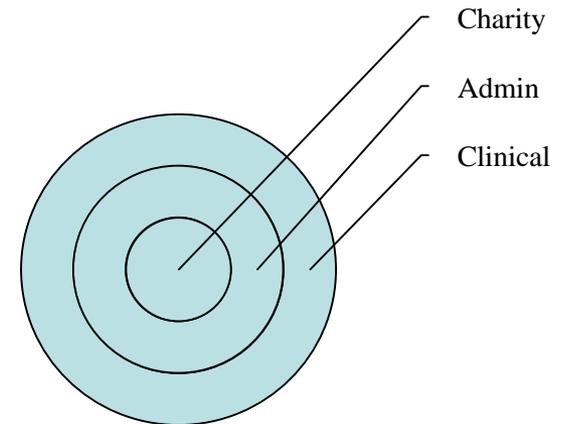
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## Potential Solution – Non-productive A/R



 **theARXchange.com**  
*revolutionizing medical AR liquidity*  
**\$200 B**





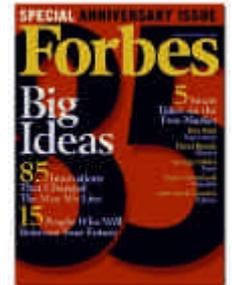
### Ecumenical Demonstration Project(s)

- Body of Best Practices
  - ✓ Operational
  - ✓ Legal
  - ✓ Marketing
- A Hybrid Clearinghouse Accreditation Model - EHNAC
- HIPAA Readiness Survey & other surveys



### Education

- E-Learning
  - ✓ A comprehensive medical banking course for HR
  - ✓ Executive Course (HFMA & Train for HIPAA)
- Roundtables, Institute, Telebriefings, Medical Banking Research Portal
- Workgroups



### Transaction Testing Environment

- MBProject WG selected EDIFEC to establish free transactions testing for banks
- Alliances with charitable financial standards organizations and a society focused on rural hospitals to drive resources for people in need at point of service

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# EHNAC™



## Questions & Answers

