



HIPAA Integration -

The Promise of Business Process Automation
for Health Care Related Industries



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Introduction

Compelling events can often lead to evolutionary or even revolutionary changes in an industry. Such is the case with the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Title I of the public law seeks to protect health insurance coverage for workers and their families when they change or lose their jobs, while Title II focuses on Administrative Simplification, which includes:

- Standards for Electronics Transactions (standard transaction formats, code sets and identifiers)
- Security and Electronic Signature standards
- Privacy rules for individual health information

In short, this government mandate will require sweeping changes in most healthcare transaction and administrative information systems.

While this may cause many IT managers sleepless nights, the potential positive impact of this mandate is clear: the overhaul and automation of the most common business administrative processes between employers, healthcare providers, and insurance companies – leading to significant cost savings in administrative overhead.

HIPAA Compliance Challenges and Impact

So who is impacted by this new mandate for automating healthcare transaction processing? More companies than you would think.

All healthcare-related organizations are impacted. This includes all health care providers, health plans, employers, public health authorities, life insurers, clearinghouses, billing agencies, information systems vendors, service organizations, and universities who engage in electronic processing of healthcare transactions.

For healthcare providers (hospitals, doctors, HMO's, etc.), HIPAA transaction compliance is a must unless they use an intermediary like a clearinghouse. For Payer organizations and transaction clearing houses, HIPAA transaction processing is a mandatory requirement and a new business opportunity.

Business Associates of the covered entities are also required to be HIPAA compliant under certain circumstances. This brings in a large number of organizations like Financial Institutions under the purview of HIPAA.

The impact of HIPAA even reaches major employers in industries totally unrelated to healthcare. For example, a company offering prescription or other medical services through a company-run group must implement HIPAA. Other companies who simply have the requirement of enrolling employees and paying premiums may be asked by their health network provider or insurance company to transmit data electronically using HIPAA transactions.

In general, any organization that plays a part in the healthcare business process flow in Figure 1, is affected. So what are the challenges that organizations face in meeting the HIPAA requirements, and what role does an integration platform like HIPAAFocus play?

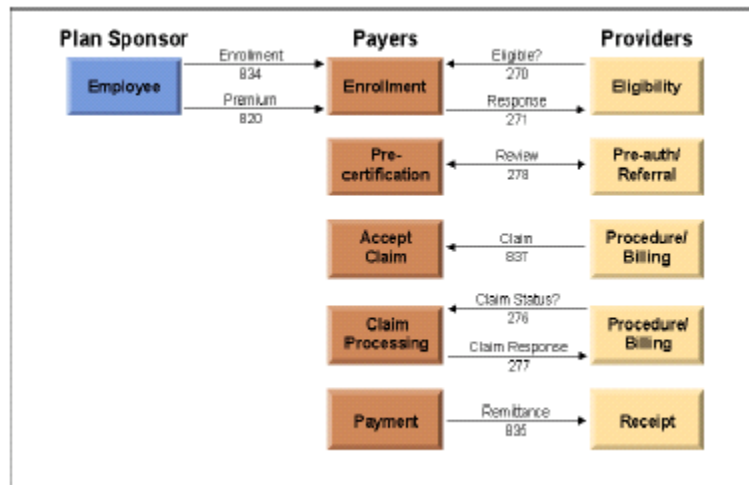


Figure 1 – Basic HIPAA Process Flow

From the standpoint of meeting the HIPAA requirements, the challenges fall into three areas: electronic transactions, privacy, and security.

Transaction Standards and Processing Basic solutions for HIPAA transaction standards support and processing need to include:

- Support for generating, processing and validating HIPAA transactions including:
 - 270 Eligibility, Coverage or Benefit Inquiry (Batch and Real-time)
 - 271 Eligibility, Coverage or Benefit Response (Batch and Real-time)
 - 276 Health Care Claim Status Request
 - 277 Health Care Claim Status Notification
 - 275 Additional Information to support Health Care Claim
 - 278 Health Care Services Review-Request & Response
 - 820 Payroll Deducted and Group Premium Payment
 - 834 Benefit Enrollment and Maintenance
 - 837 Health Care Claim: Dental
 - 837 Health Care Claim: Institutional
 - 837 Health Care Claim: Professional
 - 835 Health Care Claim Payment/Advice
- Support for Non-medical and medical Code Sets (ICD-9-CM, CPT-4, HCPCS, NDC, NCPDP, etc.) used for validation.
- Support for managing and using unique identifiers for providers, plans, employers and individuals as these identifiers become mandatory.

Privacy

The HIPAA Privacy regulations are focused on individually identifiable Health Information. Only under specific conditions may any entity use or release the Protected Health Information (PHI) without prior individual authorization. This means for proper training and procedures for everyone who has access to patient PHI in the proper handling of this data. PHI can include:

- Individually identifiable health information in any form

- Information created or received by a covered entity or employer
- Information relating to past, present or future, physical or mental health or condition
- Information that includes provision of or payment for healthcare

Security

The purpose of the HIPAA security requirements is to maintain confidentiality and data integrity; prevent unauthorized use or disclosure of data; and guard the data against physical threats and hazards. This is typically handled through the implementation of:

- Administrative procedures
- Physical safeguards
- Technical security services
- Technical security mechanisms

Overcoming HIPAA Integration Challenges

“Estimates are that administrative costs currently represent 20 to 30 percent of health care spending, or up to \$420 billion each year. While other industries are making full use of available information technology, health care has been a very slow adopter.... Processing a single health care transaction can cost as much as 25 dollars. Banks and brokerages have cut their costs to less than a penny per transaction using modern technology. Today, 30 percent of doctor’s claims leave the physician’s office with errors, and nearly 15 percent get lost. Manual procedures for handling referrals, eligibility, treatment authorizations, and explanations of benefits can add anywhere from \$10 to \$85 per transaction.... Conducting these transactions online could cut that figure tenfold [and reduce errors]. That is not only more efficient care, it is better care.” - Senator Ted Kennedy, June 18, 2002

HIPAA compliance is a difficult business problem, from the administrative challenge of protecting PHI, to the technical challenge of engaging in electronic transactions with business partners – in many cases, for the first time. As a whole, the healthcare industry has lagged other industries in spending on information technology. The inertia in the industry has led to an acceptance of the status quo as unchangeable.

It is easy to view HIPAA as simply another complex, unfounded government mandate which can lead to further IT headaches. This view can lead to improper HIPAA project staffing, planning, and ultimately, totally project failure or organizational paralysis and inaction.

Many IT industry analysts see HIPAA as an opportunity for organizations to improve and reduce IT fragmentation – thereby increasing organizational efficiency. More specifically, HIPAA is viewed as an opportunity to take a holistic approach to jointly solving business process and IT fragmentation problems through the use and deployment of integration technology. This allows companies to:

- Incorporate total Business Process Management (BPM) into the solution mix

- Leverage a unified view of the flow of business transactions to and from core enterprise systems
- Reuse the skills, tools and human resources used in HIPAA projects to further solve business process and application integration problems

In their Research Analysis Report (“*Architectures for HIPAA Compliance*”, 26 September, 2002), Gartner states that those who “confine HIPAA remediation to piecemeal wrapping, mapping and hacking of specific applications will compound the problems of application integration spaghetti”. If companies see the ROI equation of technology investment in HIPAA compliance as simply an avoidance of penalties and fines, they are missing the big picture. If, instead, HIPAA is seen as a catalyst for organizational change and increased efficiency through a totally integrated business IT infrastructure, experiences in many industries has shown that the ROI is significant and achievable in short period of time.

The HIPAA Timeline for Compliance: Don’t Wait

Any company tackling HIPAA compliances faces a final challenge: time. The government mandate for compliance has some rapidly approaching deadlines.

- October 16, 2002 – organizations covered under HIPAA must submit EDI extension requests
- April 14, 2002 – mandatory compliance with Privacy rulings
- April 16, 2003 – companies (or their vendors) must begin internal software testing no later than this date.
- October 16, 2003 - mandatory compliance for EDI transaction processing

Because the Privacy deadline is now the next approaching milestone, many organizations are focusing on the difficult tasks of compliance to this standard – at the risk, however, of underestimating the planning and effort necessary for transaction compliance. The Center for Medicare & Medicaid Services will begin rejecting all electronic Medicare and Medicaid claims submitted in non-X12N standards on October 16, 2003 for all remaining organizations who filed for and extension beyond the October 2002 deadline.

As Gartner warns, “substantial internal implementation, testing, training and some remediation will be required. Internal ownership, not ambivalence, is essential”.

HIPAAFocus Integration Capabilities

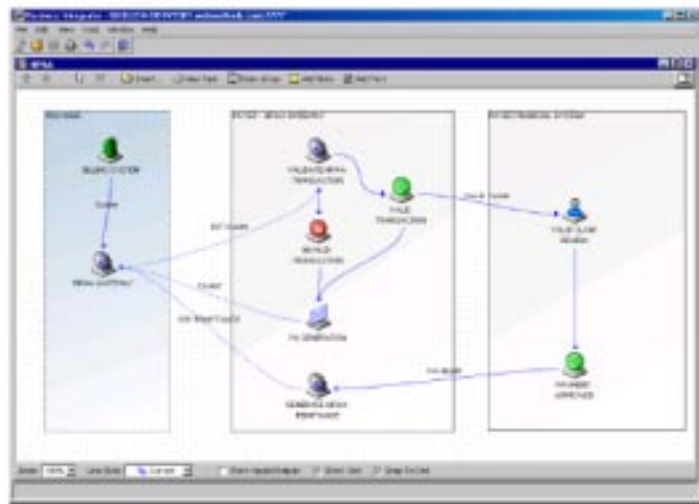
webMethods provides comprehensive support for HIPAA transactions in a platform that can be leveraged to totally integrate an organization’s IT infrastructure and business processes. Capabilities include:

- **Support for ANSI X12 EDI and all HIPAA transactions.** HIPAAFocus supports both real time and batch transactions and code sets, including out-of-the-box validation to Level 5, and capability to meet Level 1-7 of WEDI SNIP structured certification process.

- **Reliable trading partner transactions.** Send and receive HIPAA transactions with your partners with full support for HTTP/S and FTP, or more full-featured reliable messaging protocols such as EDIINT or ebXML.
- **Secure messaging and communications.** Have confidence that your messages are private and safely delivered. Supported security protocols for transport and message authentication include X.509 digital certificates and signatures.
- **Validation of standards compliance with a Claredi certified validation engine.** All inbound and outbound HIPAA transaction payloads are processed by a validation engine that has been certified through Claredi test software (Claredi is the de facto authority for HIPAA transaction validation certification)
- **Reporting capabilities.** HIPAAFocus solution provides a detailed view into all trading partner metrics, such as average and total transaction volumes by day/week/month/location for each business partner.

- **Predefined business process templates.**

Sample business process templates are provided for each HIPAA transaction, including document flow, document types, error and exception handling, and business conversation processes – all of which help speed implementation.

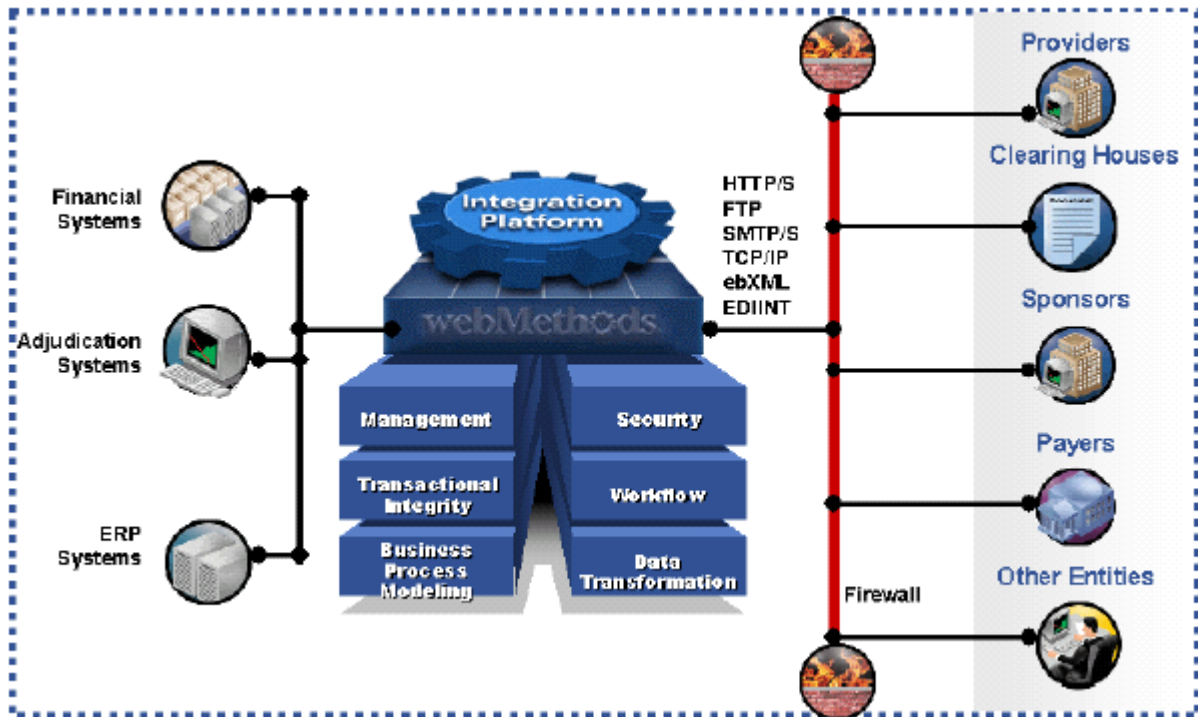


- **Trading partner management.** HIPAAFocus allows companies to graphically depict their partners' network and specify partner-specific information and rules in an easy-to-use configurable environment – NO CODING NECESSARY.
- **Workflow.** For process exceptions and other situations, where a transaction cannot be 100% automated, webMethods provides seamless integration of workflow capabilities for human intervention. By bringing the right information, to the right person, at the right time, countless hours are saved by customer service representatives, purchasing agents, logistics managers, and invoice administrators.
- **Unified infrastructure management and monitoring.** HIPAAFocus utilizing webMethods Manager adds the capability to integrate webMethods with your Infrastructure management solution from providers such as Computer Associates, HP, BMC Software, and Tivoli to allow top-to-bottom service level management of business processes and infrastructure.

Benefits of HIPAAFocus built on webMethods

HIPAAFocus solution on webMethods for total system integration, companies can derive the following benefits:

- **Meet mandate of government and business partners for secure HIPAA transaction processing.** Your HIPAA transactions will comply with standards and your intra- and extra- enterprise messages will be reliable and secure.
- **Improve / streamline external and internal business processes.** HIPAA and non-HIPAA related businesses can be streamlined and managed in an agile fashion, improving organizational efficiency and ensuring significant ROI for your investment dollar.
- **Streamline claims processing and payment.** By managing document and data flow, you can reduce the administrative overhead of claims transactions and accelerate payment and settlement.
- **Streamline claims inquiry and response.** By giving customer services representatives access to accurate and timely claims, coverage, policy, and payment information from different systems, you can achieve unprecedented customer satisfaction levels through better relationship management.
- **Accelerated development and business process modeling.** Through the use of powerful, integrated development and business process modeling tools, changes in process can be implemented and rolled out quickly, with minimized software development activity.
- **Low total cost of ownership.** Beyond the quick time-to-implementation benefits of Softimas' HIPAA solution, you will continue to achieve returns on your HIPAAFocus investment, as underlying webMethods platform enables easy integration of future systems, applications, and standards.
- **Business process monitoring and management.** Leverage your existing investment in systems management software and monitor your integration platform to ensure the health of the systems, processes and information flow – the lifeblood of your business.



About Softima, Inc.

Established in 1997, **Softima, Inc.** is a global software services company offering cost effective and high quality software solutions in all areas of information technology. Softima's main focus on healthcare industry and its tremendous expertise on software development in Practice Management, Clinical and HomeCare solutions provides comprehensive and highly scalable solution for HIPAA compliance in healthcare industry. Our wide ranging technology base, committed consultants and the state-of-the-art infrastructure and development facilities enable us to meet the demanding requirements of our clients.

Softima's alliances with webMethods, Inc., a leading independent provider of integration software with focus on healthcare industry delivers the industry's most comprehensive platform for enterprise-wide integration. It provides the best integration platform to integrate and reach all HIPAA implementation goals. Softima's HIPAAFocus adapter is built on the top of industry leading, robust and most reliable webMethods integration platform. A combination of powerful integration platform with rapidly deployable and customizable product suite Softima's HIPAAFocus provides a seamless integration of healthcare Providers, Payers, Clearing Houses, Sponsors and Routes and to help them achieve HIPAA Compliance. For more information on Softima Please log on to www.softima.com

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