



Apgar & Associates, LLC

August 9, 2010

Eric Parsons, Chair
Oregon Health Policy Board
500 Summer St NE
Salem, OR 97301

RE: Administrative Simplification Document Recommendations, Comments & Questions
Formal Written Testimony

Dear Chair Parsons and Member of the Board:

Following please find my comments, questions and recommendations regarding the Administrative Simplification executive staff recommendations you will be reviewing at the August 10, 2010 Board meeting. My comments, questions and recommendations are in bold following three of the sections included in the staff recommendations report. I hope they positively assist you in your decision making process regarding the Administrative Simplification recommendations.

Executive Staff Recommendation

The OHA and DCBS will pursue legislation in 2011 giving DCBS authority to establish uniform standards for healthcare administrative transactions to all payers (including third party administrators and self-insured plans) and clearinghouses and to collect data from them to monitor progress and identify future opportunities.

I recommend the legislation require payers and providers who submit transactions electronically directly or in conjunction with clearinghouses, adopt and adhere to standardized companion documents. The standard administrative transactions are based on federal statute and rule. State law can mandate use of common companion documents but not change the use of already required electronic transaction implementation guides. Pursuant to HIPAA, health plans are already required to accept all HIPAA covered transactions electronically. They can and often do use a clearinghouse to assist with transmission.

If health plans are required to directly generate HIPAA covered transactions versus using a clearinghouse as a “translator,” there is a significant cost to Oregon’s health plans. Many do not necessarily have the capability of generating HIPAA covered transactions directly. Also, some larger

plans use clearinghouses because it is more cost effective than managing interfaces with thousands of health care providers. There is no cost estimate included regarding the financial impact on health plans (including very small Medicaid plans).

This will not mandate providers submit transactions electronically. Cost will continue to be an issue and paper claims will not necessarily be reduced significantly by the adoption of common companion documents that would only be used if the provider submitted transactions electronically.

Provider Cost: Average initial implementation costs for an electronic practice management system will be about \$21,000 per provider—including the cost of lost productivity during the transition. The practice management systems required for electronic administrative transactions are a foundational component of a certified electronic health records (EHR) system; implementation of a full EHR system averages an additional \$25,000 per provider—for a total of \$46,000. The initial investment is potentially recoverable through the federal Medicaid and Medicare incentive programs. After the initial investment is recouped, annual savings of about \$11,000 per provider can be realized with those savings exceeding the ongoing costs of an EHR system.

The costs included here go unexplained. What is the source? Do implementation costs include staff training? Do implementation costs include conversion costs (generally from paper)? Do costs include those related to changing clinical and billing systems/practices? Do the costs include the costs of a second EHR upgrade to meet the federally mandated conversion to the ICD 10 diagnostic code set? I believe the costs included here are a significant underestimation. I also believe the cost savings need to be scrutinized. Again, there is no source listed here. The report does not take into account the differing needs of, say a primary care physician versus a neurosurgeon.

Small Practice Feedback: Staff, with assistance from the Oregon Medical Association, had targeted conversations with small physician practices so they could react to and provide feedback on the draft recommendations. Comments overall support the recommendations. Physician practices emphasized the importance of applying the requirements to third party administrators and clearinghouses to ensure standard electronic processes from all payers and vendors to providers. The primary barrier to physician compliance with proposed requirements that was mentioned was the physical absence in some rural communities of high speed internet access necessary to effectively transmit electronically. The physician practices interviewed would like the administrative simplification work to address credentialing, more standardized drug formularies, and more standardized prior authorization systems and requirements.

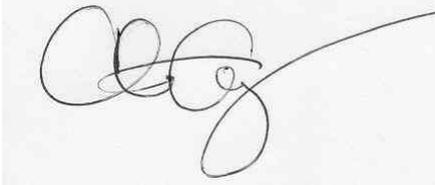
Where can the “comments that support the recommendations overall” be found? Again, this lack of information results in potential lack of the credibility of this statement.

Risks: (1) The federal government could change standards or fail to adopt standards by the dates specified in the federal health reform law, which would require Oregon to re-examine and perhaps modify its approach. (2) The recommendation is for DCBS to require health plans to do business electronically; the requirement for providers to do so is indirect, through the plans. Additional steps may be required to achieve near universal compliance by providers. (3) Most of the savings from administrative simplification take the form of reduced labor time; therefore, jobs could be eliminated if affected workers are not redeployed to other activities within a health plan or health care facility.

Health plans (public and private are already mandated to conduct business electronically. The more significant issue is they are not required to use common companion documents and this includes the Oregon Health Authority.

Thank you for the opportunity to provide input. If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Apgar', with a long horizontal line extending to the right.

Chris Apgar, CISSP
President

Cc: Senator Alan Bates
Oregon Senate

Representative Mitch Greenlich
Oregon House of Representatives

Tina Edlund, Deputy Director
Oregon Health Authority