

Integrated Healthcare NEWS

THE OFFICIAL MEMBER NEWSLETTER OF THE AMERICAN ASSOCIATION OF INTEGRATED HEALTHCARE DELIVERY SYSTEMS

How to Convince Senior Management that HIPAA Compliance is a Priority

Now that the HIPAA privacy regulations are final, getting ready for HIPAA compliance should be a priority for your organization. And this requires a concerted effort by key personnel, from senior management on down, says health information attorney Jonathan Tomes. If you don't convince senior management now that getting started on HIPAA compliance is a priority, you could be scrambling to meet the HIPAA deadlines later, he warns.

How do you convince senior management (and your board of directors) of the importance of getting your organization started now on HIPAA compliance, even though the deadline for the privacy regulations is at least two years away and the security regulations aren't yet final? One effective method is to give them a fact sheet that describes the HIPAA basics, how your organization is affected, and what compliance steps your organization must take. You can first distribute the fact sheet when you hold meetings with senior management and the board to educate them about the HIPAA compliance requirements. With the help of Tomes, we've created a HIPAA Fact Sheet that you can photocopy and use as is or adapt it to fit your organization's needs.

What to Include in Fact Sheet

Your fact sheet should:

- Give a quick overview of what HIPAA covers. This provides you with a good starting point for training senior managers, board members, and others at an educational meeting [Fact Sheet, #1].
- Say HIPAA applies to your organization. Point out which organizations HIPAA applies to and that it applies to your organization [Fact Sheet, #2].
- Give examples of what the regs require. This will give senior management and your board an idea of what actions your organization will need to take to comply with the final privacy regulations and the proposed security regulations, without going into the details of each requirement in the regulations [Fact Sheet, #3 and #4].
- Tell the good news about HIPAA compliance. One way to get senior management on board in your HIPAA compliance efforts is to point out some potential benefits HIPAA compliance has for your organization [Fact Sheet, #5].

- Give the bad news, too. For senior management and the board to fully understand the impact of HIPAA, you'll need to discuss the negative aspects of HIPAA compliance—that the costs in time and money could be significant [Fact Sheet, #6].
- Explain the risks of noncompliance. The regulations require your organization to explain to everyone, including senior management and the board of directors, that the civil fines and criminal penalties for noncompliance with HIPAA could be significant [Fact Sheet, #7 and #8].
- Give the compliance deadlines. Explain that your organization will have only two years to comply with the final HIPAA privacy regulations (small health plans will have three years)—and point out that that isn't a lot of time. Also, note that the final security regulations could be published any day [Fact Sheet, #9].

Outline the steps needed to comply with HIPAA. If you check off what needs to be done, you won't leave anyone wondering what should happen next. Instead, you can start organizing your HIPAA compliance efforts immediately [Fact Sheet, #10].

How to Use Fact Sheet

You can use the fact sheet in several ways, depending on your organization's needs. To start with, you can use it to set the agenda for an initial HIPAA meeting with senior management or as an educational tool to provide HIPAA awareness training to your board of directors, as required by the proposed HIPAA security regulations. And you can continue to use the fact sheet as part of the ongoing HIPAA training program on privacy and security that you must develop for your employees and business associates as part of your compliance plan.

HIPAA FACT SHEET

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) is an important federal law that affects how our organization handles confidential health information. We'll need to start to take steps toward HIPAA compliance. Here are 10 facts about HIPAA that can help us get educated and prepare for HIPAA compliance.

FACT #1:

HIPAA covers a number of significant issues.

- HIPAA allows a person to keep his/her health insurance when he/she loses or leaves a job—that's the "portability" part of HIPAA.
- HIPAA includes a section on administrative simplification. Among other things, it creates standards for electronic transactions ("EDI standards"), setting forth how health care claims may be transmitted and processed. Final HIPAA regulations on EDI standards were issued in October 2000.
- HIPAA sets the framework for standards on maintaining the security and privacy of health information - that's the "accountability" part of HIPAA. In 1998 and 1999, to implement HIPAA, the Department of Health and Human Services (HHS) issued proposed security and privacy regulations setting forth detailed requirements that must be met to protect the security and privacy of health information. The final HIPAA privacy regulations were in December 2000 published and the final security regulations are expected in 2001.

FACT #2:

HIPAA applies to us. HIPAA applies to three types of "covered entities": health care providers, health plans, and health care clearinghouses.

...continued on page 4

Inside

- pg 2..... Can Your IDS Deliver Integrated INFORMATION?
- pg 3..... On-Site Continuing Education
- pg 3..... Calendar of Events 2002
- pg 4..... HIPAA Compliance Continued
- pg 5..... Eighth Annual Survey
- pg 6..... HIPAA Patient Privacy
- pg 6..... Deliver Integrated INFORMATION Continued
- pg 7..... Deliver Integrated INFORMATION Continued
- pg 7..... Welcome New Members
- pg 8..... Membership Application

Can Your Integrated Delivery System Deliver Integrated INFORMATION?

A New Plan for Infotech Outsourcing Promises Results

By Stephen K. Wiggins

Introduction

There is no shortage of information technology strategies and products available to today's healthcare managers, providers and purchasers. Many say there actually are too many options. Healthcare IT consultants tell us that some of these offerings work, and others have yet to prove themselves. Some are just right for hospitals, but nearly useless for physician groups. Some require constant upgrading and with others it's pretty much "what you bought is what you're stuck with."

An emerging approach to healthcare information technology says, "Don't buy it, lease it!" This applies not only to hardware, but software as well. I suggest that if your organization is not already outsourcing most IT functions, you will be soon. Here's why:

1. Transaction Intensity

For years we have thought that banking was the most data heavy business sector. Guess what?

Some estimates show healthcare is eight times more transaction intensive than is the banking industry. Think it through. Banking has borrowers and lenders. Healthcare has physicians, hospitals, suppliers, insurers, employers and, of course, patients, to reconcile. And all are potential debtors and/or creditors to one another. From another perspective, a health insurance company with one million subscribers operating in today's managed care environment will handle more than 350 million transactions a year in coordinating coverage, paying providers, notifying insureds of their benefits, etc. Businesses in the banking industry historically budget about eight percent of revenue for costs related to information technology. Those in the healthcare industry spend about half that. This is a classic disconnect. No wonder many hospital and practice managers report information management as their number one concern.

2. Overheads and "Medinflation"

In the past 10 years the global price of "things" has, with modest year to year fluctuations, remained virtually the same. In the same period US medical costs have risen by an estimated 25 percent! As viewed by healthcare purchasers (insurance companies, self-insuring employers, managed care firms and providers on capitation contracts) the healthcare services aspect of their business is well out of line with most other goods and services they must buy.

Finding ways to lower healthcare costs has been and will be purchaser's number one priority. (Access to care, member satisfaction and choice are numbers 2, 3 and 4.)

As much as they would like to reverse the trend, purchasers are resigned to the probability that medical costs will go on increasing at between four to six percent a year for the next five years.

Right or wrong, information technology is viewed an overhead item. The thinking is, if it doesn't generate income, it must be minimized. In this context, outsourcing much of the IT function is a good strategy because of the low initial cost and predictable ongoing expense.

3. Shifting The Burden of Risk

Suddenly it seems every organized entity responsible for medical expenses - government, employers, managed care organizations - is seeking to push difficult cost decisions to others. Principally this is affecting providers of care - the last group in the complex healthcare delivery system matrix to be held accountable for cost control. Public opinion is known. Before anyone says "No, you can't have that operation, that drug or that test," they'd better be prepared to make a strong case for such a decision.

Providers - principally hospitals and doctors are shouldering the load. In many cases they are not equipped for it, because the only way to make informed decisions about the true costs and benefits of each medical step they take in caring for their patient populations is to capture, retrieve and analyze all of the information the process generates.

Only state of the art IT resources will deliver such information. And they don't come cheap. According to healthcare management consultants Ernst & Young, 80 percent of hospitals today still manage their insurance contracts manually. The IT "infrastructure" (hardware, software, systems, space and people) needed to automate this activity alone could cost even a small community hospital in the millions of dollars. This is a capital investment many providers are simply not prepared to make.

4. Instant Obsolescence

By its very nature an integrated healthcare delivery system is in a perpetual state of change. Niche services are added to reflect the needs of the marketplace. Facilities and organizations merge, affiliate and acquire in attempts to improve efficiencies and economies. A health system or plan takes on a new patient population with special requirements. Any and all of these events can dramatically affect the information technology picture.

Does it make sense to trash the current IT resources of one partner in a merger? Of course not. However, it does happen. The industry must find a way to coordinate its existing IT elements rather than constantly buying "the new model." Once again, "renting it" seems logical.

5. Patient Confusion

Fifty six percent of patients say they have never been in a managed care program. In fact, 83 percent ARE.

Eighty one percent of us think our personal healthcare costs have gotten worse over the past five years. In fact, the employee contribution for healthcare premiums has remained stable during this period. (Employers have covered most of the 25% rise in actual costs.)

Bit by bit some organizations are bringing the end user of the healthcare system - the patient - into the loop on matters of cost. This is not easy. It takes sophisticated, accurate, automated data management capability to generate the reports that patients (employees/insureds) can understand and depend on. Only an informed recipient of healthcare services can make sensible judgments about its value. Empowering consumers to take part in their health is a good concept which only good in-

...continued on page 6

Integrated Healthcare News is the official newsletter of the American Association of Integrated Healthcare Delivery Systems (AAIHDS). For submissions, contact Sloane Reed at sreed@aaihds.org or 804-747-5823.

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Seminars On-Site Offering Continuing Education to Your Healthcare Professionals Now Available!

As a special service to our valued members, the American Association of Integrated Healthcare Delivery Systems (AAIHDS) is pleased to offer a special series of CME programs, made possible through educational grants. These programs address the challenges and opportunities related to integrated delivery systems.

Our CME programs are structured for both small and large delivery systems and include confidential discussions on how to position your delivery system for success in managed care. Programs focus on practice management and clinical issues and meet the policies and standards of the Accreditation Council for Continuing Medical Education (ACCME).

Program Benefits:

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- How to Implement a Medicare Compliance Plan in Your Practice
- Coding Techniques and HCFA Compliance Updates
- Information Technology
- How to Create and Implement Disease Management Guidelines in Your Practice/Network
- Direct Contracting
- HIPAA Updates
- How to Improve Customer Service and Patient Satisfaction

"Through AAIHDS's guidance and intervention, we were able to plan six seminars and also obtain financial assistance. The quality of the speakers has been excellent and obtaining the additional support from a partner was extremely beneficial to our organization... You and your staff have been pleasant, cooperative and very helpful throughout."

Maria A. Moffa, MS, JD, Executive Director
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For More Information:

Contact Katie Headley, Director of Conference Management.
Phone: 804-747-5823 Fax: 804-747-5316 Email: kheadley@aaihds.org

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San Antonio, Texas

May 16-17, 2002
Annual Spring Forum
Orlando World Center
Marriott Resort and Convention Center
Orlando, Florida

June 19-23, 2002
Medical Directors Training Academy
Hyatt Regency Oakbrook
Oakbrook, Illinois

October 11-12, 2002
AAMCN Fourth Annual Conference
Tropicana Hotel and Casino
Las Vegas, Nevada

November 20-24, 2002
Medical Directors Training Academy
Hilton Albuquerque
Albuquerque, New Mexico

HIPAA Compliance Services Comprehensive Privacy Training

Developed and administered by Keith Van de Castle, MD, MBA, MPH

Using the HIPAA Compliance Services Common SenseSM program, your clinical staff learns the HIPAA privacy regulations using real-world case studies created by working professionals in each applicable job function.

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For more information call AAIHDS at 804-747-5823.

How to Convince Senior Management that HIPAA Compliance is a Priority

...continued from page 1

FACT #3:

The final HIPAA privacy regulations require us to take specific steps to protect the privacy of health information.

We'll have to take many different steps to comply with the final HIPAA privacy regulations. These are some of the things we'll have to do:

- Adopt policies and procedures to protect the privacy of health information;
- Adopt policies and procedures giving individuals specific rights with regard to their health information (the right of access, the right to an accounting of certain disclosures, the right to request corrections or amendments, and the right to request limits on the disclosures we make);
- Create a written notice describing how we use and disclose confidential health information (called a notice of privacy practices) and provide it to each patient/enrollee by the compliance deadline;
- Designate a privacy official to handle privacy complaints and questions about our notice of privacy practices;
- Sign or amend contracts with our business associates to protect the privacy of health information.
- Provide job-specific privacy training to our personnel;
- Implement safeguards to protect health information from improper disclosure;
- Establish a reporting and response system for privacy violations; and
- Develop a sanctions policy for the discipline of privacy violations by our employees, agents, and contractors.

FACT #4:

The HIPAA security regulations will require us to take steps to safeguard the integrity and availability of health information.

We'll have to take many different steps to comply with the proposed HIPAA security regulations when they become final. These are some of the things we'll have to do:

- Adopt policies and procedures to protect the security of health information (for example, disaster recovery plan, policy on workstation use, procedures for the storage and disposal of health information);
- Designate a security officer;
- Develop and implement data access control procedures;
- Sign or amend contracts with our business associates to protect the security of data exchanged electronically;
- Provide security awareness training to our personnel;
- Implement technical security mechanisms to prevent unauthorized access;
- Establish a reporting and response system for security violations; and
- Develop a sanctions policy for the discipline

of security violations by our employees, agents, and contractors.

FACT #5:

There's some good news about complying with HIPAA.

- Some of the actions we'll take to comply with HIPAA should also streamline our operations, eliminate redundant paperwork, allow remote access to patient information, reduce medical and pharmaceutical errors, and possibly reduce the number of administrative staff needed.
- Compliance with the HIPAA EDI standards should result in significant benefits, such as increased cash flow, reduced number of claims rejections, and reduced claims processing time, which may help offset HIPAA compliance costs.
- Compliance with HIPAA employee education and training requirements should make everyone in our organization sensitive to the issue of patient confidentiality and responsible for it - not just health information managers.
- HIPAA is flexible. It doesn't require us to have the latest state-of-the-art computer systems or use specific technology. It allows us to adopt solutions that meet our business needs and that take into account such factors as our business type, size, and financial resources.

FACT #6:

There's also some bad news about complying with HIPAA.

Complying with HIPAA will cost us a lot of time and money. Our costs will vary, depending on what security and privacy measures we already have in place. For example, our compliance costs will be lower if we already have many of the HIPAA requirements in place and must only review, update, and document our existing security and privacy policies, procedures, tools, and devices. Costs will be much higher if we must develop security and privacy policies from scratch and purchase and implement new security systems and devices in order to comply.

FACT #7:

There are serious civil and criminal penalties for HIPAA noncompliance.

- General noncompliance with HIPAA security, privacy, and EDI regulations (for example, failure to adopt or adhere to a specific requirement): \$100 per violation and up to \$25,000 per person for all identical violations in a calendar year.
- Specific noncompliance with privacy regulations: \$50,000 fine and imprisonment for one year if we knowingly obtain or disclose individually identifiable health information; \$100,000 fine and imprisonment for five years if we knowingly obtain or disclose individually identifiable health information under false pretenses; and a maximum fine of \$250,000 and/or up to 10 years' imprisonment if we obtain or disclose

individually identifiable health information with the intent to sell, transfer, or use the information for commercial advantage, personal gain, or malicious harm.

Fact #8:

There are other risks of noncompliance

Other risks of noncompliance include increased exposure to lawsuits for breach of confidentiality; loss of accreditation (for example, JCAHO, NCQA); HHS audits/investigations; and harm to business interests (for example, if a security or privacy breach becomes public knowledge.)

Fact #9:

Once regulations are final, we have only two years to comply.

The EDI standards became final on Oct. 16, 2000, and we have two years from that date to comply with them (small health plans have three years). Compliance with the final privacy regulations will be required by early 2003 (2004 for small health plans). The final security regulations could be published in the Federal Register any day - they'll become final 60 days after publication, and then we'll have two years to comply (small health plans will have three years). It's not a lot of time to meet all the HIPAA requirements.

Fact #10:

We shouldn't delay our HIPAA compliance efforts.

These are the steps we should be taking now:

- Hold an educational meeting to promote general awareness of the HIPAA requirements. We've just completed the first step with this meeting.

- Establish a HIPAA team. Include key players (information technology, legal counsel, risk management, health information management, chief security officer, chief privacy officer) and educate them.

- Conduct a gap assessment. Examine how our existing policies and procedures compare with the HIPAA requirements for security and privacy and how our electronic transactions compare with the required EDI standards. Our HIPAA compliance timeline will depend on the results of this gap assessment, and we won't know how long it will take or what the costs will be until the gap assessment is complete.
- Create a HIPAA compliance plan. Once we've identified the HIPAA gaps, we'll need to develop a strategy to address them.

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AAIHDS and Health Data & Management Solutions present The Eighth Annual Survey: Perspectives on Integrated Delivery Systems and Executives 2002 Edition

Gain insights into many key issues facing the healthcare industry today, such as:

- Where can I get timely CEO/Executive Director salary and benefits information?
- Do my colleagues feel evolving delivery systems have a real future?
- What are medical directors being paid in healthcare delivery systems?
- Where can I get staffing and compensation information to help benchmark a budget?
- What delivery system functions are my colleagues outsourcing?

The American Association of Integrated Healthcare Delivery Systems (AAIHDS) in conjunction with Health Data & Management Services (HDMS) are proud to present the Eighth Annual Survey: Perspectives on Integrated Delivery Systems and IDS Executives 2002 Edition. This comprehensive survey and monograph details key staffing and compensation facets of current and emerging PHO's and IDS's, including the status and demographics of their top executives. In addition, you will find data on staffing, benchmarking methods, compensation by region, administrative functions outsourced, budgets, and PHOs' three year outlook predictions. The background, age, salary, and status of both the executive directors and the medical directors within the participating IDS's are included.

Organizations participating in the survey included current and evolving IDSs, such as physician-hospital organizations (PHOs), Super-PHOs, individual practice associations (IPAs), management service organizations (MSOs), and provider-sponsored health plans.

Preliminary results indicate there is an increase from last year in the number of covered lives by line of business (commercial, Medicare and Medicaid). PPOs are showing a greater increase than POSs and HMOs in the direction of change in the health plan environment. Other preliminary results show an increase in the median salary for chief executives from 2000-2001.

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HIPAA Patient Privacy: The New Rules Don't Necessarily Pre-empt State Law

By Phyllis F. Granade

Physician Question: I know that my practice must comply with the requirements of the new federal privacy regulations. Do I still need to be concerned about my state's privacy laws?

Answer: Yes, many state privacy laws will continue to apply, such as those laws that serve a compelling state purpose (for example, infectious disease reporting) and those laws that provide greater privacy protection (such as laws related to HIV information) or greater privacy rights to patients.

In December of 2000, the Secretary of the U.S. Department of Health and Human Services published "Standards for Privacy of Individually Identifiable Health Information" – the first comprehensive federal regulation regarding health information. The regulations implement the privacy requirements contained in the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996, or "HIPAA". All health care providers (as well as clearinghouses and most health plans) are required to be compliant with the new federal privacy requirements no later than April 14, 2003.

The HIPAA privacy regulations represent a national set of *minimum* privacy standards. You should think of these standards as establishing a federal privacy "floor". Generally speaking, a federal privacy "floor" means that if a state's laws are not as stringent as the HIPAA privacy requirements, then the federal regulations will apply. In the event that a state law is more stringent or provides greater pri-

vacancy rights or protections to patients, then the state law (in most instances) will continue to apply.

Practically speaking, the HIPAA privacy "floor" means that each person or entity subject to the new federal privacy standards (providers, plans and clearinghouses) must analyze the laws of the state (or states) in which it conducts business to determine which state laws are more "stringent" than HIPAA or which serve a compelling state purpose. The following are examples of the types of state laws that typically will continue to apply following the compliance deadline for the HIPAA privacy regulations:

- State laws on compelling matters or public health, such as those laws necessary to prevent fraud and abuse, to ensure appropriate state regulation of insurance and health plans, for state reporting on health care delivery or costs, or for purposes of serving a compelling public health, safety, or welfare need, or if the law's principal purpose is to regulate controlled substances. For example, if your state requires that health care providers report incidents of certain infectious or contagious diseases to state authorities (e.g., tuberculosis), these laws will continue to apply.
- State laws that are more stringent, such as those laws that prohibit a particular use or disclosure of patient information that would be permitted under HIPAA. Common examples of these laws include those statutes and regula-

tions related to HIV status, mental health and substance abuse. More stringent laws also include those statutes and regulations that permit individuals greater rights to their information. Common examples of these types of laws include statutes and regulations related to access or amendment. For instance, HIPAA requires that patients be provided with access to their PHI within 30 days of a request (with certain exceptions); however, some states require that access be granted more quickly.

HIPAA privacy compliance efforts must take into account state law privacy requirements. For example, the terms of the Notice of Privacy Practices that the federal regulations require to be distributed to patients with which a physician has a "direct treatment" relationship must reflect the actual privacy practices of the physician's office. In other words, the Notice of Privacy Practices should not state that patients will be provided access to patient records within thirty days, if state law requires access within fifteen days. Remember, HIPAA privacy compliance requires providers to be compliant with applicable state and federal law.

For additional information regarding the HIPAA privacy requirements, please contact Phyllis F. Granade, a partner in the National Health Law Practice of Epstein Becker & Green, P.C. at (404) 923-9000.

Deliver Integrated INFORMATION

...continued from page 2

formation can make happen.

6. The Information GAP

Healthcare organizations have traditionally been data dependent. Now they need to be information intensive. Most providers will tell you they've got plenty of data. In fact, the numbers are about to swamp them! What outsiders are seeing is the difference between healthcare data that's plentiful and information that's essential. Only proven, user-friendly information technology systems and resources will close the gap. This is a view shared by hospital CEOs, group practice managers and care managers at all levels.

7. The Clamor for Automation

According to Ernst & Young, those at the forefront of integrating healthcare delivery systems have identified several pressing needs. They

want:

- Remote information access at all of their locations
- A network-wide master patient index
- User friendly system interfaces (simple desktop pcs)
- A network wide data repository
- Specialized managed care applications
- Standards for easier data exchange

The average hospital has 30 to 50 contracts with insurers. Ernst & Young data indicates a hospital doing just 20 percent of its business under managed care contracts which it handles manually will lose up to 14 percent of the revenue to which it is entitled.

How outsourcing can meet these needs

Most IT system solutions offered to healthcare organizations do not have their genesis in managing healthcare risk. Those that do will be immediately known by one feature. They can function effectively as what I call a "plug in" resource.

Think about the alternatives...

...DOING IT YOURSELF. Does it make sense to add new products or services to your organization which require adding new staff with specialized skills when you have little or no experience hiring, training or retaining these types of people? Have you heard other's unfortunate tales of new in-house IT systems going well over budget? ...Or the huge investments of time and training necessary to bring existing IT staff skills up to speed?

My advice is, if IT is not a core function of your organization, outsource. Selecting the right vendor, you can expect several benefits from this strategy:

- Higher quality services and skills
- Access to the vendor's best IT practices
- Cost savings and cost control
- Freedom to focus on core competencies
- More timely and more accurate information
- Compliance with HIPAA

...continued on page 7

Deliver Integrated INFORMATION

...continued from page 6

- Readiness for year Y2K data issues

In my experience, a total commitment to outsourcing information technology can produce administrative savings for providers in several ways. For example, on-line verification of eligibility, referral, precertification and claim status queries all can be done at a fraction of the cost and time.

Here's how it works best.

The Networked Data Management Model

The preferred solution employs a secure, scalable open client server-based technology with multi-vendor and multiplatform connectivity via low cost telecommunications technology.

The data is "warehoused" in a centralized facility staffed by IT professionals on state-of-the-art servers within a networked environment. This is what enables data from virtually any source to become useful information.

With this configuration all authorized users can have fast and easy access to their information (as well as other services like e-mail) through dedicated high-speed LAN/WAN connections or through the Internet. All this is doable from a simple Windows-based GUI or web browser on their desktop PC.

This type of access is available regardless of the user's location and independent of the desktop hardware and software (as long as it is Windows 3.1, '95, NT, OS/2, UNIX or a combination of these throughout the organization).

In addition, the networked infrastructure can have software that integrates patient information, medical management and reimbursement data into realtime information accessible at point of care. Finally, it is patient-centric rather than event centric, so that as affiliations change care can be more seamless, with fewer intrusions by the business aspects of healthcare.

From a purely administrative perspective, it is important that almost any software now in use can be combined with other powerful technologies such as data warehousing software. This is what allows data to be sliced, diced, re-grouped and classified to yield reports that tell you exactly what you need.

Being able to work with data in this way unlocks the ability to measure and monitor patient populations and their utilization, quality and cost of care and other vitally important aspects of the business. Achieving this level of infrastructure is a true milestone for a healthcare organization.

Stephen K. Wiggins is the Senior VP and CIO of Blue Cross and Blue Shield of South Carolina. For more information call 800-237-9922.

Welcome New Members!

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Karen Brown, MS
Quincy Health Care Management, Inc
Quincy, IL

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