The International Association of Outsourcing Professionals (IAOP)

Addressing the challenges that come with greater levels of outsourcing is going to take a new breed of outsourcing professional.

Global Standard-Setting Organization and Advocate for the Outsourcing Profession.

www.outsourcingprofessional.org

- Global Membership-Based Organization for Customers, Providers and Advisors

- Only Professional Quality Standard for the Field of Outsourcing

- Proven Track Record of Delivering Value – 85% of Customer Members Credit IAOP for Improved Outsourcing Outcomes

Most of the World's Top Organizations are Leveraging IAOP's Programs and Services

- **100+ Founding & Corporate Members, including:**

Abbott Laboratories, Accenture, Aetna, Affiliated Computer Services (ACS), Ajuba International, Allstate Insurance, American Express, Applied Materials, Atlantic Canada Atlantique, AT&T, Belcan Corporation, Best Buy Company, Bleum, Blue Shield of California, Bomgar, Booz Allen Hamilton, Business Process Outsourcing South Africa, Business Catalyst International, Buzz Contact Centre Solutions, Capital One, CB Richard Ellis, Chris Disher & Associates, Cinteger LLC, Colliers International, Computer Associates, CORFO (Chile), Customer Operations Performance Center (COPC), DaimlerChrysler, Delve Group, DNL Global, Duke University, Encana Oil & Gas, EXL Service, Expense Management Solutions, Fasken Martineau DuMoulin LLP, Firstsource, General Motors, GeniSource, Genpact, Hewlett-Packard, Hexaware Technologies, HOV Services, HTMT Global Solutions, Hundsun Global Services Inc., IDA Ireland, IDA Singapore, Infosys, Innodata Isogen, Innovapost, Janus Associates, Johnson & Johnson PRD LLC, KBC Group (Belgium), Kirkland & Ellis, Kraft Foods, LawScribe, Inc., Longtop International, Long View Systems, Marathon Oil Corporation, Multimedia Development Corp. (MdeC), NCS, neoIT, Neusoft Group Ltd., NIIT Technologies, Nike, North Dakota Dept. of Commerce, Océ Business Services, Outsource Partners International, PA Consulting, PHH Mortgage, Pratt & Whitney, Pretium Partners, PricewaterhouseCoopers, Procter & Gamble, Qantas Airlines, Quatrro, QuEST, Quint Wellington Redwood, Safeco Insurance, Singtel Optus (Australia), Sitel, SNC-Lavalin-Profac/Nexacor, Softtek, SPi Technologies, Strategic Systems Solutions, Syracuse University, TCI BPO, TD Bank Financial Group, The Lifetime Healthcare Companies, Thomson Legal & Regulatory, Thrivent Financial for Lutherans, Unisys, Vantage Partners, Vormetric, Web Trends, Wipro Technologies, WNS Global Services and Xceed Contact Center.

- **1000+ Professional Members**
- **40,000+ Associate Members Through Subscription to IAOP Knowledge Center, Firmbuilder.com®**
- **40+ Chapters Around the Globe**

IAOP

INTERNATIONAL ASSOCIATION OF OUTSOURCING PROFESSIONALS

IAOP Structure and Programs

- Strategic Advisory Board & Outsourcing Standards Board
- Research, Training, Services, Advocacy & Outreach Committees
- Geographic, Industry, Topical Chapters
- Online Member Directory, IAOPNetwork & Customer-only IAOPNetwork
- The Outsourcing World Summit®
- Regional Summits - part of the Outsourcing World Summit® Conference Series
- Topical Forums as part of the Outsourcing Leadership Series
- IAOP Member of the Year Awards
- Outsourcing Hall of Fame Awards
- IAOP Knowledge Center (Firmbuilder.com)
- Certified Outsourcing Professional (COP) Program
- COP Master Class
- The Global Outsourcing 100
- Outsourcing Professional Code of Ethics

IAOP Upcoming Dates of Interest

- 2008 Global Outsourcing 100 Rankings Released
  - End of April
- 2009 Global Outsourcing 100 Application Open
  - August, 2008
- European Outsourcing Summit
  - October 20 & 21, 2008
  - Barcelona, Spain
- COP Master Class
  - April 22 – 25, Sao Paolo, Brazil
  - April 22 – 25, Kuala Lampur, Malaysia
  - May 12 – 15, Chapel Hill, NC, USA
  - May 26 – 29, Brussels, Belgium
  - June 2 – 5, Dubai, United Arab Emerites

INTERNATIONAL ASSOCIATION OF
OUTSOURCING PROFESSIONALS

If you are not already a member, you can begin taking immediate advantage of IAOP's programs and services by going to www.outsourcingprofessional.org

Healthcare Payers & Mergers

May 2008

IAOP Healthcare Business Office Chapter

**Leo Maes
HOV Services**

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Why Buy

- **Membership**
  - Purchase allows for immediate entry
  - Product line: PPO, HMO, etc.
  - Growth of a current market segment: Medicare
    - Without the merger/acquisition the Purchaser must expend Sales and Marketing resources, money, etc to grow the business; the process is slow and drawn out
- **Less Regulatory requirements**
  - Seek State and Federal Approval vs. Start up fillings for selected line of business
    - Start up fillings require approval for the product, rates, marketing material etc. Whereas the purchase/acquisition approval is much cleaner and shorter

Why the Purchase

- **Synergies**
  - Payer requires claim editing software; acquisition entity offers this solution and other clinical editing attributes
    - * The purchase and/or acquisition allows the Purchaser to obtain software/hardware resources and the associated processes in place
    - * The above allows the Purchaser to have immediate access to programs that will impact their bottom line, i.e. Editing software allows for appropriate claims administration in line with CMS regulations
- **Remove the Opposition- shrink the competition**
  - * Without the purchase/acquisition the ability to pick up market share is slow and tedious

Merger/Acquisition Hurdles

Market Approval: Affect on contracting, less discounts

– Physicians

– Hospitals

> * There is no easy out; market approval is necessary; the Purchaser must be aware to keep Providers "whole" and not attempt to cut contract rates, if so, loss of Provide Care Coverage could become an issue

Market Approval: Affect on premiums and/or choice of coverage

– Employer Sponsored Programs

– Consumer and/or Member

> * Premiums coincide with claim payments; will the Purchaser maintain all plans/products- cost involved

Operational Issues

- **Finance - How are claims recorded**
  - i.e. Claims incurred but not reported
- **Finance - Month end or quarter end reporting**
  - Depends on stakeholders, audience, etc.
- **Provider Contracting - Old or new paper/rates**
  - Resource allocation, impact on premiums/paid claims
- **Medical Management - What rules govern;**
  - impact on Finance and Medical Loss Ratio
- **Integration Strategy - Usually not an item of discussion before the acquisition and usually never occurs for multiple years**
  - All of the above issues are dealt with in various ways, depends on the Purchasers strategy-no right or wrong approach but must be addressed

Operational Issues (cont.)

- **Convert and/or migrate from multiple platforms to a single platform**
  - Time, money, resources, etc; what is the ROI?
- **Retain all platforms and "run out" claims on platform "not of choice"**
  - Less resources, money, maintenance, etc.
- **All new and renewed business placed on "platform of choice"**
  - Easy rule of thumb to follow
  - All of the above issues are dealt with in various ways, depends on the Purchasers strategy-no right or wrong approach but must be and usually are addressed

Human Resource & Procurement Issues

– **Benefit Packages**
  - Financial impact to the organization
  - What package covers 80% of the employees
– **Staffing - Duplication of Services (i.e. mailroom)**
  - How will the organization address; normal attrition, reduction in force plan, reallocate people to open postings, etc.
– **Vendor Services/contracts - Could lead to major project migration**
  - Is one vendor or multi-vendor beneficial; cost to manage multiple vendors, change management request processes, etc

Summary

- **Why the purchase and/or merger?**
- **Integration strategy; issues, mitigation and resolution**
- **Impact to employees**
- **Note: There are many issues not listed, the aforementioned are highlights of a purchase/acquisition**
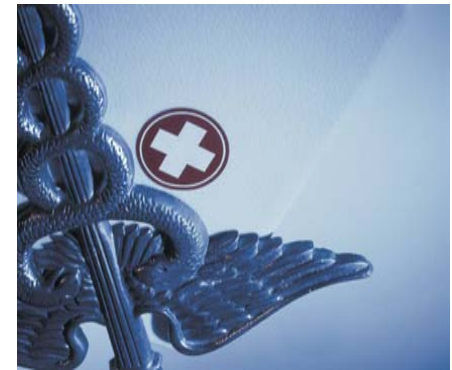
Thank You!

Questions?

Medicare 2008 Changes & Impacts

May 2008

IAOP Healthcare Business Office Chapter

Patti Overman – CPC-P

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www.outsourcingprofessional.org

Patti Overman CPC-P

25 Years Experience in the Healthcare Industry
  – University Medical Center, Tucson AZ
  – Little Company of Mary Hospital, Torrance CA
  – Blue Cross Blue Shield of AZ
  – John Alden Life Insurance
  – Tenet Physician Services
  – PacifiCare Health Systems
  – Consulting

 Grant Work- College of Medicine, Coding Education, Revenue Cycle Management, Claims Payment – Project Management, Specialized in Coding Software, Payer System Conversions

Medicare 2008 Changes/Impacts:

- **Benefits**

- **Coding (reporting from Provider to Payer)**

- **Medicare's Physician Fee Schedule**

- **Office of Inspector Work Plan; RAC Pgm**

- **Recovery Audit Contractors Program**

2008 Benefits www.medicare.gov

2008 Benefits

Good News – CMS Websites to Assist w/Managing Health Care Choices

- **Hospital Compare** - A quality tool which provides information on how well the hospitals care for all their adult patients with certain conditions or procedures. Comparison tools include quality, customer service survey and pricing.

- **MyMedicare.gov**

  This website is an on-line service for Medicare enrollees to access their personal Medicare information e.g., eligibility, claims, Part B deductible status along w/standing of wellness benefits.

  Preventive Medicine benefits listed below:

  - New benefit in 2008 - AAA ultrasound screening - Read MLN Matters article at *http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0711.pdf*
    - One time "Welcome to Medicare" physical exam
    - Adult Immunizations (Influenza, Pneumococcal Vaccination, Hepatitis B)
    - Colorectal Cancer Screening; Prostate Cancer Screening
    - Screening Mammography; Screening Pap Test and Pelvic Examination
    - Cardiovascular Disease Screening
    - Diabetes Screening; Diabetes Self-Management, Supplies, & Services
    - Glaucoma Screening
    - Bone Mass Measurement
    - Medical Nutrition Therapy; Smoking Cessation

CMS has also developed a new quick reference information chart entitled "*The ABCs of Providing the Initial Preventive Physical Examination (IPPE)".* **This two-sided laminated chart may be used by Medicare fee-for-service physicians and qualified non-physician practitioners as a guide when providing the IPPE at:** *http://www.cms.hhs.gov/MLNProducts/downloads/MPS_QRI_IPPE001a.pdf*

- **NEW DME Info:** In 2008, you may have to use certain Medicare-contracted suppliers to get certain durable medical equipment in some geographic areas. Call 1-800-MEDICARE (1-800-633-4227) for more information. TTY users should call 1-877-486-2048.

- **National Provider Identifier (NPI)** - Use it! Note, after May 23, 2008, legacy identifiers will not be permitted on any inbound or outbound transactions, for up-to-date information on NPI go to: *http://www.cms.hhs.gov/NationalProvIdentStand/*

    – Medicare carriers and A/B MACs began transitioning their systems to start rejecting claims when the NPI and legacy provider identifier pair that are reported on the claim cannot be found on the Medicare crosswalk
    – A recent MLN Matters article lists the informational edits that preceded the reject report messages & their meanings
    tp://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0725.pdf

- **MLN - All educational products are available free of charge** and can be ordered and/or downloaded from the MLN web page located at *http://www.cms.hhs.gov/MLNGenInfo* on the CMS website

- **Bad News – 2008 Medicare Deductible and Co-Insurance** Patient Responsibility (out of pocket) continues to increase

2008 Benefit - Prescription Drug Plan (Part D)

 This will be the 3rd full-year of Medicare Part D

- **~ 95% of Medicare Eligible Beneficiaries are now enrolled in Part D (source CMS, Jan 2008)**

- **Average Enrollee will pay higher premiums if they stay in the same plan in 2008**

- **CMS Expanded Enrollment Rights to Low Income Beneficiaries (effective 07/07)**

- **Majority of enrollees have no "gap coverage". To find cost saving ideas access *www.medicare.gov* and click on "Lower Your Cost During the Coverage Gap"**

Cost of Drugs	Member Pays	Medicare Pays
$0 - 275	$275 deductible	$0
$276 - 2510	25% of drug cost	75% of drug cost
$2511- 4050	100% of drug cost	$0 "coverage gap"
$4051 +	5% of drug cost	95% of drug cost

CMS Press Release 10/26/07 –"Medicare Expects to Recover $4 Billion from Part D Plans Following 2006 Plan Reconciliation"

2008 ICD-9 Codes (Diagnosis Codes) Changes:

– ICD-9 codes provides reporting of "Why the Patient Was Seen"
– Coding Changes: 95 New codes; 48 Revised and 18 Deleted
– New codes were effective October 1st 2007 with a 90 day grace period
– New 2009 ICD-9 codes, effective Oct 1st 2008:
  • Proposed New, Revised and Deleted 2009 ICD-9 is listed on website:
    http://www.cms.hhs.gov/ICD9ProviderDiagnosticCodes/07_summarytables.asp#TopOfPage
  • The final 2009 addendum providing complete information on changes to the diagnosis part of ICD-9-CM is posted on CDC's webpage at: www.cdc.gov/nchs/icd9.htm

2008 CPT Changes:

– Nearly 8K codes billed by Professionals (e.g., physicians and other healthcare professionals) reporting for medical, surgical or diagnostic services
– Coding Changes: 244 New Codes, 314 Revised Codes and 50 Deleted Codes
  • New Codes were effective January 1, 2008 with a 90 day grace period

2008 HCPCS Changes:

– Coding system is used to identify products, supplies, and services not included in the CPT codes
  • Updates revised codes annually, bi-annually and quarterly – Difficult for Providers and Payers to maintenance coding changes
– http://www.cms.hhs.gov/HCPCSReleaseCodeSets/

ICD-9 CM & ICD-10 CM Coding

DX = Diagnosis Code;
PX = Procedure Code

TOPIC	ICD-9 CM DX Codes	ICD-10 CM DX Codes
Nomenclature	ICD-9 CM Volume 1 & 2	ICD-10 CM
# of Digits	3 to 5 Alpha/Numeric	5 to 7 Alpha/Numeric
# of DX Codes	13,500	120K
TOPIC	ICD-9 PX Codes	ICD-10 PX Codes
Nomenclature	ICD-9-CM Volume 3	ICD-10-PCS
# of Digits	3 to 4 Alpha/Numeric	7 Alpha/Numeric
# of DX Codes	4,000	200K

Why Implement? ICD-10 will provide superior information for measuring healthcare service. Better data for patient safety, quality of care analysis and reimbursement.

Why the Delay in ICD-10?:

• Most significant industry change since Y2K, and is bigger than Y2K to Healthcare Industry
• Cost, Cost, Cost
• Providers & Payers Must Coordinate Implementation – Risk is High If Not

Key Facts:

Medicare Physician Fee Schedule (MPFS)–

- Medicare is the largest Payer in America
- MPFS pays for over 7,000 types of physician services
- Historically, in the past five years, healthcare costs continues to rise
- MPFS during the same time period has imposed, for the most part, minimal increase and/or reductions

- 2008 MPFS Changes - Overall Reduced Payment of ~ 10%:
  - Congress intervened and **postponed the reduction in MPFS** to take effect in July 1, 2008
    - Effective for dates of service January 1, 2008, through June 30, 2008, the update to the conversion factor shall be 0.5 percent
    - Effective for dates of service July 1, 2008, and after the 0.5 percent update to the conversion factor will no longer apply and the (negative) -10.1 percent will go into effect. (CMS Transmittal 312)

- **Medicare will run out of money in the year 2019**

Office of Inspector General (OIG) Workplan & RAC Program

- This year's Workplan is one of the the most complete and wide-reaching ever issued:
    - Workplan is 111 pages and applies to a variety of healthcare providers, payers and suppliers
    - For the most part, the Workplan identifies inaccuracy of claims payment or billing
    - To assure compliance, Providers are always strongly urged to audit their practice for same issues

- OIG performs "data-mining on Medicare claims and reviews for coding "aberrations

- OIG Workplan Past Example: Upcoding of Physician Visits remained on the Workplan list for several years

- 2008 OIG Example- Accuracy of Coding for Medicare Skilled Nursing Facility Resource Utilization Groups' Claims: The OIG will review a national sample of Medicare claims submitted by SNFs to determine the extent to which Resource Utilization Groups ("RUGs") included on SNF claims for Medicare reimbursement are accurate and supported by the residents' medical records. A 2006 OIG report found that 22 percent of claims were upcoded, representing $542 million in potential overpayments for FY 2002. As part of follow-up work, OIG will also identify areas to improve the accuracy of payments to SNFs."

- RAC Program -Centers for Medicare & Medicaid Services (CMS) announced that $371.5 million in improper Medicare payments has been collected from or repaid to health care providers and suppliers as part of a demonstration program using recovery audit contractors (RACs) in California, Florida and New York in 2007. Nearly $440 million has been collected since the program began in 2005. For more information on the RAC program and to view the FY 2007 Status Document, visit: http://www.cms.hhs.gov/RAC

Thank You!

You may use the contact information listed below for follow up with the Chapter Chair or either of today's speakers.

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