

TESTIMONY
of
Joseph Glorioso,
Director of Government Subscriber Relations
Digital Healthcare, Inc.

Before

The House Committee on Veterans Affairs
07 May 2003

Thank you, Mr. Chairman, for this opportunity to address The House Veterans Affairs Committee.

My name is Joseph Glorioso. I am the Director of Government Subscriber Relations at Digital Healthcare. Our company is the sole US licensee of various patent claims on business processes in healthcare finance, including the core issue of today's hearing - the identification of primary insurance.

VHA bills very little of its services to the private sector. The main problem VHA will have in improving billing to 30% of its care is in finding the private insurance. There are 4,000 payers and 10 Million eligibility changes per month in the US.

The audited sample reports from our National Cost Analysis that you will find in the testimony show that large private hospitals with decades of billing experience bill the wrong payer 15% of the time, and Federal health plans pay when they are not primary.

There is no doubt about the soundness of our approach. Calling 4,000 payers to check insurance would get a better result than the current method, but 4,000 phone calls would take 600 hours to complete. Our computers could search the whole market on 18,000 patients in a second. Economically, 600 hours at \$15 an hour is \$9,000 per admission. The online system can do the same work for a dollar.

Our whole business purpose is to use the speed of the electron to resolve this issue on every claim, faster than I can state the problem.

In the testimony you will see that the Office of Management and Budget (OMB) has testified in favor of this method in the Senate, and that the Workgroup on Electronic Data Interchange (WEDI), which included all the major payers and hospitals, said this switchboard approach was the best means to fix the problem back in 1993. You will also find in the testimony that the Senate in Oregon has a Bill declaring an emergency to use our system on its Medicaid program.

If such a process were in place for the VHA, every claim would find its way to the proper primary payer without human effort. If VHA wants that result, it will need this patented process as a component of any billing system, whether it is in-house or outsourced.

We cannot guarantee exactly how much of VHA's budget will be saved, but we can guarantee that every other source of coverage is tested before a claim is posted against the VA budget.

VHA medical center administrators whom I've met with have told me they want the automation we are offering. These experts and their peers in private hospitals have told us that our method is a quantum leap over the methods available today.

It seems to us that it is critical that the VHA notify the private provider community that this automated COB process is the “inbox” for its claims before those 58,000 trading partners expend irreplaceable Federal dollars on HIPAA systems that cannot produce this result.

We propose to tackle this problem in two phases. First, we propose to immediately commence a nine-month pilot of this system to a large sample of VHA facilities. If this pilot improves billings we propose to release the system to the remaining VHA facilities in the ensuing quarter year.

As in thousands of military development projects, it is necessary for the Congress to provide the leadership to begin this project.

In the testimony you will note the opinion of counsel that it is important for the Committee to authorize the enforcement of HIPAA as written. HIPAA gives the VHA a statutory basis to find other coverage. Lest you hear differently elsewhere, the use of this automation would save private payers a lot of money too by cutting out their manual labor on COB.

Since this is a new system for VHA, the Committee will be interested in the technical preparation Digital Healthcare has made. For this let me introduce our Chief Technology Officer, Glen Harouff.

TESTIMONY

of

Glen Harouff

**Chief Technology Officer
Digital Healthcare, Inc.**

Before

The House Committee on Veterans Affairs

07 May 2003

My name is Glen Harouff. Prior to taking up responsibility for the information technology at Digital Healthcare I was a senior telecom engineer with MCI.

I am here today to assure you of our ability to deliver the results of which Mr. Glorioso spoke.

Automated COB processing uses the same mechanical process as the ATM, online stock market transactions, and complex long distance telephone systems. The track record for reliability of these services is excellent.

My colleagues in Digital Healthcare’s IT staff have an average of **20 years experience** in systems exactly like this one.

As you will see in our testimony package, we are fully supported by Hewlett Packard and MCI.

There is nothing untried in this plan. We are ready to deploy this for the VHA. In fact, we built a prototype of this system in 1999, and IBM-owned Sequent Computer Systems, Inc. verified that it worked.

Mr. Glorioso and I would now be happy to answer any questions you may have.



SECOND STAGE REPORT ON THE NATIONAL COB COST ANALYSIS

Hackensack Univ. Medical Center Patients

In March, **556** or **15.54%** of your admitted population had primary coverage other than the payer billed.

In June, **570** or **15.31%** of your admitted population were primary elsewhere.

In September, **582** or **15.00%** of your admitted population were primary elsewhere.

At the national average (NHDS), this represents a risk of recission on **\$8,336,904*** of your income per month.

If by also billing the primary payer your income would have increased 10%, this represents lost income of **\$843,068**** per month.

The cost differential between HFMA's estimate and our automation of the COB issue would run **\$115,200***** on your number of admissions per month

The cost of full COB automation for admissions your size is **\$54,000** per month.

The Second Iteration contained the first 16.8 Million of an estimated 300 Million records.

Math:

- * **Average undiscovered COB events times NHDS average per day expenses, time 6 day NHDS average stay (\$2,468 x 6 x newly discovered COB error rate).**
- ** **10% of average NHDS income, times 10% (\$2,468 x 6 x .1)**
- *** **HFMA estimates the cost of gathering eligibility, coverage and COB data at \$50 to \$100 per admission. Digital Healthcare charges \$3 per patient day (here multiplied by 6) for the automation of those issues, and more.**

AUDITORS' OPINION AVAILABLE ON REQUEST



SECOND STAGE REPORT ON THE NATIONAL COB COST ANALYSIS

Sierra Military Health Services (USDoD Tricare)

13,646 (1.82%) of your insured population were primary elsewhere in March,
13,498, (1.79%) of your insured population were primary elsewhere in June, and
13,525, (1.80%) of your insured population were primary elsewhere in September,

Three-Identifier Match

•
Sierra has measured actual claims paid on these undiscovered COB events at
\$2,720,000 in March,
\$2,834,000 in June, and
\$2,356,803 in September

The cost of full COB automation for a group your size is **\$750,000** per month.

The average result of all participants in this Second Iteration of the National Demonstration was a loss of **9.69%**. The Second Iteration contained the first 16.8 Million of an estimated 300 Million records nationwide.

AUDITORS' OPINION AVAILABLE ON REQUEST



SECOND STAGE REPORT ON THE NATIONAL COB COST ANALYSIS

Government Employees Hospital Assn

In March, **73,341** or **16.7%** of your insured population were primary elsewhere.

In June, **72,914** or **16.6%** of your insured population were primary elsewhere.

In September, **73,067** or **16.6%** of your insured population were primary elsewhere.

At the national average, this represents an unnecessary loss of **\$15,206,000** per month.

The cost of full COB automation for a group your size is **\$440,272** per month.

The average result of all participants in this Second Iteration of the National Demonstration was a loss of **22.13%**. The Second Iteration contained the first 16.8 Million of an estimated 300 Million records nationwide.

AUDITORS' OPINION AVAILABLE ON REQUEST

SUPPORT OF THE DIGITAL HEALTHCARE THESIS FROM GOVERNMENT AND
INDUSTRY GROUPS

“We envision an on-line, up front query system in which the primary and secondary payers will be determined at or before the time that care is provided, thus eliminating the need for after-the-fact attempts to match data across various data bases, or the continuation of the Medicare Data Bank.”

Deputy Director, USOMB
To the Senate Finance Committee
1995

“To achieve the ultimate goal, a central directory of enrollment information must be maintained to determine primacy....The directory would receive enrollment information from insurers, apply the standard rules of primacy of coverage and payment responsibility, and code and array the policies for each insured individual accordingly.”

Workgroup on Electronic Data Interchange
1993

PROPOSED AMENDED SENATE BILL 865
SENATE OF THE STATE OF OREGON

Delete lines 4 through 15 and insert:

SECTION 1. (1) The Department of Human Services shall establish an automated, online provider payment submission system for the medical assistance program. When a provider submits a claim for payment, the payment submission system shall identify and bill any primary or secondary payer before billing the medical assistance program.

(2) To operate the system, the department shall contract with an organization with expertise in automated, on-line provider payment submission systems having the capacity to automate the coordination of benefits.

SECTION 2: (1) The Department of Human Services shall establish a committee to assist and advise the department in obtaining a contract for the automation of coordination of benefits for the medical assistance program as described in section 1 of this 2003 Act....

SECTION 3: This 2003 Act being necessary for the immediate preservation of the public peace, health, and safety, **an emergency is declared** to exist and this 2003 Act takes effect July 1, 2003.

Senator Bill Fisher



Mitchell Roberts
Hewlett-Packard Company
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"I couldn't even begin to tell you what the cost of downtime would be. Our execution systems must be available at all times the market is up. We kind of take it for granted that the HP NonStop won't go down."

John Hickey, Chief Technology Officer, NASDAQ

"The <Non-Stop> system has always been available whenever we have required it. We've never had any significant downtime across our applications in 18 years."

Hugh Tompson, Director of Information Systems Northumbria Police Force

"We are very pleased with what he calls the "truly continuous" availability of the *NonStop Himalaya* platform."

Mark Badgely, VP Bank One Services

April 21, 2002

Glen Harouff
Chief Technology Officer
Digital Healthcare, Inc.
PO Box 970732
Cleveland, OH 44147

Dear Mr. Harouff:

Hewlett Packard Corporation is the largest provider of data center hardware and systems consulting in the world.

Our computers and professionals handle an average of 3 Billion messages per day on NASDAQ, and the main transaction volume of 106 out of 120 stock markets around the world. Our computers handle the vast majority of the world's Credit Card, ATM, Securities and EFT traffic, and various other mission critical applications for public safety and e-commerce.

The fact that our data centers at the New York Stock Exchange and the Chicago Board of Trade have never been down in two decades of service has persuaded Digital Healthcare of our ability to support your important mission in protecting the fiscal integrity of Federal, state, and commercial health plans by automating COB, while also delivering fail-safe service to the medical community.

We have been involved in the deployment of automated COB processes as a principal vendor to Digital Healthcare for a number of years. Consequently, we have a detailed familiarity with the scope and the importance of Digital Healthcare's mission.

Hewlett Packard is fully supportive of this improvement in the healthcare finance system, and in our opinion, the automation of COB and its related processes can readily be delivered.

Yours,

Mitchell Roberts
Hewlett-Packard Company
(513) 543-9083

mitch.Roberts@HP.com

DIGITAL HEALTHCARE, Inc.
Enhanced Electronic Commerce

01 May 2003

Hon. Steven Buyer
Chairman,
House Committee on Veterans Affairs
Capitol Hill
Washington, DC

Dear Representative Buyer:

Please accept this letter as a brief legal opinion in support of the Committee's request for testimony on the automated identification of health coverage for veterans presenting themselves for care at VA medical facilities.

42 USC 1320(d) (also known as the Health Information Portability and Accountability Act of 1996 or HIPAA) provides that health plans will reply to any eligibility inquiry or claims in an even-handed and standard electronic message when the Act takes effect on 16 October of this year.

We have corroborated a formal statement of Congressional intent that was made a part of the public record by the author of the Bill, Representative Hobson, in 1997 and have spoken with the Congressman to corroborate the legislative intent again this year.

Taken together with our organization's intellectual property and ten years of systems development, a delegation of agency by the Congress or the Veterans Administration to Digital Healthcare can result in the identification of 100% of the private sector coverage of our veterans, without undue paperwork by the veterans or the VA staff, in real time, and the electronic delivery of the bills developed at VA institutions to the proper primary payer.

It seems probable that this would result in the improvement to outside billing that the Committee, the GAO, the OMB, and the VA have targeted.

Yours,

Steven M. Ott
Secretary and General Counsel

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VETERANS AFFAIRS PILOT PROGRAM ONLINE COB SYSTEMS

Objective

The objective of the VA Pilot on Online COB Systems is to engage in a live test of an automated, pre-emptive search coverage existing in the private sector for veterans presenting at VA medical facilities to determine:

- a) whether an online, comprehensive search with the standard rules of COB applied finds other coverage more efficiently than the status quo ante or other methods can do,
- b) whether the integration of digital fingerprint system similar to that in use by TriCare enhances patient safety,
- c) whether design enhancements are in order in the opinion of the Chief Business Office and line staff at the participating VA facilities, and
- d) whether VA line staff at Admitting and Billing prefer the online COB system to other means of gathering the same data.

Steps

In order to gather a variety of experience, and to maximize the benefit to be gained by the VA from an investment in establishing data links with private payers, the pilot should include all the VA facilities in VISNs 3,4,8,17,21 and 22 and should include an Online testing period of not less than four months. The steps of the nine-month pilot include:

- 1) Execution of a pilot Agreement, delegating agency to act for the VA facilities and to enforce HIPAA provisions on e-commerce,
- 2) Initial notice and the scheduling of training for VA admitting and billing personnel at the 200+ facilities in the pilot design,
- 3) A period of notice to the private sector payers and to private medical facilities in that may wish to bill the VISNs,
- 4) Uploading of basic eligibility information to the Digital Healthcare data structure and determination of regular upgrades by the VA,
- 5) Reminder training for VA personnel near the start date of the interfaces,
- 6) A four month period of systematic utilization by VA admitting and billing personnel,
- 7) A ten day debriefing and performance questionnaire process to determine the efficiency, deficiencies, and preferability of the online COB system.
- 8) Delivery of a Report to the Chief Business Office and the Congress.

Timeline

Step	June '03	July	Aug	Sept	Oct	Nov	Dec	Jan '04	Feb
1									
2									
3									
4									
5									
6									
7									
8									

Anticipated Results

Currently, the VHA reports billing 3% of the services rendered by VA facilities to the private sector. The pilot should demonstrate a significant increase in identified private coverage for those billing events as a percentage of overall care.

The pilot should show that admitting and billing personnel favor the Online COB system over their available alternatives as a means of accomplishing zero defects in private sector billings.

The pilot should arrive at a cost-benefit conclusion with respect to deploying the Online COB system throughout the VA medical facilities.

Reporting

For each participating VA facility and in the aggregate, the Pilot will report:

	Item	Metric
1	Number of Outpatient Visits	#
2	Number of Inpatient Days	#
3	Number of Correct 'Other Coverage' Records	#
4	Number of Corrected 'Other Coverage' Records	#
5	Number of New "Other Coverage" Records	#
6	Number of Payer Dbases Interrogated	#
7	Number of HIPAA Enforcement Actions Commenced	#
8	Number of Billable Dollars Found	#
9	Number of Failed Inquiries	#
10	Number of Failed Interface Devices	#
11	User General Satisfaction	1-10
12	Comment Sheets	Text