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An Analysis of the New Schedule H (IRS Form 990) and Proposed Instructions – Are Hospitals Ready for Increased Disclosures? Part II

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Senate pursues IT use to improve health care quality, reduce costs

Panelists at a recent Senate Finance Committee hearing agreed that health information technology can not only help reduce health care costs and improve quality, but also can improve the way the government pays for Medicare services.

“Many observers believe that widespread use of [information technology (IT)] would improve health care quality and efficiency,” Senate Finance Committee Chairman Max Baucus (D-Mont.) said at a July 17, 2008, hearing to explore health care reform options. “Unfortunately, health care has been slow to adopt IT,” he continued. Ranking member Charles Grassley (R-Iowa) noted the systems are expensive to install. “While it’s clear that electronic patient records will improve efficient health care, the economics have not proven attractive to doctors. We need to think about how to make adoption of electronic records more attractive to those who will use them,” Grassley added.

Federally-funded research center. Project Hope Senior Fellow Gail Wilensky suggested that a federally-funded clinical research center could produce information on comparative clinical effectiveness based on data gleaned from electronic health records. Then the government could use this research to change its Medicare reimbursement system to realign financial incentives, rewarding the clinicians and institutions that provide quality care, create efficiencies, promote healthy lifestyles, and “do it right the first time.”

Congressional Budget Office Director Peter Orszag said that a significantly expanded comparative effectiveness effort, combined with changes in financial incentives, “holds substantial potential” for reducing health care costs and improving the quality. RAND Principal Researcher Richard Hillestad added that providing comparative effectiveness data is another incentive for moving forward with the adoption of health IT. “We need this level of evaluation,” according to Kaiser Foundation Health Plan Chairman and Chief Executive Officer George Halvorson.

Research findings. In 2005, RAND released research estimating that the efficiency savings enabled by health IT could reach approximately \$80 billion per year once adopted by 90 percent of hospitals and physicians. According to RAND, 20 to 25 percent of hospitals and 10 to 15 percent of physician offices had adopted systems that could achieve some of the goals of IT, including reduced test duplication, lower-cost drug utilization, better scheduling, reduced paper-record handling, improved claims and billing administration, reduced handwriting-based errors, improved management of chronic illness, and improved continuity of care for those patients seeking care away from their primary provider. ■

CCH Washington Bureau, July 17, 2008.

PhRMA code on interactions with health professionals revised

Reflecting the continuing commitment of America's pharmaceutical research and biotechnology companies to pursue policies and practices that best serve the needs of patients and the healthcare community, the Pharmaceutical Research and Manufacturers of America (PhRMA) Board of Directors has adopted measures to enhance the PhRMA Code on Interactions with Healthcare Professionals. The newly revised PhRMA Code, which builds on improvements made in the previous 2002 version, is part of an ongoing effort to ensure that pharmaceutical marketing practices comply with the highest ethical standards.

Code changes. The revised PhRMA Code, which will take effect in January 2009, reaffirms that interactions between company representatives and healthcare professionals "should be focused on informing the healthcare professionals about products, providing scientific and educational information, and supporting medical research and education."

The revised Code: (1) prohibits distribution of noneducational items (such as pens, mugs and other "reminder" objects typically adorned with a company or product logo) to healthcare providers and their staff; (2) prohibits company sales representatives from providing restaurant meals to healthcare professionals, but allows them to provide occasional meals in healthcare professionals' offices in conjunction with informational presentations; (3) includes new provisions that require companies to ensure that their representatives are sufficiently trained about applicable laws, regulations and industry codes of practice that govern interactions with healthcare professionals; and (4) provides that each company will state its intentions to abide by the Code and that company chief executive officers and compliance officers will certify each year that they have processes in place to comply, a process patterned after the concept of the Sarbanes-Oxley Act compliance mechanisms. ■

PhRMA press release, July 10, 2008.

In the News

House panel approves health IT protection bill

The House Energy and Commerce Committee approved legislation by voice vote on July 23, 2008, to improve health information technology. The bill, entitled "Protecting Records, Optimizing Treatment, and Easing Communication through Healthcare Technology Act of 2008" (H.R. 6357), or the "PRO(TECH)T Act," aims to strengthen the quality of health care, reduce medical errors and costs, and further protect the privacy and security of health information. The bill would (1) require notification when protected health information is breached, and (2) extend federal privacy law to entities that do business with providers, such as quality review organizations and newer entities that store and manage a provider's electronic health information allowing the federal government to bring enforcement actions against bad actors.

CCH Washington Bureau, July 24, 2008.

Amerigroup settles marketing practices litigation

Amerigroup Corporation announced a comprehensive settlement agreement in principle that would conclude its civil *qui tam* litigation related to certain marketing practices of its former Illinois health plan. In 2007, a judgment against Amerigroup and its Illinois subsidiary resulted in a civil amount of approximately \$334 million plus fees. Under the terms of the proposed settlement, Amerigroup will pay \$225 million to the United States and the State of Illinois, plus approximately \$9 million in legal fees, and will not admit any wrongdoing. Additionally, in connection with the settlement, the company would enter into a corporate integrity agreement with the HHS Office of Inspector General. Amerigroup would report a one time charge for the settlement of approximately \$199 million net of the estimated tax benefit, in the second quarter ending June 30, 2008. The company would pay the settlement from restricted funds previously established to cover costs related to the judgment.

Amerigroup Press Release, July 22, 2008.

Medical review responsibilities transferred

The responsibility for measuring and preventing improper payments to acute inpatient prospective payment (IPPS) hospitals and long term care hospitals (LTCHs) has been transferred from quality improvement organizations (QIOs) to fiscal intermediaries (FIs), Medicare administrative contractors (MACs), and Comprehensive Error Rate Testing (CERT) contractors. This change will allow the QIOs to concentrate on improving patient quality of care and maintaining quality improvement and provider assistance efforts. CERT contractors began reviewing claims to measure error rates for IPPS hospital and LTCH claims on April 1, 2008. FIs and MACs will begin reviewing IPPS hospital and LTCH claims this summer to determine the appropriate payment due and prevent or reduce improper payments. FIs and MACs will perform medical review of these claims on a prepayment or post-payment basis to ensure that the services provided are covered, correctly coded, and reasonable and necessary services. Claim adjustments will be made as necessary. FIs and MACs also will conduct provider feedback through their medical review departments based on findings from medical review of IPPS hospital and LTCH claims.

CMS Fact Sheet, July 9, 2008.