



HIPAA Case Study

Long Term Care (LTC) Industry

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Overview

- LTC Industry Characteristics
- LTC HIPAA Compliance Issues
- Kindred Healthcare's HIPAA Compliance Efforts



LTC Industry Characteristics

- General Information
- LTC Companies
- Market Forces
- Resident Characteristics



General Information

- The Long Term Care (LTC) market is very dynamic and is rapidly growing. Demand will exceed supply as the population ages.
- Population Demographics (Census Bureau 1999)
 - 30.3 M people ages 65-84, 4.1 M people ages 85 and older
 - 43% of people over 65 require long-term care
 - 60% of people over 85 require assisted daily living
- Facility Profile (OSCAR data as of March 2000)
 - 17,086 licensed/certified nursing facilities
 - 1,846,391 total nursing facility beds
 - 55.4% facilities are multi-facility owned
 - Full-time employee breakdown: 35.4 CNAs, 11.8 LPNs, 6.3 RNs



General Information (cont.)

■ Average Resident Mix at CMS Standard Survey

- 8.7% Medicare (129,473)
- 67.7% Medicaid (1,011,327)
- 23.7% Other Payer (353,618)

■ LTC Market Growth

- 15% compound annual growth
- \$287 billion industry by 2005
- 14% of health care spending by 2005

LTC Companies

Company Name	Total # of Beds	# of Nursing Facilities	# of States	Operating Revenue	Net Income
Beverly Enterprises	59,799	534	30	\$2.6 B	<\$54 M>
Mariner Post Acute Network	42,000	360	25	\$2.1 B	<\$59 M>
HCR Manorcare	41,821	298	32	\$2.4 B	\$39 M
Kindred Healthcare	40,189	319	32	\$2.9 B	<\$54 M>
Integrated Health Services	38,500	324	39	\$1.4 B	Not available
Sun Healthcare	31,748	292	25	\$2.5 B	<\$545 M>
Genesis Healthcare	30,599	255	15	\$2.4 B	<\$841 M>
Life Care Centers	20,078	210	28	\$1.2 B	Not available
Extendicare	17,495	171	15	\$1.25 B	<\$39.5 M>
Good Samaritan	16,346	200	25	\$684 M	Not available
Total		2956			

* Data from last available annual report as of 10/1/2001



Complex LTC Market Forces

Government Regulation

• Changing reimbursement & regulations (e.g. PPS, MDS)

• Managing costs, outcomes

• Increased reporting & compliance measures

• State & Federal regulations differ within continuum

Industry Rivalry

• Market attracting traditional Integrated Delivery Systems into LTC continuum

• Companies horizontally consolidating for economies of scale

• Companies vertically integrating to offer complete care continuum

• Trend toward strategic partnering

Population Demographics

• Growth in aging population

• Increase in chronic care needs

• Expanding patient influence

• wealth

• insurance

• knowledge



Nursing Center

Staffing Demographics

• High staff turnover rate

• Compensation rate at lower end of scale

• Educational requirements at lower end of the scale

Care Delivery

• Higher acuity in lower cost setting

• Shift in focus from illness to wellness

• Availability of best practice protocols & outcomes

• Advances in medical technology

Managing Care

• Government sponsored managed Medicare & Medicaid

• Traditional managed care organizations beginning to cover LTC services

• Proliferation of new LTC insurance products

• Focus on outcomes, satisfaction & cost management



Resident Characteristics

- Vulnerable, Fragile People
- Communication Barriers
- Interaction with Staff
- Hospital Transfers



LTC HIPAA Compliance Issues

- Contrasting Principles
- Resident Information Flow
- LTC Specific Compliance Issues
- Industry Compliance Efforts

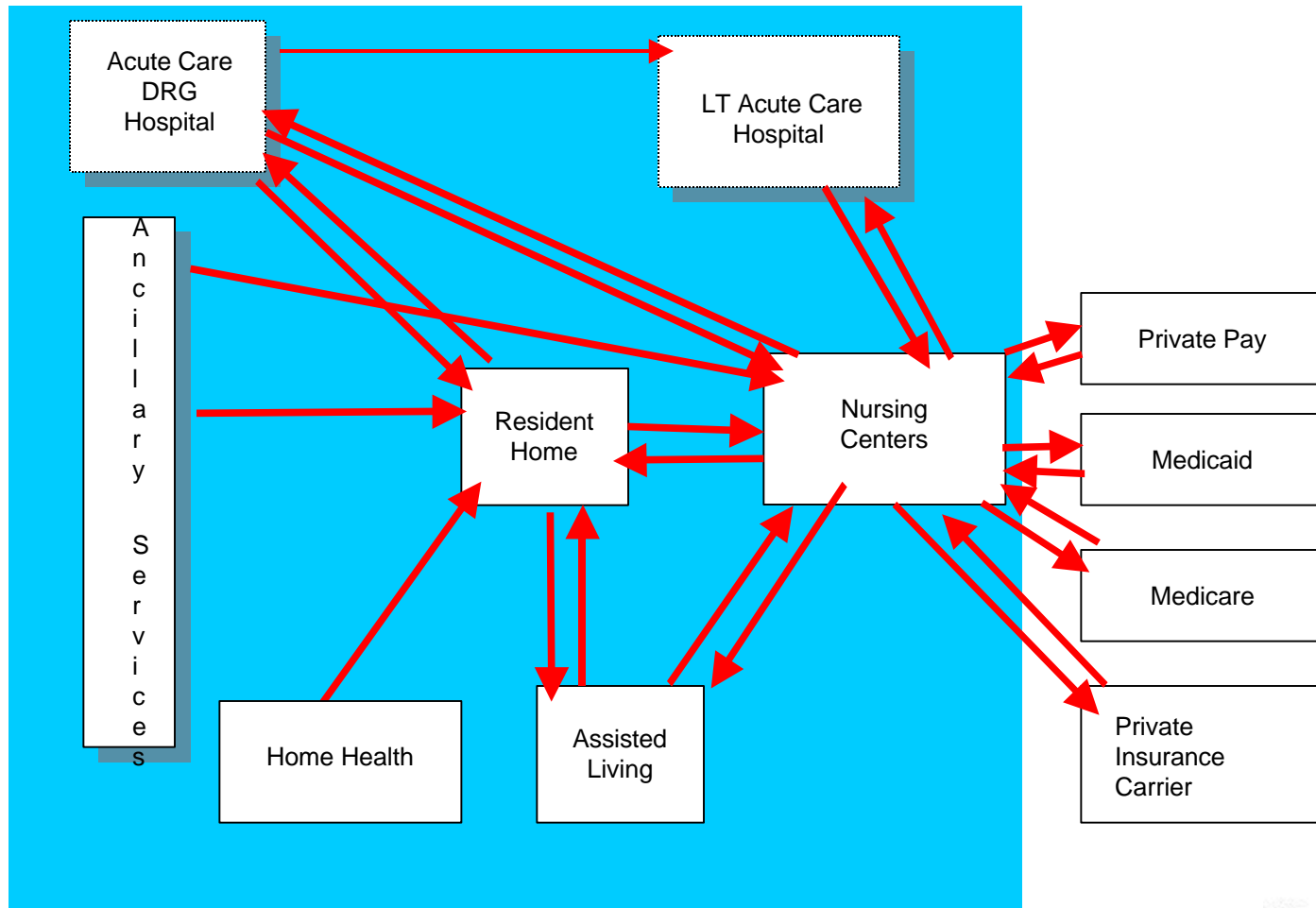


Contrasting Principles

- Fundamental tension between complex regulatory/legal rules and low tech/unsophisticated industry
- Although the regulations contemplate scalability, even simple technical solutions will be difficult in the low-tech LTC industry
- Current reimbursement levels do not provide the opportunity to employ sophisticated, highly-educated individuals to implement privacy and security standards

Resident and PHI Flow

No coordinated movement of Residents or PHI across and between care delivery systems.





LTC Specific Compliance Issues

- Handling notice, consent and authorizations with our unique resident population
- Complying in a cost effective way since the move to standard transactions has little positive economic impact for us
- Implementing a consistent HIPAA program solution **in a cost effective manner** across hundreds of facilities, tens of thousands of employees, that are dispersed throughout numerous states/provinces across the U.S.
- Maintaining an ongoing HIPAA program **in a cost effective manner** that ensures continuing compliance in an environment characterized by:
 - high staff turnover
 - low salary staffing model
 - complex regulatory scheme that involves numerous state and federal regulations and regulatory agencies



LTC Specific Compliance Issues (cont.)

- Minimum Data Set (MDS) implications
- Applying the HIPAA Business Associate
- Performing State Privacy Regulation Assessment and keeping it up to date
- Identifying what is “reasonable” for our industry as benchmark and for our organization



Industry Compliance Efforts

- In December 2000, a LTC Consortium was convened and the current membership includes:

- AMIHA
- Sun Healthcare Group, Inc
- Beverly Enterprises
- Centennial Healthcare
- Complete Care Services
- Evergreen Healthcare
- Extendicare Health Facilities, Inc
- Genesis
- Good Samaritan Society
- AHCA
- Harborside Healthcare Corporation
- HCR - ManorCare, Inc.
- Integrated Health Services
- Kindred Healthcare Inc.
- Life Care Centers of America
- Mariner Post-Acute Network



Industry Compliance Efforts (cont.)

■ LTC Consortium Overview:

- Description
 - Representatives from most major Nursing Home chains
 - Monthly conference calls
 - Discuss current issues and areas of collaboration
- Goals
 - Establish LTC Industry standards
 - Influence legislative/regulation creation and interpretation
 - Attain cost savings through joint efforts
- Product
 - Helped draft Final Rule comments for AHCA
 - Developed Privacy Gap Analysis Tool
 - Securing a state law privacy analysis
 - Beginning to share policy and procedures



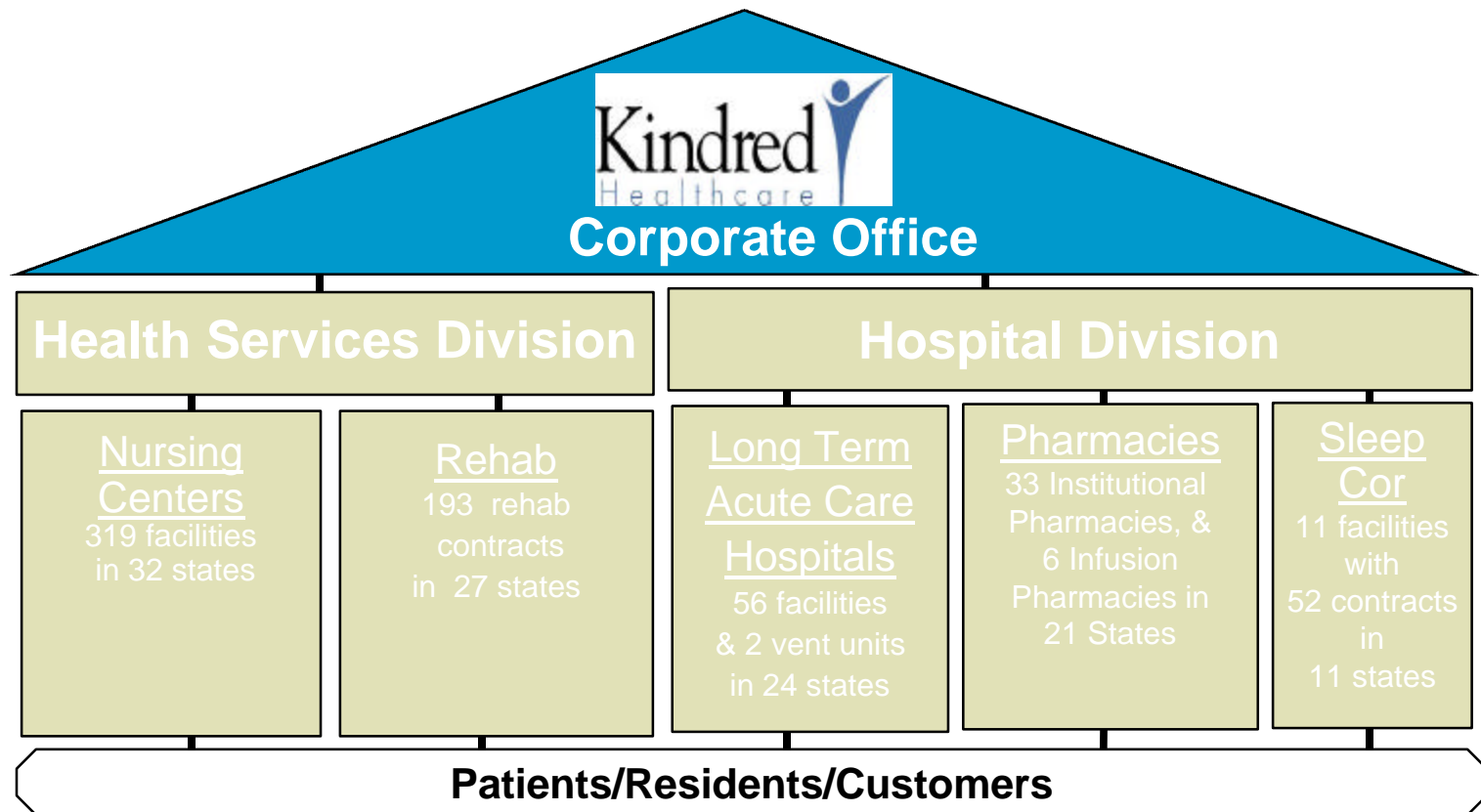
Kindred Compliance Efforts

- Business Model
- Health Services Division
- HIPAA Program Structure
- HIPAA Program Timeline

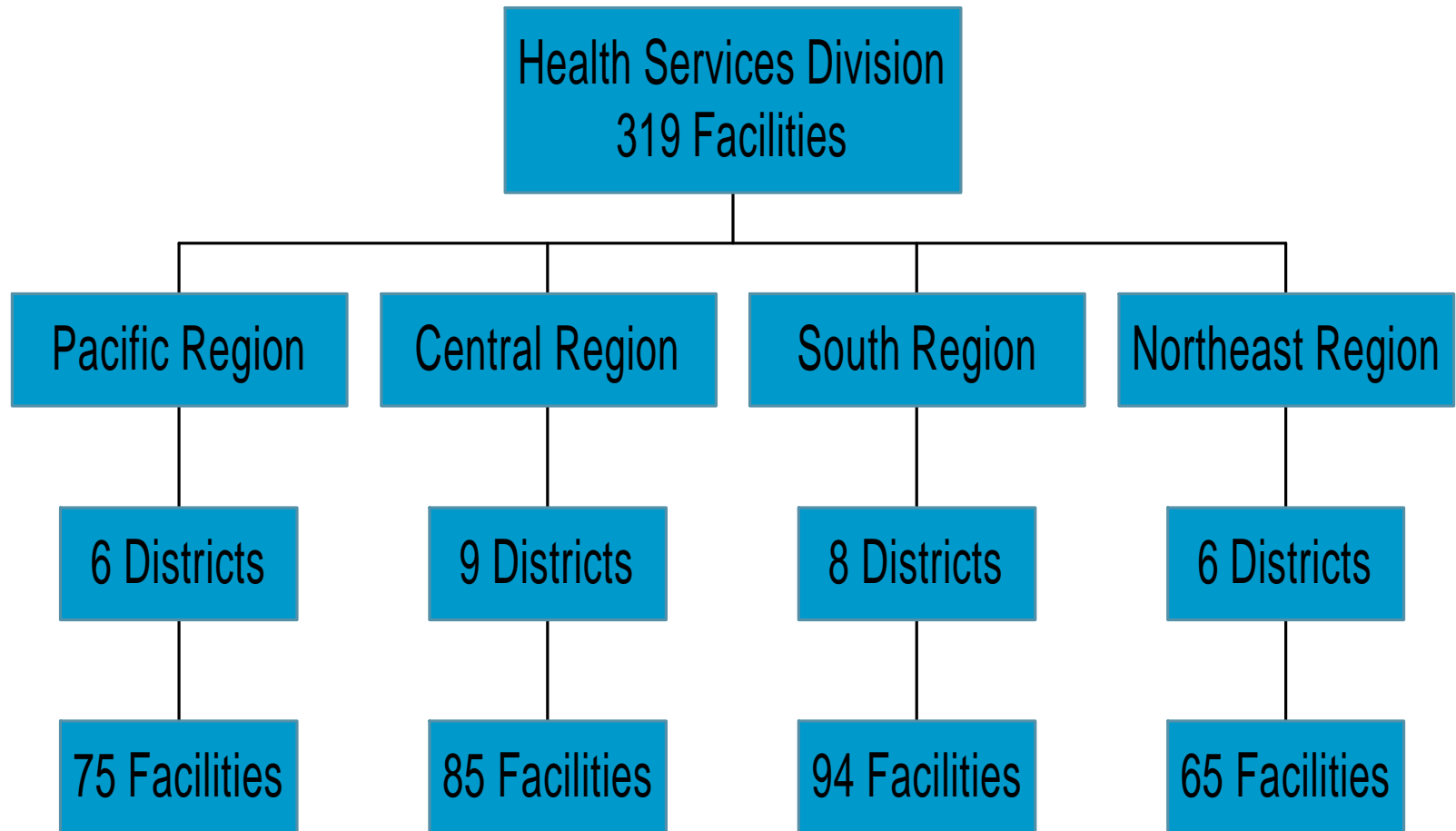
Kindred's Business Model

"Caring for people who cannot care for themselves."

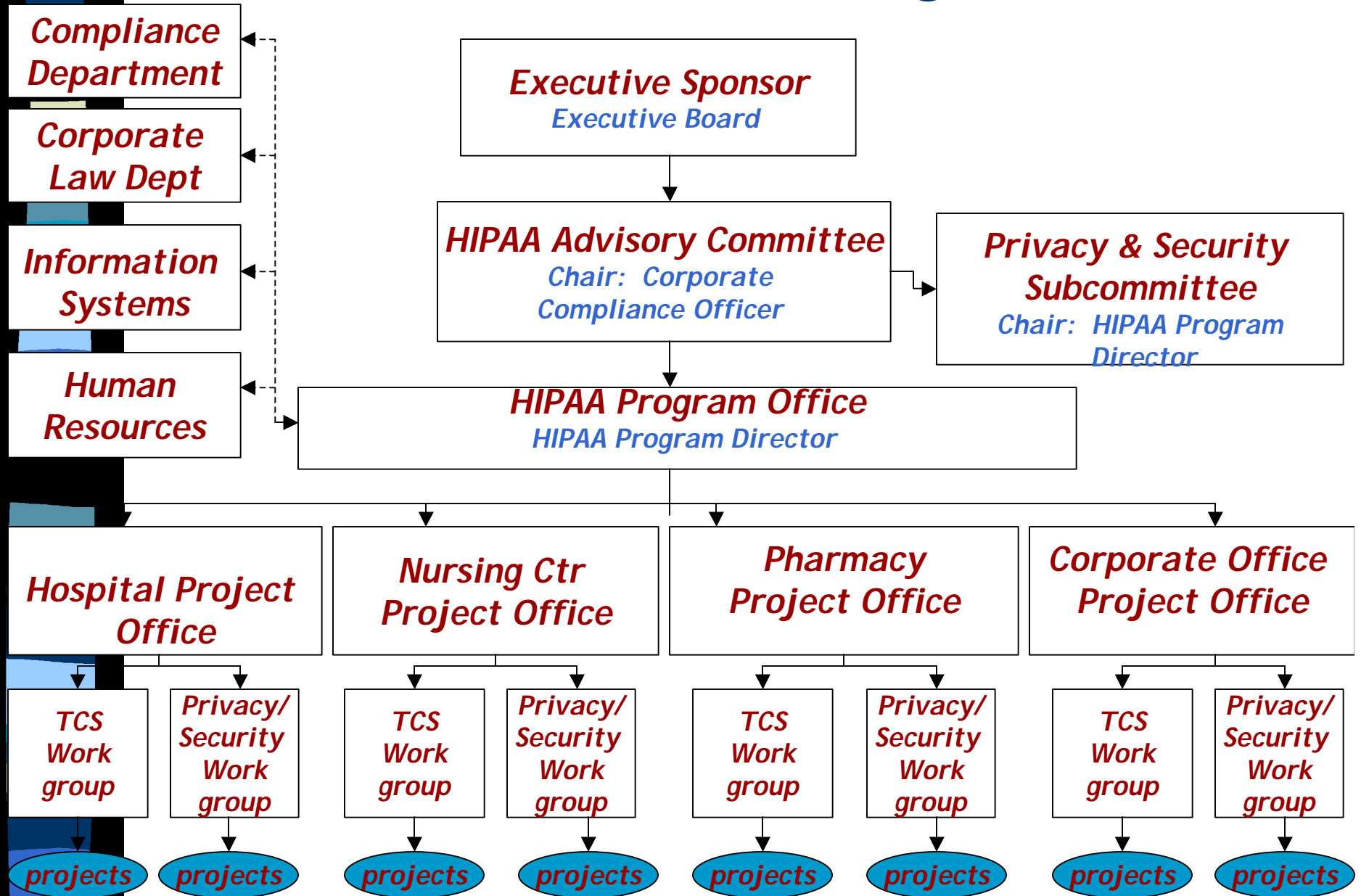
We are a \$3 billion longterm healthcare company. We deliver services through two Divisions, supported by the Corporate Office.



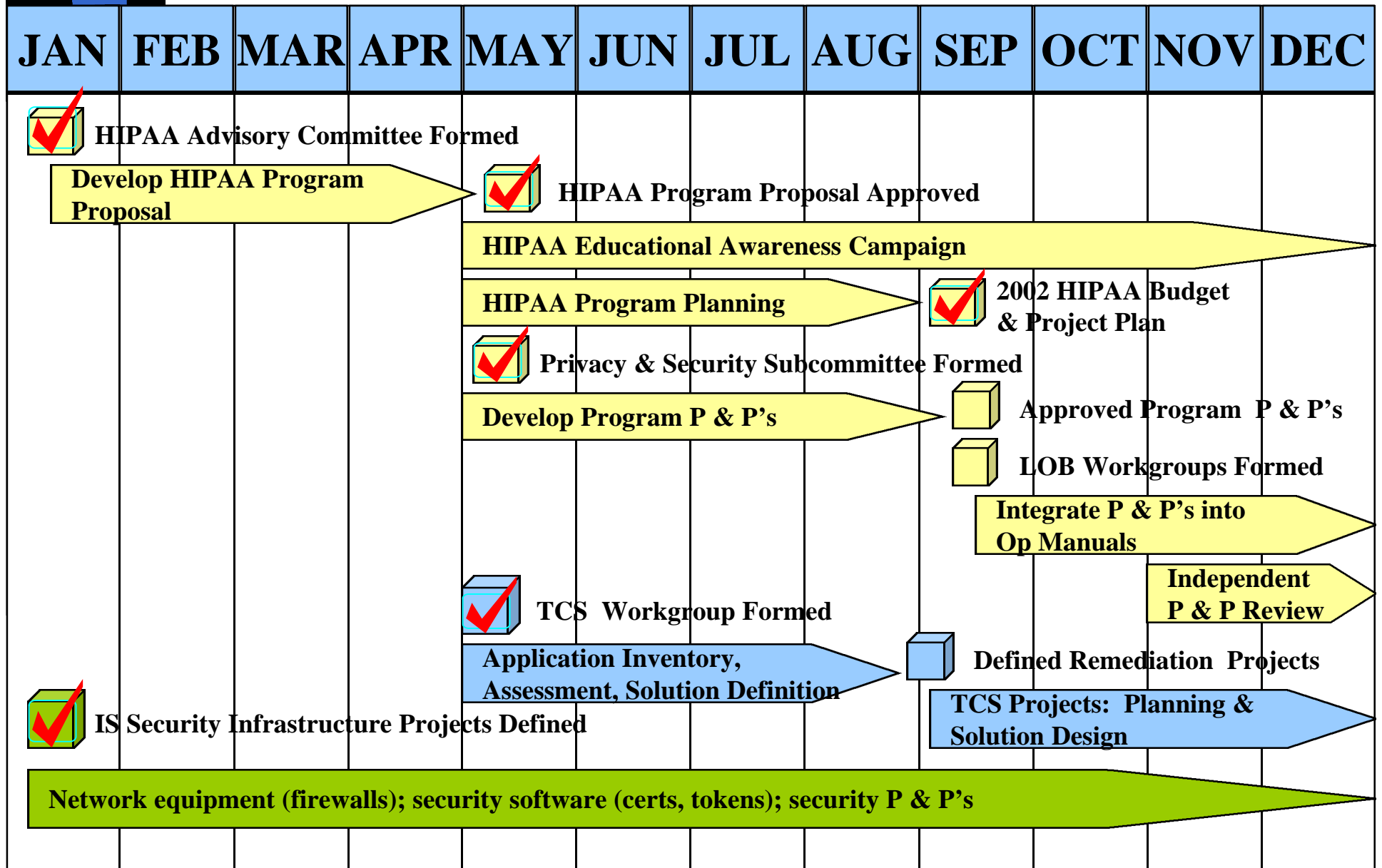
Health Services Division Structure



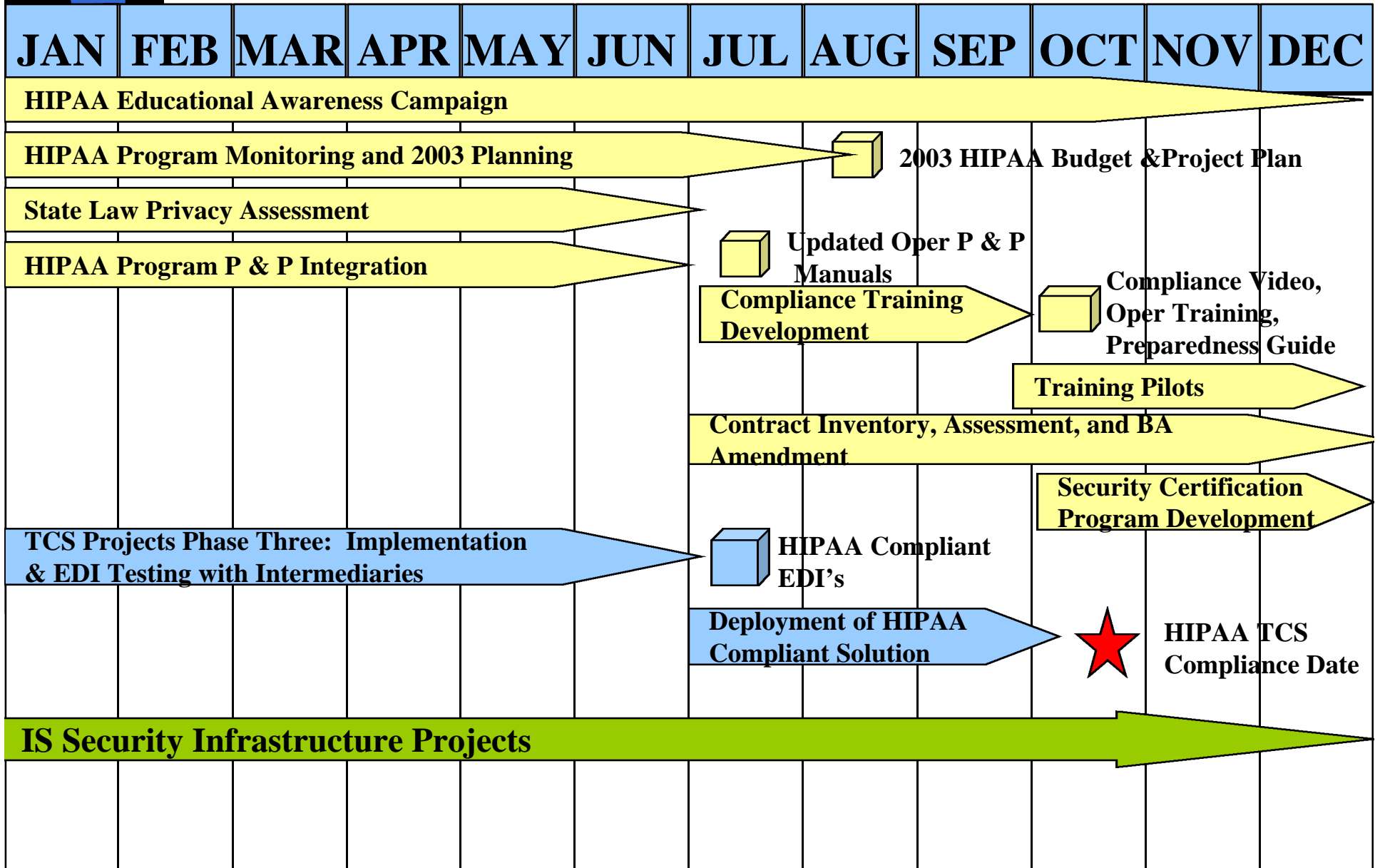
Kindred's HIPAA Program



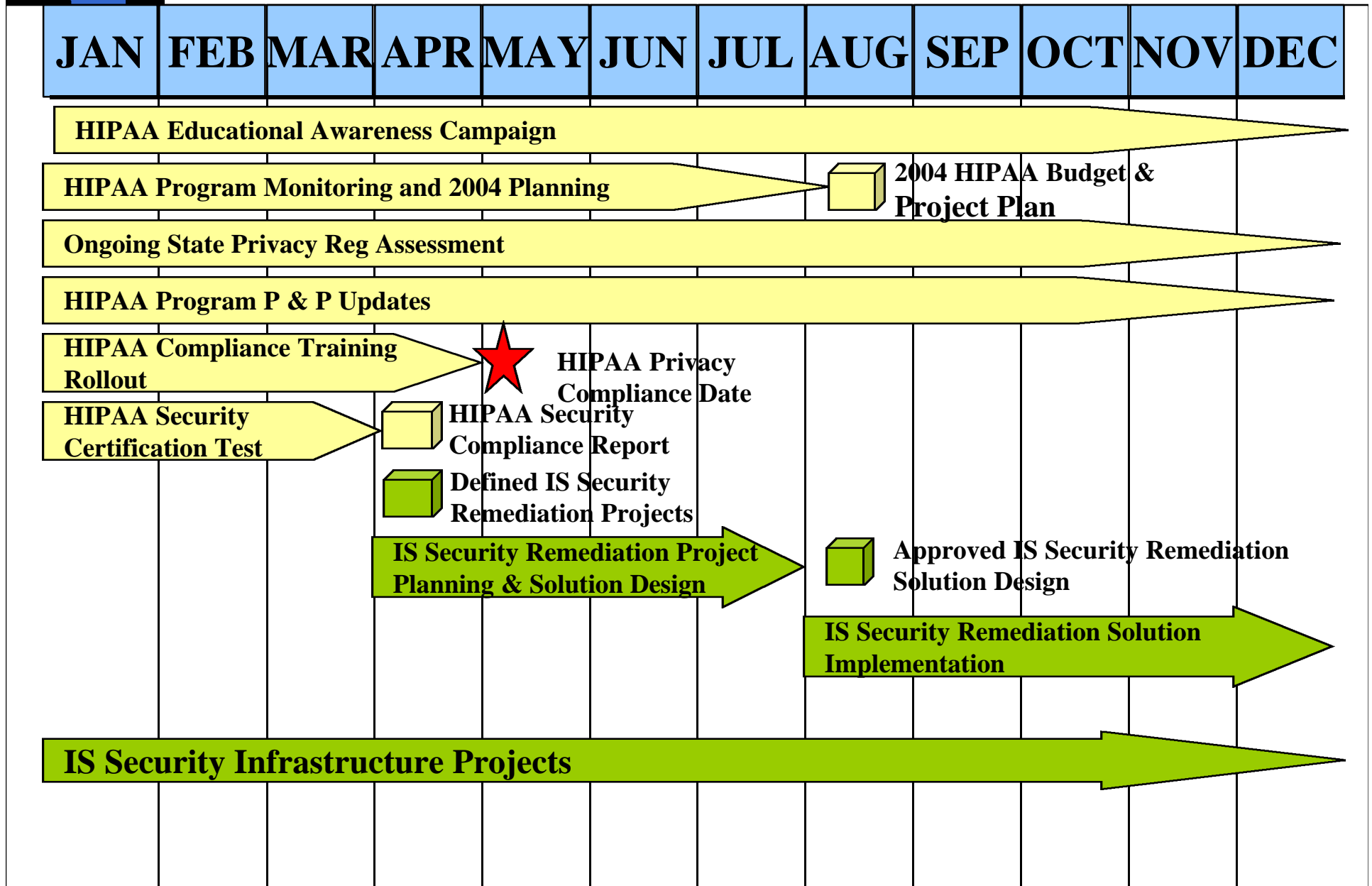
HIPAA Program Timeline 2001



HIPAA Program Timeline 2002



HIPAA Program Timeline 2003





Next Steps

- LTC Consortium compiling concerns for possible consideration in further HHS guidance and rule changes
- Kindred to finish program policies and procedures by end of year
- Kindred will continue internal education/awareness efforts

Questions?

