

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**Y2K READINESS OF MEDICARE
FEE-FOR-SERVICE PROVIDERS
AS OF JULY 1999**



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Inspector General**

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EXECUTIVE SUMMARY

PURPOSE

To provide information about the Year 2000 (Y2K) readiness of Medicare fee-for-service providers.

BACKGROUND

The Y2K problem impacts Medicare fee-for-service providers in several ways. Billing systems, medical records systems, and biomedical devices must be evaluated for Y2K problems that could cause them to malfunction. Additionally, Medicare providers must contact their vendors and utility suppliers to ensure that external factors will not cause problems that may put beneficiaries at risk. Providers should also complete contingency plans in preparation for possible Y2K-related problems. The Health Care Financing Administration (HCFA) has undertaken extensive outreach efforts to assist Medicare providers in preparing for Y2K.

For this inspection, we sent anonymous surveys to 5000 randomly-selected Medicare providers representing five provider groups: acute-care hospitals, nursing facilities, home health agencies, durable medical equipment (DME) suppliers, and physicians. Response rates ranged from a high of 56 percent for hospitals to a low of 20 percent for physicians.

The Office of Inspector General released a report on the Y2K readiness of Medicare fee-for-service providers in March of 1999, and a report on the Y2K readiness of Medicare managed-care organizations in May of 1999. An update to the latter report will be released in the near future.

Recognizing the importance of provider readiness, the United States House of Representatives Committee on Commerce and the Senate Special Committee on the Year 2000 Technology Problem requested that we conduct this inspection.

FINDINGS

Approximately two-thirds of Medicare fee-for-service providers reported that their billing and medical records systems were Y2K ready

Sixty-one to 75 percent of providers who use computerized billing and medical records systems reported that these systems were Y2K ready. Almost all providers expected their billing and medical records systems to be fully ready by the end of 1999. However, at

least one-third of providers reported that they had not yet tested the readiness of these systems. Furthermore, many providers had not tested data exchanges with vendors and contractors.

Even fewer fee-for-service providers reported that their biomedical equipment was Y2K ready

Less than half of providers reported that all of their biomedical equipment was Y2K ready. However, most providers expected their biomedical equipment to be completely ready by the end of the year. Hospitals were the most likely of the provider groups to report that they had tested their equipment. The majority of providers indicated that they are relying on the manufacturers of their biomedical equipment to provide Y2K information.

Many Medicare fee-for-service providers had not completed contingency plans

Less than 60 percent of survey respondents said they had completed contingency plans. Some providers reported that they did not intend to make contingency plans before the end of the year. In addition, uncertainty about external suppliers and utility providers was also a cause of concern among some Medicare providers.

Not all providers are taking advantage of Federal outreach efforts

Some providers were not aware that Y2K information is available on numerous Federal websites. However, almost all of the respondents who had visited the websites found them to be helpful. While approximately 70 percent of providers reported that their Medicare contractors had sent them information or offered assistance with Y2K, about 30 percent were unaware of contractor efforts.

CONCLUSION

Many Medicare fee-for-service providers were not Y2K ready as of July 1999, and we have concerns that some providers may not be ready by January 1, 2000.

In the six months between our two surveys, health care providers have generally reported improvements in the status of their billing systems, medical records systems, and biomedical equipment. Providers were also more likely to report having completed contingency plans than they were six months ago. However, certain provider groups are further along the path to Y2K readiness than others. These differences are reflected in: their reported readiness as of July 1999; the concrete steps they have taken in preparation for Y2K; and their higher response rates.

Furthermore, some providers still report not taking the necessary steps to ensure that they are Y2K ready. Additionally, since a large number of providers did not respond to our

survey, we have no information to measure their current Y2K status, or their prospects for future readiness.

While Y2K readiness is the responsibility of individual providers, HCFA has undertaken numerous efforts to assist them. As HCFA, as well as the provider associations, continue their outreach and education initiatives, we suggest they focus on the following: emphasizing the need to test data exchanges as well as internal computer systems, stressing the importance of contingency planning, and publicizing websites where Y2K information is available. With only a few months left until the year 2000 arrives, it is increasingly important that HCFA, provider associations, and the providers themselves work together to ensure that beneficiaries will continue to receive uninterrupted quality care.

Agency Comments

The HCFA agreed with our conclusions, stating that our survey confirms what their own outreach efforts have found: providers have made progress in Y2K readiness, but there is still much work to be done. Additionally, HCFA provided a detailed account of their past outreach activities and future plans. They concluded by stating that Y2K continues to be the agency's top priority. The full text of their comments is found in Appendix C.

We commend HCFA's attention and concern regarding Medicare fee-for-service providers' readiness for Y2K, and support their plans for continued outreach activities.

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INTRODUCTION

PURPOSE

To provide information about the Year 2000 (Y2K) readiness of Medicare fee-for-service providers.

BACKGROUND

Early programmers had to deal with two major constraints in the first few years of computer technology: limited computer memory and high data storage costs. Today's Y2K problems stem directly from early programmers' use of an "implied century." This allowed them to conserve space by coding the year as a two-digit code rather than a four-digit code in the date field. For instance, the year 1970 was entered as 70, and the year 1980 as 80.

Computers that do not rely on implied centuries, and are therefore capable of processing four-digit years after 1999, are said to be "Y2K ready" or "Y2K compliant." Computers that are not Y2K compliant will malfunction when the implied century (the first two digits of a four-digit year) is not 19. The year 2000 in a non-Y2K compliant computer is read as '00', and thus interpreted as 1900. When this happens, computers will have problems processing information.

The Impact of Y2K on Medicare

According to the Health Care Financing Administration (HCFA), the Medicare program has 100 mission-critical computer systems containing almost 50 million lines of programming code. The HCFA has made it a top priority to ensure that these systems, and the systems of its contractors, are ready for the year 2000.

HCFA must also be concerned with the compliance of individual systems used by Medicare fee-for-service providers. The Y2K problem impacts Medicare providers in several ways. Medical records systems must be readied in order to safeguard patient care. Biomedical devices containing embedded microchips must be evaluated for Y2K problems that could cause them to malfunction. Billing and financial systems must be updated so that electronic Medicare claims can be properly submitted and reimbursed. Furthermore, Medicare providers must contact their vendors and utility suppliers to ensure that external factors will not cause problems that may put beneficiaries at risk. Finally, providers should also complete contingency plans in preparation for possible Y2K-related problems.

In addition to preparing its own internal and external contractor systems for Y2K, HCFA has conducted extensive outreach to Medicare fee-for-service providers. Its efforts are intended to ensure that providers are capable of submitting Y2K compliant claims to HCFA, and to help make providers aware they must have their individual systems renovated and tested. As part of this outreach initiative, HCFA mailed more than one million letters regarding the Y2K issue to Medicare providers in January of 1999. The letter stated that HCFA will be ready to process and pay all acceptable claims on January 1, 2000, and stressed that providers must take steps to ensure their own Y2K readiness. A checklist was included with the letter to assist providers in assessing their Y2K compliance. The HCFA then sent follow-up letters to all Medicare providers in May.

The HCFA has also used the Internet as a means to disseminate Y2K information to its providers. On its website, HCFA has provided extensive information on a variety of topics, including outreach seminars, system testing guidelines, and HCFA's own Y2K status. Additionally, HCFA provides links to many other Y2K websites, including the Department of Veterans Affairs and the Food and Drug Administration (FDA). The Department of Veterans Affairs' website provides thorough contingency planning guidelines, while the FDA's website includes a comprehensive database which allows providers to determine the Y2K status of many pieces of biomedical equipment.

Recognizing the importance of Medicare provider readiness, the United States House of Representatives Committee on Commerce and the Senate Special Committee on the Year 2000 Technology Problem requested that we conduct this inspection.

Related Work by the Office of Inspector General

The Office of Inspector General released a previous report on fee-for-service provider readiness for Y2K in March of 1999. The original report, *Y2K Readiness of Medicare Providers* (OEI-03-98-00250), evaluated the Y2K readiness of five types of Medicare providers: acute-care hospitals, nursing facilities, home health agencies, durable medical equipment (DME) suppliers, and physicians. We found that about half of providers responded that their billing and medical records systems were ready. However, providers were less confident in the readiness of their biomedical equipment. Furthermore, less than half of respondents had developed contingency plans in anticipation of Y2K-related problems, and many respondents reported difficulty in getting Y2K guarantees from their external vendors.

A companion report, *Secondary Analysis of Medicare Provider Readiness for Y2K* (OEI-03-98-00252), found that there were few differences in Y2K readiness based on demographic indicators such as urban or rural setting, use of a billing service, and affiliation with a chain. The size of the provider, however, did seem to effect Y2K readiness, with larger providers generally being better prepared than smaller providers.

Furthermore, in May of 1999, the OIG released a report entitled *Y2K Readiness of Managed Care Organizations* (OEI-05-98-00590). We found that Medicare managed care organizations appear to be moving toward internal compliance. However, most managed care organizations are unaware of their providers' Y2K status. An update to this report will be released in the near future.

METHODOLOGY

Using Medicare databases, we sampled the same five provider groups as we did for our previous survey: acute-care hospitals, nursing facilities, home health agencies, DME suppliers, and physicians. We selected a simple random sample of 1000 fee-for-service providers from each of these five provider groups.

We sent anonymous surveys to 5000 sampled providers on June 30, 1999. We accepted responses through August 6, 1999. In order to increase response rates, we assured providers that their responses were completely anonymous, and that we had no way of tracking who responded to our request. We also mailed a reminder postcard to all providers one week after the survey was sent. We received completed surveys from 56 percent of hospitals, 45 percent of nursing facilities, 43 percent of home health agencies, 29 percent of DME suppliers, and 20 percent of physicians. We also received letters from 74 providers indicating that they are aware of the Y2K problem and are actively working towards a solution.

In order to maintain consistency with our previous study, this survey revisited several key issues: Y2K awareness, contingency planning, computer systems, biomedical equipment, Medicare claim filing, and external suppliers. We designed the surveys in cooperation with HCFA and several professional and trade associations. The following organizations worked with us and allowed us to highlight their cooperation in the survey instruments sent to providers: American Association of Homes and Services for the Aging, American Health Care Association, American Hospital Association, American Medical Association, Health Industry Distributors Association, National Association for Home Care, and National Association for Medical Equipment Services.

We analyzed survey responses to each question for all provider groups. We calculated percentages based on the number of answers provided for each response category. We compared the various groups to determine if differences existed among provider types. Providers' responses to individual survey questions are presented in Appendix A.

This inspection was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

Comparison to Prior Office of Inspector General Reports

In general, the methodology of this inspection was very similar to our previous survey of Medicare fee-for-service providers conducted in January of 1999. However, based on our experience with the initial survey, we have made improvements to our current methodology, some of which make comparisons with the January survey difficult. For example, the July survey was shortened considerably, numerous survey questions were changed, and our samples were no longer stratified based on an urban or rural designation.

Furthermore, in order to provide full disclosure to HCFA, we included “not applicable” responses when reporting the results from the January survey. However, for this inspection, we have removed ‘not applicable’ responses from the analysis, which we feel gives a clearer picture of provider readiness. Because of these changes, the percentages presented in the two reports do not correspond on a one-to-one basis, and therefore, direct comparisons are complicated.

However, because we believe that measuring the progress of providers during the six months between our two surveys is important, we have re-analyzed several key questions from the initial Y2K report. We did this by removing “not applicable” responses from the January survey data, and by combining the urban and rural strata for each provider group.

In the conclusion, we have given general comments on the improvements made by providers between our initial inspection and this inspection. Additionally, Appendix B provides charts which directly compare the re-analyzed provider responses from January with the July responses for four important variables: billing system readiness, medical records system readiness, biomedical equipment readiness, and contingency planning.

Limitations of Survey Data

The data analyzed for this report were furnished by individual Medicare providers, and were not verified for accuracy. Additionally, the data are based solely on those providers who responded to the survey. We are unable to make any statements about the Y2K readiness of those who did not respond. Because of the low response rates among certain provider groups, readers should be cautious in using our data to make generalizations about the entire provider community.

FINDINGS

Approximately two-thirds of Medicare fee-for-service providers reported that their billing and medical records systems were Y2K ready

Sixty-one to 75 percent of providers who use computerized billing and medical records systems reported that these systems were Y2K ready

The reported readiness of computerized billing and medical records systems varied slightly by provider group. Responses from nursing facilities and physicians indicate that they are marginally behind hospitals, home health agencies, and DME suppliers in these two areas (see Figure 1 on page 11).

Most providers predicted that their billing and medical records systems will be ready by the end of the year

Nearly all providers responded that their billing and medical records systems will be 100 percent ready by December 31, 1999. Less than two percent reported that these systems will not be fully Y2K ready on time.

However, at least one-third of providers reported they have not yet tested the readiness of their systems

Although more than 80 percent of respondents reported that they have assessed the Y2K readiness of their billing and medical records systems, only about 60 percent said they had actually tested their readiness. Hospitals were more likely to report having tested these systems than were the other provider groups. Additionally, less than half of all providers reported that an independent party had verified their systems' Y2K status.

Many providers had not tested data exchanges with vendors and contractors

Approximately half of the respondents stated that they had tested data exchanges with their billing vendor or clearinghouse. Furthermore, less than one-quarter said they had tested claims submission in a future-date environment with their Medicare contractor, even though many reported that their contractor had encouraged them to do so. Of providers who had not tested data exchange, more than half plan to do so in the near future.

Even fewer fee-for-service providers reported that their biomedical equipment was Y2K ready

Less than half of providers reported that all of their biomedical equipment was Y2K ready

Only 27 percent of hospitals reported that all of their biomedical equipment was Y2K ready. Among the other provider groups, the reported readiness was approximately 50 percent (see Figure 1 on next page). Of those not completely ready, hospitals reported 86 percent of their biomedical equipment was ready, while other provider groups said approximately 70 percent of their equipment was ready.

Most providers expected their biomedical equipment to be completely ready by the end of the year

More than 90 percent of providers reported that their biomedical equipment will be completely ready by December 31, 1999. In general, providers who predicted that their equipment will not be totally ready felt that only a small percentage of their biomedical equipment would not be compliant on time.

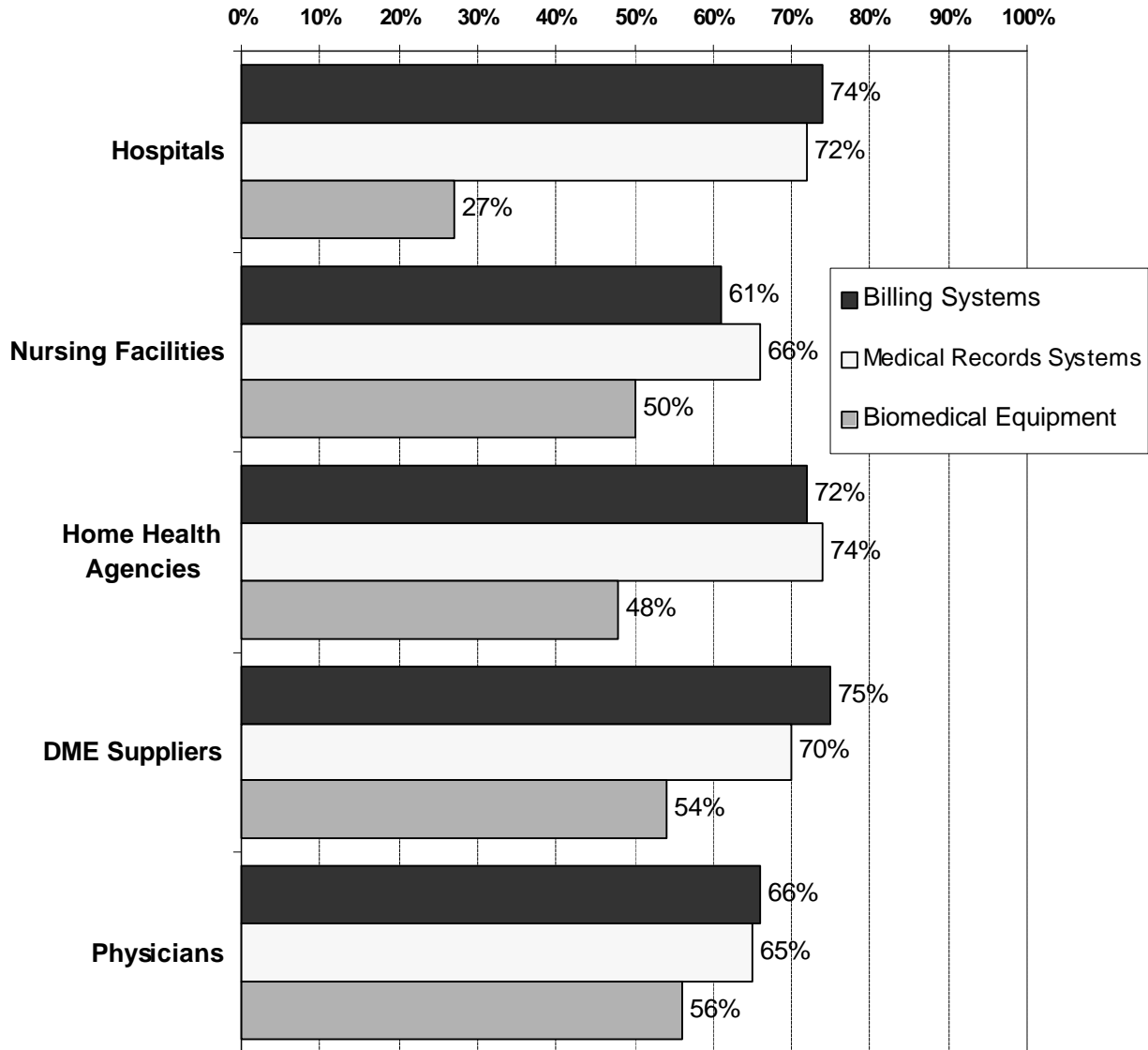
Hospitals were significantly more likely than other providers to report that they had tested their biomedical equipment

Almost 70 percent of hospitals reported that they had tested their biomedical equipment. Fifty percent or less of nursing facilities, home health agencies, DME suppliers, and physicians said that they had tested. Furthermore, only 40 percent of the hospitals and one-quarter of the other provider groups reported that a third party had independently verified the status of their biomedical equipment.

The majority of providers reported that they are relying on the manufacturers of their biomedical equipment to provide Y2K information

Over 60 percent of providers responded that they are relying on manufacturers' statements regarding the Y2K readiness of their biomedical equipment. However, half of the hospitals reported that they had problems getting Y2K information from these manufacturers. More than one in five providers did not feel they had the information necessary to evaluate the Y2K readiness of their biomedical equipment.

FIGURE 1: PROVIDER READINESS
Percent Who Reported Current Y2K Readiness



Source: Office of Evaluation and Inspections Survey - July 1999

Note: Please see Appendix B for comparison with January 1999 survey data.

Many Medicare fee-for-service providers have not completed contingency plans

Less than 60 percent of survey respondents stated that they had completed contingency plans

Fifty-nine percent of hospitals reported that they had completed contingency plans in preparation for potential Y2K-related failures. The percentages were slightly lower for the other provider groups (see Figure 2 on next page). Furthermore, less than half of the respondents stated that they had tested their contingency plans.

Some providers said that they will not make contingency plans

Approximately one-quarter of DME suppliers and physicians who did not have contingency plans said they had no intention of completing them in anticipation of the Year 2000. However, nearly all hospitals, and most nursing facilities and home health agencies, reported that they will make contingency plans before the end of the year.

Uncertainty about external suppliers and utility providers was a cause of concern among some Medicare providers

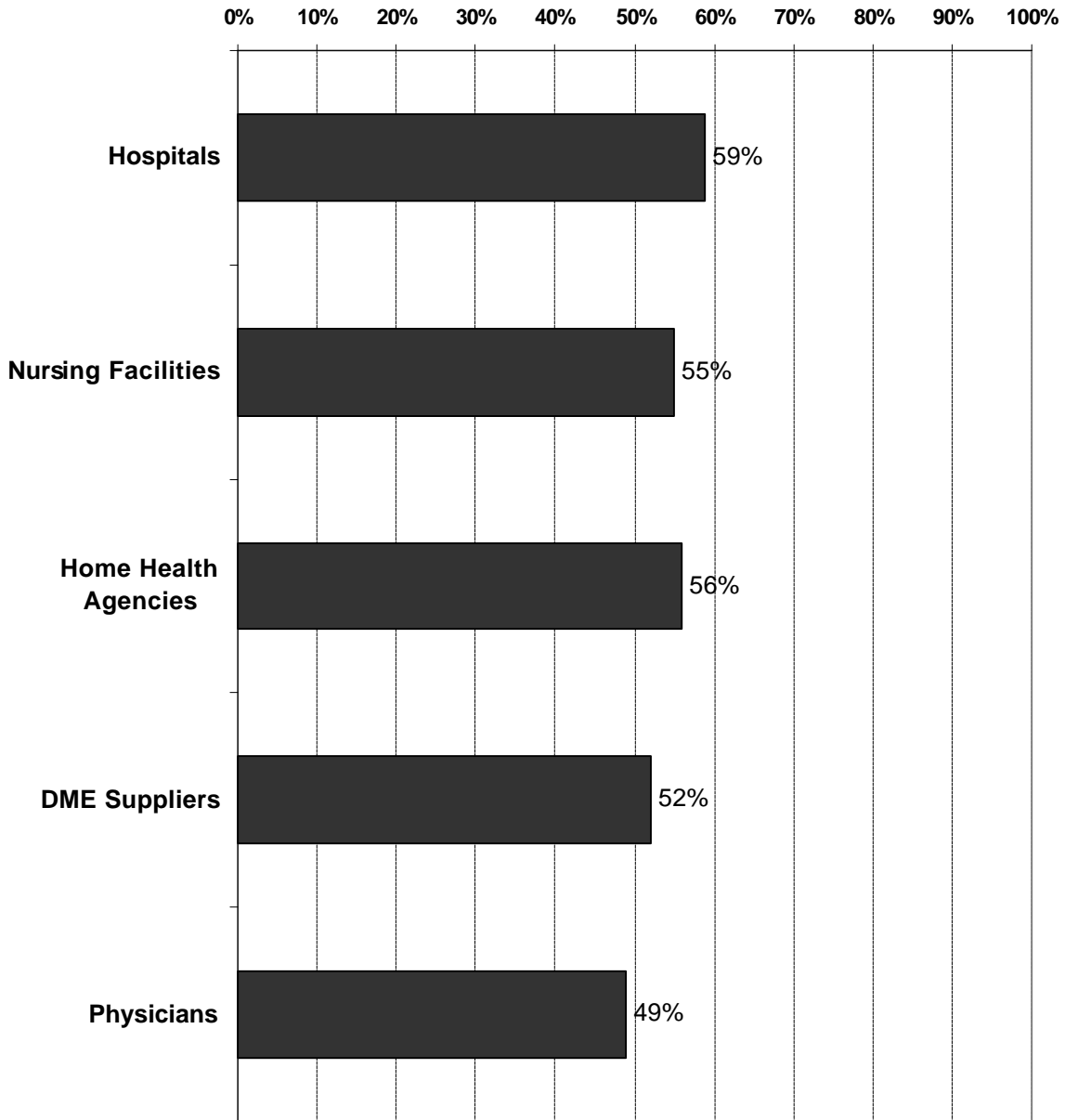
Approximately one-third of DME suppliers and physicians had not identified all of their external suppliers (e.g. pharmaceutical suppliers, food suppliers) and utility providers. Additionally, only half of hospitals and nursing facilities and less than 40 percent of the other provider groups reported that they had received certifications of Y2K readiness from these external entities.

Not all providers are taking advantage of Federal outreach efforts

Approximately one-half of hospitals, nursing facilities and home health agencies reported visiting HCFA's website. However, less than 20 percent of DME suppliers and physicians had done so. With the exception of hospitals, less than one-quarter of respondents had been to the FDA's website. Less than one-third of providers were even aware of the Department of Veterans Affairs' website. However, approximately 90 percent of providers who had been to the HCFA and FDA sites said they found them to be helpful.

Furthermore, approximately 70 percent of providers reported that their Medicare contractors had sent them information or offered assistance with Y2K issues. Only 15 percent of respondents reported that their Medicare contractor had not contacted them about Y2K. Another 15 percent said they did not know if they had received anything concerning Y2K from their contractors.

FIGURE 2: CONTINGENCY PLANNING
Percent Who Reported Completing Contingency Plans



Source: Office of Evaluation and Inspections Survey - July 1999

Note: Please see Appendix B for comparison with January 1999 survey data.

CONCLUSION

Many Medicare fee-for-service providers were not Y2K ready as of July 1999, and we have concerns that some providers may not be ready by January 1, 2000.

In the six months between our two surveys, health care providers have generally reported improvements in the status of their billing systems, medical records systems, and biomedical equipment. Providers were also more likely to report having completed contingency plans than they were six months ago. However, certain provider groups are further along the path to Y2K readiness than others. These differences are reflected in: their reported readiness as of July 1999; the concrete steps they have taken in preparation for Y2K; and their higher response rates.

Furthermore, some providers still report not taking the necessary steps to ensure that they are Y2K ready. Additionally, since a large number of providers did not respond to our survey, we have no information to measure their current Y2K status, or their prospects for future readiness.

While Y2K readiness is the responsibility of individual providers, HCFA has undertaken numerous efforts to assist them. As HCFA, as well as the provider associations, continue their outreach and education initiatives, we suggest they focus on the following: emphasizing the need to test data exchanges as well as internal computer systems, stressing the importance of contingency planning, and publicizing websites where Y2K information is available. With only a few months left until the year 2000 arrives, it is increasingly important that HCFA, provider associations, and the providers themselves work together to ensure that beneficiaries will continue to receive uninterrupted quality care.

Agency Comments

The HCFA agreed with our conclusions, stating that our survey confirms what their own outreach efforts have found: providers have made progress in Y2K readiness, but there is still much work to be done. Additionally, HCFA provided a detailed account of their past outreach activities and future plans. They concluded by stating that Y2K continues to be the agency's top priority. The full text of their comments is found in Appendix C.

We commend HCFA's attention and concern regarding Medicare fee-for-service providers' readiness for Y2K, and support their plans for continued outreach activities.

Provider Survey Responses

In this appendix, we present the aggregated responses to our Year 2000 survey by provider type.

KEY:

n = number of responses to the question (not applicable responses excluded)

Yes = percentage of n answering “Yes”

No = percentage of n answering “No”

Don’t Know = percentage of n answering “Don’t Know”

Note: All percentages may not add to 100 due to rounding

SURVEY RESPONSE RATES:

Provider Type	Total Number	Surveys Mailed	Surveys Returned	
Hospitals	5,692	1,000	559	56%
Nursing Facilities	16,749	1,000	448	45%
Home Health Agencies	9,098	1,000	426	43%
DME Suppliers	109,429	1,000	293	29%
	831,091	1,000	198	20%

A. Y2K Awareness and Contingency Planning

1. Do you feel that your ability to provide quality care could be compromised by Y2K?	Provider Type	n	Yes	No	Don't Know
	Hospital	550	17%	79%	4%
	Nursing Facility	442	18%	74%	8%
	Home Health Agency	419	22%	73%	5%
	DME Supplier	288	15%	74%	10%
	Physician	196	16%	78%	6%
2. Is your corporate headquarters responsible for your Y2K readiness?	Provider Type	n	Yes	No	Don't Know
	Hospital	418	64%	36%	0%
	Nursing Facility	375	76%	23%	1%
	Home Health Agency	363	82%	18%	0%
	DME Supplier	223	79%	21%	0%
	Physician	144	72%	25%	3%
3. Have you completed contingency plans in case you experience Y2K-related failures?	Provider Type	n	Yes	No	Don't Know
	Hospital	559	59%	40%	0%
	Nursing Facility	435	55%	38%	7%
	Home Health Agency	414	56%	39%	5%
	DME Supplier	280	52%	41%	7%
	Physician	181	49%	45%	6%
4. If no, do you plan on completing contingency plans before the end of 1999?	Provider Type	n	Yes	No	Don't Know
	Hospital	224	97%	1%	2%
	Nursing Facility	163	87%	7%	7%
	Home Health Agency	161	84%	7%	8%
	DME Supplier	113	66%	23%	11%
	Physician	79	57%	30%	13%

A. Y2K Awareness and Contingency Planning (cont.)

5. To the extent feasible, have you tested your contingency plans?	Provider Type	n	Yes	No	Don't Know
	Hospital	512	46%	53%	2%
	Nursing Facility	380	38%	54%	8%
	Home Health Agency	359	42%	52%	7%
	DME Supplier	238	47%	45%	8%
	Physician	150	46%	45%	9%

B. Billing/Financial Systems

1. Do you use computerized billing/financial systems?	Provider Type	n	Yes	No	Don't Know
	Hospital	556	100%	0%	0%
	Nursing Facility	445	96%	4%	1%
	Home Health Agency	423	97%	3%	0%
	DME Supplier	292	89%	11%	0%
	Physician	196	86%	13%	1%
2. Have you made a complete inventory of your billing/financial systems?	Provider Type	n	Yes	No	Don't Know
	Hospital	555	98%	2%	0%
	Nursing Facility	421	87%	9%	5%
	Home Health Agency	407	84%	10%	6%
	DME Supplier	255	80%	13%	7%
	Physician	167	82%	9%	9%
3. Have you assessed the Y2K readiness of your billing/financial systems?	Provider Type	n	Yes	No	Don't Know
	Hospital	555	98%	2%	1%
	Nursing Facility	421	84%	11%	5%
	Home Health Agency	408	86%	10%	4%
	DME Supplier	257	80%	14%	6%
	Physician	169	87%	7%	7%

B. Billing/Financial Systems (cont.)

4. Have you tested your billing/financial systems to ensure Y2K readiness?	Provider Type	n	Yes	No	Don't Know
	Hospital	552	68%	30%	2%
	Nursing Facility	416	57%	34%	10%
	Home Health Agency	402	58%	34%	8%
	DME Supplier	254	60%	32%	7%
	Physician	167	61%	31%	8%
5. Has an independent party verified the Y2K status of your billing/financial systems?	Provider Type	n	Yes	No	Don't Know
	Hospital	548	43%	52%	5%
	Nursing Facility	412	44%	40%	16%
	Home Health Agency	402	43%	45%	12%
	DME Supplier	254	51%	39%	10%
	Physician	167	56%	36%	8%
6. Are all of your billing/financial systems currently Y2K ready?	Provider Type	n	Yes	No	Don't Know
	Hospital	544	74%	24%	3%
	Nursing Facility	407	61%	28%	11%
	Home Health Agency	395	72%	21%	7%
	DME Supplier	251	75%	13%	12%
	Physician	153	66%	21%	13%
7. If no, what percentage of your billing/financial systems are currently Y2K ready?	Provider Type	n	Mean	Median	Mode
	Hospital	125	65%	75%	90%
	Nursing Facility	103	47%	50%	0%
	Home Health Agency	73	53%	50%	0%
	DME Supplier	28	52%	50%	50%
	Physician	29	40%	50%	0%

B. Billing/Financial Systems (cont.)

8. What percentage of your billing/financial systems will be Y2K ready on December 31, 1999?	Provider Type	n	Mean	Median	Mode
	Hospital	543	100%	100%	100%
	Nursing Facility	376	100%	100%	100%
	Home Health Agency	374	100%	100%	100%
	DME Supplier	228	99%	100%	100%
	Physician	147	99%	100%	100%

C. Clinical/Medical Records Systems

1. Do you use computerized clinical/medical records systems?	Provider Type	n	Yes	No	Don't Know
	Hospital	554	62%	38%	0%
	Nursing Facility	446	73%	26%	0%
	Home Health Agency	423	49%	51%	0%
	DME Supplier	281	46%	54%	0%
	Physician	196	23%	76%	1%
2. Have you made a complete inventory of your clinical/medical records systems?	Provider Type	n	Yes	No	Don't Know
	Hospital	341	97%	3%	1%
	Nursing Facility	324	85%	11%	4%
	Home Health Agency	205	85%	11%	4%
	DME Supplier	129	73%	19%	9%
	Physician	45	84%	7%	9%
3. Have you assessed the Y2K readiness of your clinical/medical records systems?	Provider Type	n	Yes	No	Don't Know
	Hospital	341	98%	2%	1%
	Nursing Facility	325	86%	10%	4%
	Home Health Agency	207	84%	13%	3%
	DME Supplier	129	77%	14%	9%
	Physician	45	80%	9%	11%

C. Clinical/Medical Records Systems (cont.)

4. Have you tested your clinical/medical records system to ensure Y2K readiness?	Provider Type	n	Yes	No	Don't Know
	Hospital	339	67%	32%	1%
	Nursing Facility	322	57%	35%	9%
	Home Health Agency	206	57%	38%	4%
	DME Supplier	129	53%	37%	10%
	Physician	45	47%	40%	13%
5. Has an independent party verified the Y2K status of your clinical/medical records systems?	Provider Type	n	Yes	No	Don't Know
	Hospital	337	42%	54%	4%
	Nursing Facility	322	45%	44%	11%
	Home Health Agency	205	47%	44%	9%
	DME Supplier	129	48%	36%	16%
	Physician	46	46%	39%	15%
6. Are all of your clinical/medical records systems currently Y2K ready?	Provider Type	n	Yes	No	Don't Know
	Hospital	335	72%	26%	2%
	Nursing Facility	318	66%	23%	11%
	Home Health Agency	201	74%	17%	8%
	DME Supplier	127	70%	15%	15%
	Physician	43	65%	23%	12%
7. If no, what percentage of your clinical/medical records systems are currently Y2K ready?	Provider Type	n	Mean	Median	Mode
	Hospital	87	66%	75%	50%
	Nursing Facility	69	47%	50%	0%
	Home Health Agency	29	54%	50%	50%
	DME Supplier	17	42%	35%	0%
	Physician	8	31%	25%	0%

C. Clinical/Medical Records Systems (cont.)

8. What percentage of your clinical/medical records systems will be Y2K ready on December 31, 1999?	Provider Type	n	Mean	Median	Mode
	Hospital	333	100%	100%	100%
	Nursing Facility	295	99%	100%	100%
	Home Health Agency	186	99%	100%	100%
	DME Supplier	108	99%	100%	100%
	Physician	40	100%	100%	100%

D. Biomedical Equipment

1. Do you use biomedical equipment?	Provider Type	n	Yes	No	Don't Know
	Hospital	550	100%	0%	0%
	Nursing Facility	410	59%	37%	4%
	Home Health Agency	370	47%	52%	1%
	DME Supplier	256	41%	57%	2%
	Physician	177	51%	47%	2%
2. Have you made a complete inventory of your biomedical equipment?	Provider Type	n	Yes	No	Don't Know
	Hospital	548	99%	1%	0%
	Nursing Facility	242	83%	15%	2%
	Home Health Agency	173	88%	9%	3%
	DME Supplier	105	86%	13%	1%
	Physician	89	87%	11%	2%
3. Have you had problems getting Y2K information from the manufacturers of your biomedical equipment?	Provider Type	n	Yes	No	Don't Know
	Hospital	547	48%	49%	3%
	Nursing Facility	236	28%	64%	8%
	Home Health Agency	170	27%	60%	13%
	DME Supplier	101	18%	74%	8%
	Physician	87	16%	67%	17%

D. Biomedical Equipment (cont.)

4. Do you feel you now have the information necessary to evaluate the Y2K readiness of your equipment?	Provider Type	n	Yes	No	Don't Know
	Hospital	545	86%	12%	2%
	Nursing Facility	242	74%	17%	10%
	Home Health Agency	168	71%	20%	9%
	DME Supplier	102	75%	20%	6%
	Physician	89	72%	18%	10%
5. Are you relying on manufacturer statements concerning the readiness of your biomedical equipment?	Provider Type	n	Yes	No	Don't Know
	Hospital	545	58%	42%	0%
	Nursing Facility	242	66%	29%	6%
	Home Health Agency	172	71%	25%	4%
	DME Supplier	101	62%	36%	2%
	Physician	87	59%	33%	8%
6. Have you tested your biomedical equipment to ensure Y2K readiness?	Provider Type	n	Yes	No	Don't Know
	Hospital	546	68%	30%	1%
	Nursing Facility	232	40%	54%	6%
	Home Health Agency	164	40%	55%	4%
	DME Supplier	102	42%	57%	1%
	Physician	84	50%	44%	6%
7. Has an independent party verified the Y2K status of your biomedical equipment?	Provider Type	n	Yes	No	Don't Know
	Hospital	543	40%	57%	2%
	Nursing Facility	238	25%	61%	13%
	Home Health Agency	167	25%	68%	7%
	DME Supplier	102	18%	77%	5%
	Physician	86	27%	60%	13%

D. Biomedical Equipment (cont.)

8. Is all of your biomedical equipment currently Y2K ready?	Provider Type	n	Yes	No	Don't Know
	Hospital	537	27%	67%	5%
	Nursing Facility	230	50%	24%	25%
	Home Health Agency	159	48%	25%	27%
	DME Supplier	100	54%	28%	18%
	Physician	79	56%	23%	22%
9. If no, what percentage of your biomedical equipment is currently Y2K ready?	Provider Type	n	Mean	Median	Mode
	Hospital	357	86%	90%	90%
	Nursing Facility	49	75%	90%	90%
	Home Health Agency	39	69%	75%	75%
	DME Supplier	28	67%	85%	0%
	Physician	17	66%	80%	80%
10. What percentage of your biomedical equipment will be Y2K ready on December 31, 1999?	Provider Type	n	Mean	Median	Mode
	Hospital	513	99%	100%	100%
	Nursing Facility	185	99%	100%	100%
	Home Health Agency	134	99%	100%	100%
	DME Supplier	83	97%	100%	100%
	Physician	67	99%	100%	100%
11. Do you know the FDA has Y2K information about biomedical equipment on its website (www.fda.gov)?	Provider Type	n	Yes	No	Don't Know
	Hospital	541	79%	18%	2%
	Nursing Facility	353	44%	48%	8%
	Home Health Agency	289	41%	52%	7%
	DME Supplier	174	27%	67%	6%
	Physician	125	26%	69%	6%

D. Biomedical Equipment (cont.)

12. Have you visited the FDA's website to obtain readiness information about biomedical equipment?	Provider Type	n	Yes	No	Don't Know
	Hospital	535	59%	37%	4%
	Nursing Facility	347	25%	70%	4%
	Home Health Agency	277	22%	77%	1%
	DME Supplier	172	11%	88%	1%
	Physician	123	8%	90%	2%

13. Did you find the FDA's website helpful?	Provider Type	n	Yes	No	Don't Know
	Hospital	316	91%	6%	3%
	Nursing Facility	87	95%	3%	1%
	Home Health Agency	54	87%	9%	4%
	DME Supplier	18	100%	0%	0%
	Physician	10	100%	0%	0%

E. Medicare Claim Filing

1. Do you file your Medicare claims electronically?	Provider Type	n	Yes	No	Don't Know
	Hospital	549	97%	1%	2%
	Nursing Facility	411	91%	8%	1%
	Home Health Agency	411	94%	6%	0%
	DME Supplier	281	66%	34%	0%
	Physician	188	61%	35%	5%

2. Do all of your payers require the same claim format?	Provider Type	n	Yes	No	Don't Know
	Hospital	543	42%	45%	13%
	Nursing Facility	399	52%	34%	14%
	Home Health Agency	404	38%	57%	5%
	DME Supplier	266	44%	44%	12%
	Physician	180	50%	33%	17%

E. Medicare Claim Filing (cont.)

3. Do you use an external vendor or clearinghouse for claim submission and payment activities?	Provider Type	n	Yes	No	Don't Know
	Hospital	546	72%	24%	4%
	Nursing Facility	413	36%	58%	6%
	Home Health Agency	408	29%	69%	2%
	DME Supplier	266	41%	54%	5%
	Physician	177	42%	50%	8%
4. Do you send non-compliant dates to your vendor/ clearinghouse for conversion into an 8-digit format?	Provider Type	n	Yes	No	Don't Know
	Hospital	382	24%	53%	23%
	Nursing Facility	142	27%	39%	33%
	Home Health Agency	110	28%	47%	25%
	DME Supplier	102	31%	42%	26%
	Physician	69	26%	45%	29%
5. Have you performed testing with your vendor/ clearinghouse in order to confirm their Y2K readiness?	Provider Type	n	Yes	No	Don't Know
	Hospital	392	53%	40%	6%
	Nursing Facility	145	36%	48%	16%
	Home Health Agency	114	48%	39%	12%
	DME Supplier	109	45%	40%	15%
	Physician	72	47%	42%	11%
6. Has your Medicare contractor sent you information or offered assistance with Y2K issues?	Provider Type	n	Yes	No	Don't Know
	Hospital	542	77%	11%	12%
	Nursing Facility	384	64%	16%	20%
	Home Health Agency	382	78%	14%	8%
	DME Supplier	242	69%	17%	14%
	Physician	162	64%	17%	19%

E. Medicare Claim Filing (cont.)

7. Has your Medicare contractor encouraged you to test claims submission in a future-date environment?	Provider Type	n	Yes	No	Don't Know
	Hospital	540	50%	26%	23%
	Nursing Facility	379	40%	33%	27%
	Home Health Agency	375	51%	35%	15%
	DME Supplier	236	45%	33%	22%
	Physician	156	40%	33%	28%
8. Have you tested claims submission in a future-date environment with your Medicare contractor?	Provider Type	n	Yes	No	Don't Know
	Hospital	538	27%	54%	19%
	Nursing Facility	381	16%	61%	23%
	Home Health Agency	378	19%	67%	14%
	DME Supplier	237	17%	69%	14%
	Physician	154	18%	60%	22%
9. If no, do you plan to test claims submission in a future-date environment with your Medicare contractor?	Provider Type	n	Yes	No	Don't Know
	Hospital	283	65%	17%	17%
	Nursing Facility	228	59%	16%	25%
	Home Health Agency	248	66%	14%	20%
	DME Supplier	154	54%	27%	19%
	Physician	88	51%	30%	19%
10. Have you visited HCFA's website (www.hcfa.gov) to obtain information about Y2K?	Provider Type	n	Yes	No	Don't Know
	Hospital	541	56%	38%	6%
	Nursing Facility	411	40%	56%	4%
	Home Health Agency	402	53%	45%	2%
	DME Supplier	259	16%	82%	2%
	Physician	172	17%	78%	5%

E. Medicare Claim Filing (cont.)

11. Did you find HCFA's website helpful?	Provider Type	n	Yes	No	Don't Know
	Hospital	295	91%	7%	2%
	Nursing Facility	166	90%	9%	1%
	Home Health Agency	208	88%	8%	3%
	DME Supplier	38	92%	8%	0%
	Physician	29	83%	17%	0%

F. External Suppliers

1. Have you identified all external suppliers and utility providers with whom you conduct business?	Provider Type	n	Yes	No	Don't Know
	Hospital	549	94%	5%	1%
	Nursing Facility	436	85%	11%	4%
	Home Health Agency	392	78%	18%	4%
	DME Supplier	270	60%	33%	7%
	Physician	171	56%	35%	9%
2. Have you received certification from these suppliers/providers that their systems will be Y2K ready?	Provider Type	n	Yes	No	Don't Know
	Hospital	545	57%	40%	3%
	Nursing Facility	436	51%	43%	6%
	Home Health Agency	388	40%	51%	8%
	DME Supplier	267	35%	54%	11%
	Physician	163	38%	48%	14%
3. Do you anticipate problems due to disruptions caused by these suppliers'/providers' Y2K problems?	Provider Type	n	Yes	No	Don't Know
	Hospital	547	16%	71%	13%
	Nursing Facility	439	10%	73%	17%
	Home Health Agency	396	12%	71%	17%
	DME Supplier	269	13%	71%	16%
	Physician	169	11%	70%	20%

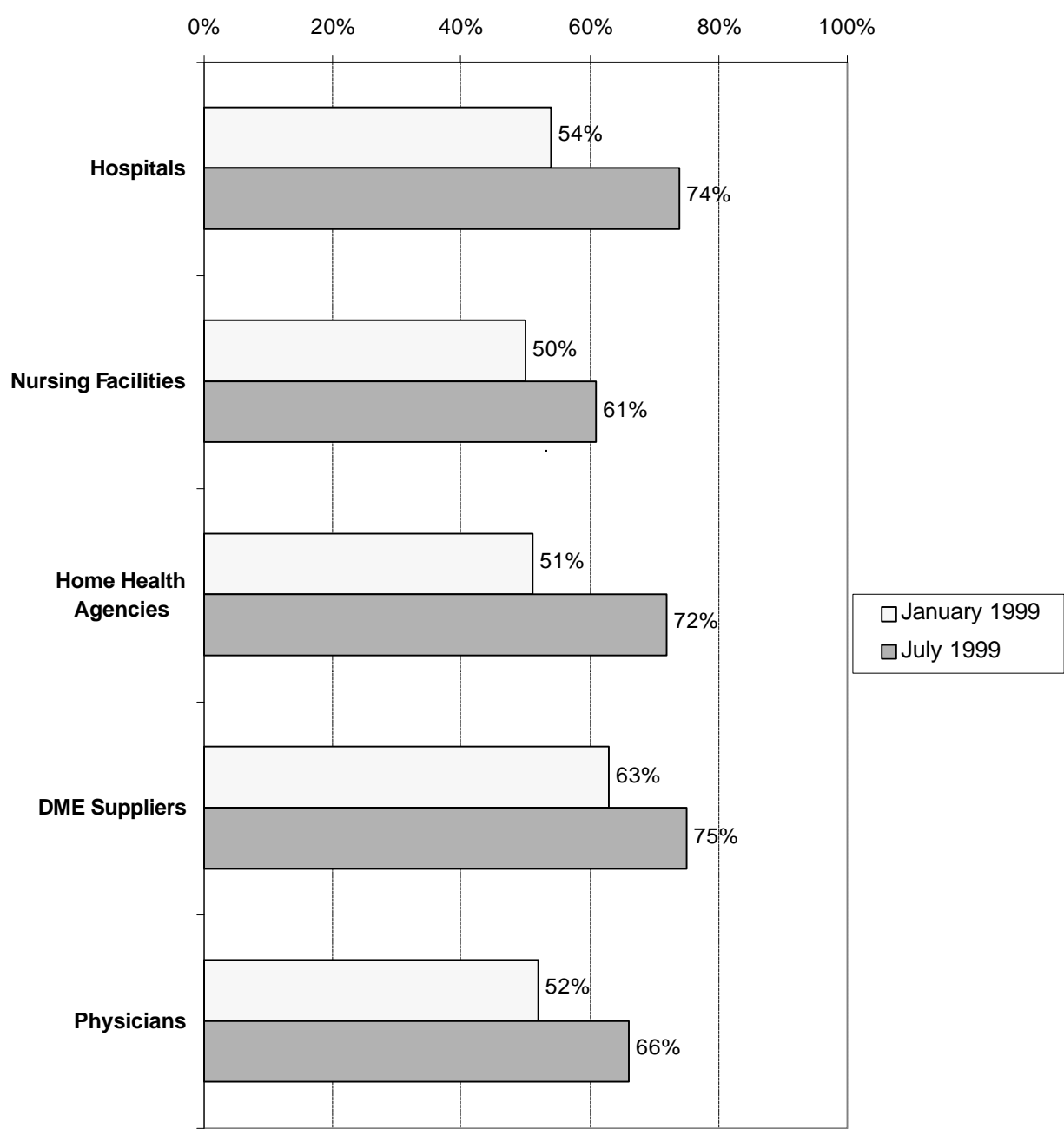
F. External Suppliers (cont.)

4. Are you aware that the Dept. of Veterans Affairs has Y2K information on its website (www.va.gov)?	Provider Type	n	Yes	No	Don't Know
	Hospital	545	37%	59%	3%
	Nursing Facility	433	18%	78%	4%
	Home Health Agency	396	15%	81%	5%
	DME Supplier	268	13%	81%	6%
	Physician	164	7%	84%	9%

Comparison with Previous Survey Results

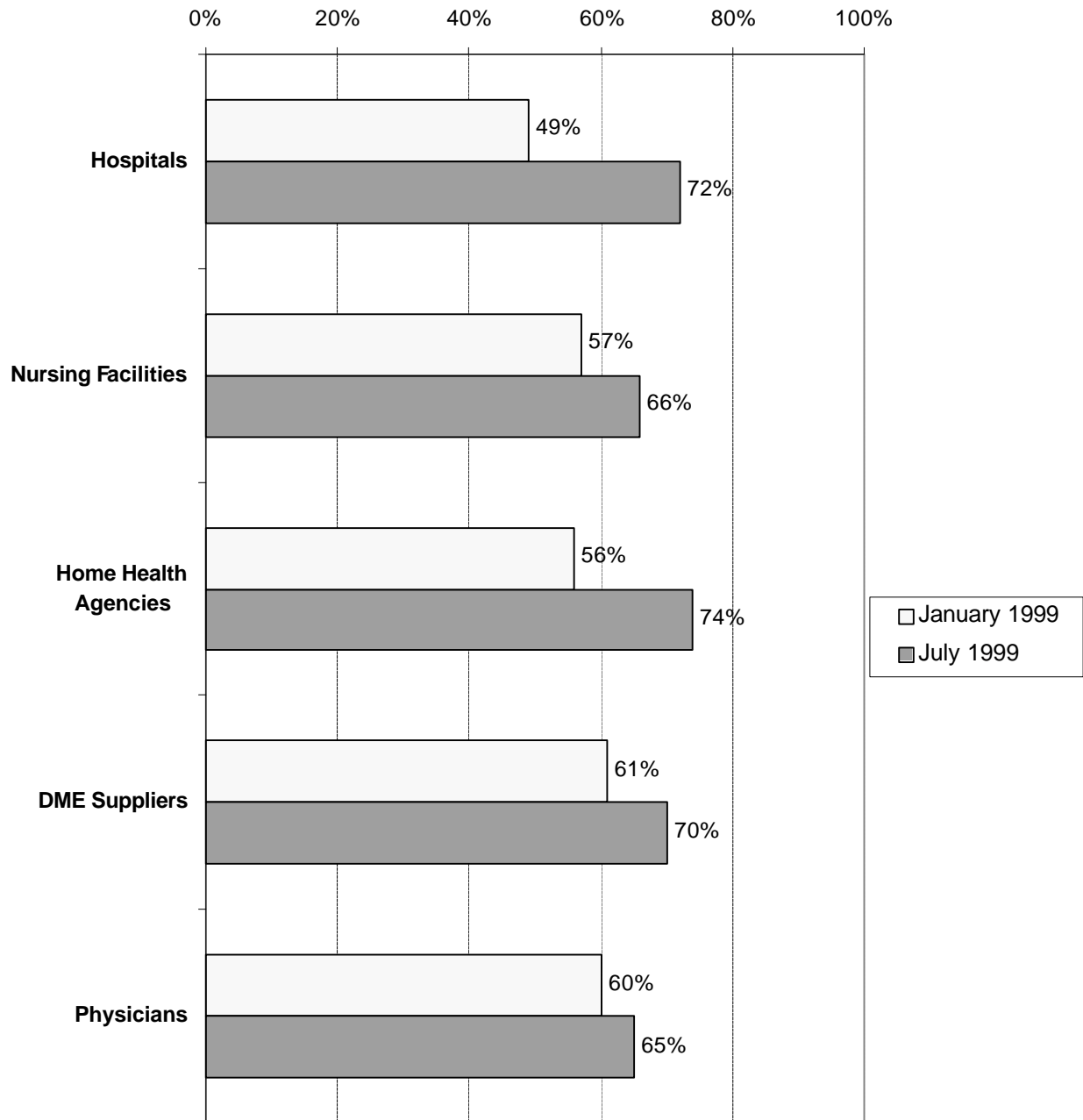
In this appendix, we present a comparison of several key variables from this inspection to similar variables in our prior inspection, *Y2K Readiness of Medicare Providers* (OEI-03-98-00250). These variables involve billing system readiness, medical records system readiness, biomedical equipment readiness, and contingency planning. Please see page 7 for an explanation of how these comparisons were made.

FIGURE 1: BILLING SYSTEM READINESS
Percent Who Reported Billing Systems Were Y2K Ready



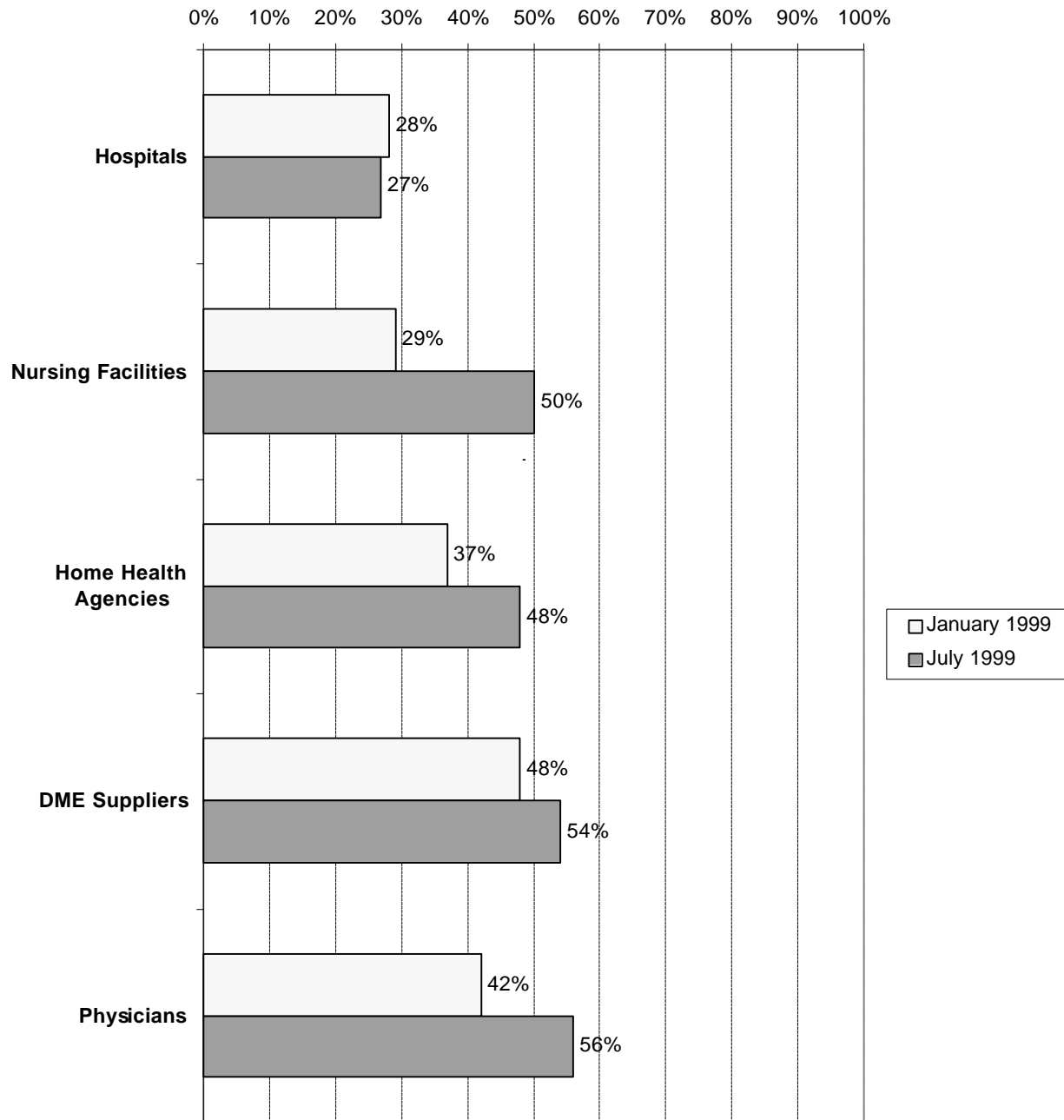
Source: OEI Surveys - January 1999 and July 1999

FIGURE 2: MEDICAL RECORDS SYSTEMS READINESS
Percent Who Reported Medical Records Systems Were Y2K Ready



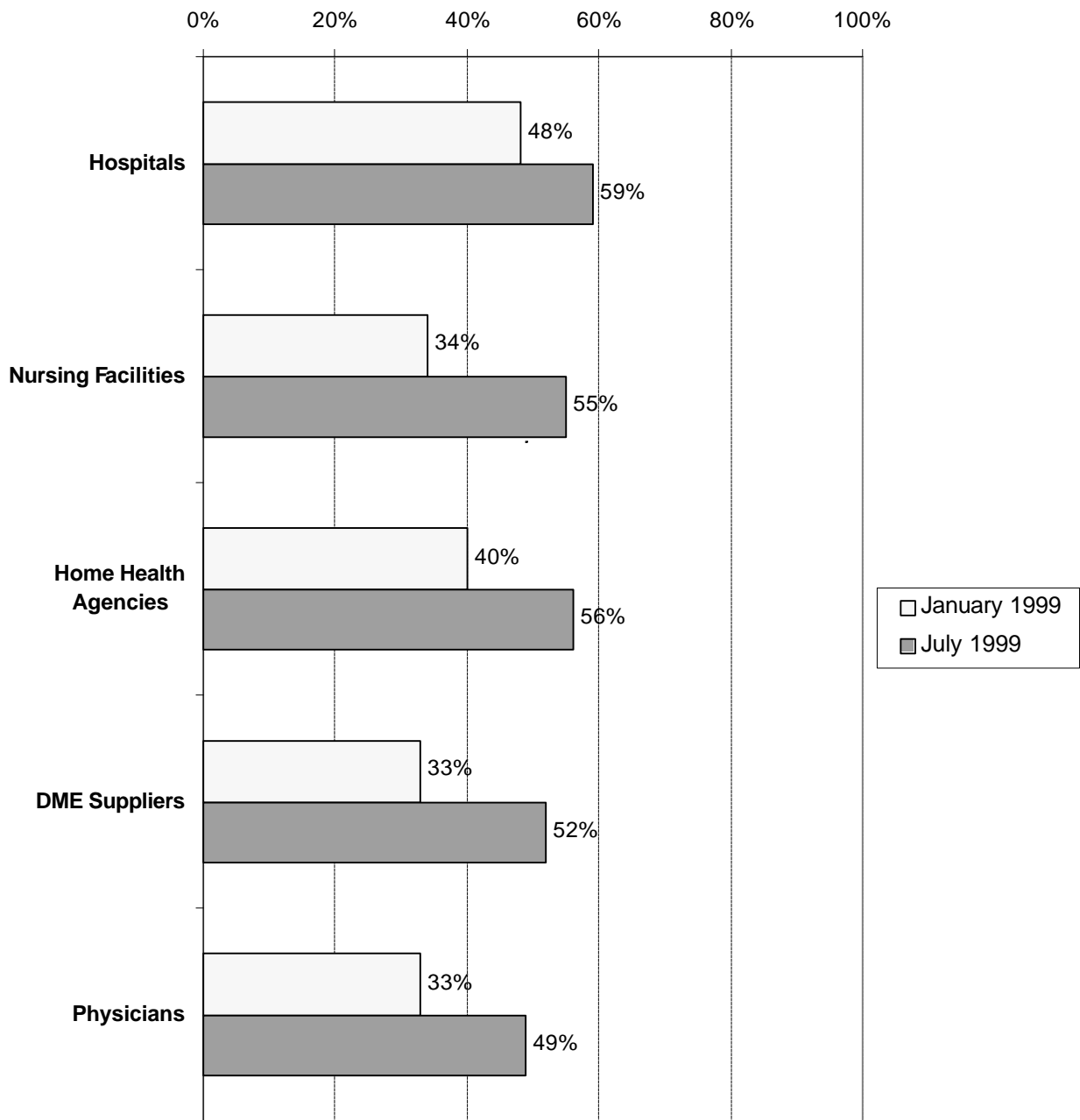
Source: OEI Surveys - January 1999 and July 1999

Figure 3: BIOMEDICAL EQUIPMENT READINESS
Percent Who Reported Biomedical Equipment Was Y2K Ready



Source: OEI Surveys - January 1999 and July 1999

FIGURE 4: CONTINGENCY PLANNING
Percent Who Reported Completing Contingency Plans



Source: OEI Surveys - January 1999 and July 1999

Health Care Financing Administration Comments

In this appendix, we present, in full, comments from the Health Care Financing Administration.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing Administration

Deputy Administrator
Washington, D.C. 20201**DATE:** SEP 30 1999**TO:** June Gibbs Brown
Inspector General**FROM:** Michael M. Hash
Deputy Administrator

SUBJECT: Office of the Inspector General (OIG) Final Report "Y2K Readiness of Medicare Providers as of July 1999," (OEI-03-98-00253)

We appreciate the opportunity to review and comment on the results of the OIG follow-up survey on the readiness of fee-for-service (FFS) health care providers for the Year 2000 (Y2K).

As with the earlier survey OIG conducted on Medicare FFS provider Y2K readiness, we are pleased to have worked with OIG to obtain information from providers as to how they assess their overall readiness for the Year 2000, the readiness of their systems, and the effectiveness of our provider outreach program.

HCFA's own systems, and those owned and operated by the private insurance companies that process and pay Medicare claims, have been renovated, tested, certified and implemented as Y2K ready. That means we are ready to pay for the health care services received by Medicare beneficiaries as long as health care providers can get Y2K compliant bills to us.

With that in mind, we agree with OIG's overall conclusions that, in the six months between the two surveys, health care providers have generally reported improvements in the status of their billing systems, medical records systems, and biomedical equipment, and that providers are more likely to report that contingency plans have been completed.

Despite increasing public awareness and extensive outreach efforts, some providers report they are not ready or are not taking the steps toward Y2K-readiness. We are also concerned that a large number of providers did not respond to the survey at all. Overall, your survey confirms what our own outreach efforts are telling us: providers have made progress in Y2K readiness, but many still have work to do.

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More specifically, the survey results indicate that 15 percent of respondents report their Medicare contractor had not sent them information or offered them assistance with Y2K. Another 15 percent did not know if they had received such information or assistance. This means that 70 percent of responding providers reportedly received information about or assistance for Y2K readiness efforts from their contractors. These findings both validate the success of our outreach efforts and clearly point to the need to aggressively continue our outreach activities over the next few months.

In view of your interest in providers' Y2K readiness, I would like to address our most recent provider outreach efforts and the activities we are emphasizing. As your report states, it is the responsibility of individual providers to make sure they are ready for the Year 2000. However, HCFA has conducted an extensive comprehensive communications and consultation program to assist providers in getting ready for Y2K. We have instructed our contractors to undertake their own proactive outreach efforts to providers who care for beneficiaries to make certain they are able to submit Medicare claims in a Y2K-compliant format (more than 99.5 percent of all providers are now submitting Y2K-compliant claims); encouraging them to conduct future-date testing with their contractors (with HCFA instructing contractors to work toward a goal of testing with 50 percent of their claims volume); and helping providers understand the importance of getting their own internal systems ready for the Year 2000 and provide information to help them accomplish this. I have included an attachment to this memorandum which outlines our outreach efforts in greater detail.

As the millennium deadline approaches, we are refining, re-targeting and redoubling our outreach to those provider groups we and others have identified as needing the most attention. We continue to place special emphasis on the larger billing companies and clearinghouses that many doctors, hospitals and other providers use to submit claims to Medicare. These larger companies should test their ability to submit Y2K-compliant claims with Medicare to ensure they can be paid after January 1, 2000.

Just last week, we co-sponsored an all-day summit in Washington, D.C. specifically designed for billing clearinghouses, third-party billing services, practice management companies, software vendors, and other claims processors. The summit provided information on the mission-critical steps these partners need to take to continue processing claims successfully in the new millennium, as well as up-to-date information on best practices from individuals in the field, including claims processing contractors, billing service providers, and others.

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In addition, too few providers are taking advantage of the opportunity to submit test claims to our contractors. Therefore, we continue to strongly encourage health care providers to test future-dated claims with our claims processing contractors and we are redoubling our efforts to encourage all of our partners and their billing agents to test their systems. Such testing will assist them in determining whether they can successfully generate and submit future-dated claims. If providers do not test, then they really do not know whether their claim submission will function in the new millennium. Clearly, the provider associations have a critical role in helping providers prepare for Y2K, and HCFA continues to work with those associations.

We believe our refined and re-targeted outreach activities and our even stronger emphasis on provider testing of future dated claims with contractors, will help health care providers with their readiness efforts.

Thank you again for the opportunity to respond to this report. Ensuring that Americans who rely on Medicare and Medicaid can receive care come Y2K continues to be HCFA's top priority and we appreciate OIG's valuable work and assistance.

Your report will help guide our additional work - and that of the doctors, hospitals, managed care companies, states, and other providers of health care - and commitment to millions of Medicare and Medicaid beneficiaries.

Attachment

*Attachment***HCFA's Y2K Provider Outreach Campaign**

HCFA has engaged in an unprecedented outreach campaign to raise awareness of these critical issues and encourage Medicare-participating providers to test with their Medicare contractors.

Administrator Letters

- In January, Administrator DeParle sent letters to over one million health care providers/physicians outlining the Year 2000 challenge, including a Y2K readiness checklist and a list of web sites with Y2K educational information.
- A second letter from the Administrator in May urged providers/physicians and suppliers to complete their Y2K remediation work, test their systems and complete and test their business contingency plans.
- A third letter targeted to specific providers is planned for this Fall.

Speakers & Conferences

- We have formed a Speakers' Bureau of HCFA speakers from central office and every region and provided approximately 50 HCFA staff with training on Y2K remediation, testing and contingency planning issues. This group has given hundreds of presentations to provider groups across the country.
- We have sponsored full-day conferences and half-day public learning sessions for health care providers in every state urging assessment, remediation, claims testing, and contingency planning.
- In these conferences, we also had the FDA present material on medical devices and, at many of the events, we also arranged for the Veterans Affairs staff to present information regarding hospital contingency plans and the SBA presented information regarding loans available for small businesses to make Y2K preparations.
- We have spoken at other locations, including a Health Network satellite broadcast; and Audio Digest taping of Y2K educational segments to be included in their September-issued continuing education tapes for physicians nationwide with a core audience of 23,000 physicians.
- Some examples of our impact in recent learning sessions:

Allina Health Systems -Reached their more than one million health plan members serviced by 20 hospitals, 57 clinics, 7 nursing homes, 27 telemedicine sites.

Kaiser Foundation Health Plan, Inc. -Our learning session with this Plan facilitated communication of our message to their approximately 9,000,000 plan members including more than 10,000 group practice physicians, 30 medical centers and 361 medical offices.

Daughters of Charity - Our session with this group enabled us to potentially reach most of their 65,000 + employees who staff 80 hospitals, 12 community health centers, 16 long term care facilities, 4 psychiatric hospitals, 13 residential and rehabilitation facilities.

- Our accounting of the total conference experience to date shows an average 5 percent draw at our one-day conferences and an average 5 percent draw at our ½ day public learning sessions (approximately 7,000 attendees). The marketing of the conferences allowed us to place the HCFA message about Y2K readiness directly into the fax machines of over 200,000 providers

Health Care Sector

- We have established Y2K collaborative relationships with an array of health care associations, including rural health organizations, the American Medical Association, the American Hospital Association, nursing home associations, pharmaceutical association, and others for the purpose of getting the word out to their members on the responsibilities of health care providers.
- We have conducted two conference calls with state medical societies and specialty associations throughout the nation to discuss Y2K readiness issues. The first call, in early summer had 76 participants, including 38 state medical societies. A second call was conducted on August 12.

Information Resources

- A toll free telephone number to answer provider questions on Y2K (1-800-958-HCFA [4232]) was established in March, 1999. In addition to answering provider questions, the customer service representatives provide

referral numbers to Medicare contractors' and Medicaid agencies' Y2K contacts and promote and accept registration for HCFA's outreach conferences.

- Significant work has been done on HCFA's Y2K web site which has had approximately 250,000 hits this year. Available products include: required Electronic Data Interchange formats, Y2K testing experience, HCFA's Business Continuity and Contingency Plan (public version), HCFA Administrator's letters to providers, answers to frequently asked questions, links to Food and Drug Administration, Health Resources and Services Administration, Small Business Administration, and other sites, and more.
- Over 1,800 CD-rom based "Jumpstart Kits" have been distributed to health care providers and further distribution is planned. These kits were developed to assist small businesses in assessing their areas of Y2K risk and making their contingency plans.
- A "Y2K Outreach Survival Kit" was developed for Medicare contractors, which contains fact sheets, talking points, web resources, and a provider checklist. This is now available to the public on HCFA's Y2K website.
- A number of press releases on Y2K readiness matters of interest to providers (e.g., that HCFA's readiness efforts would not delay payment updates) have been issued.
- Advertisements of HCFA's Y2K readiness and the Y2K readiness responsibilities of health care providers have been widely placed in providers/physician professional journals.

Guidance

- These outreach efforts have been informed and guided by the quarterly provider readiness assessment reports produced by our contractor RX2000 Solutions Institute and the surveys of the Office of the Inspector General, DHHS.
- We have also contracted with KPMG (and their subcontractor Prospect Associates) for a variety of services to further support HCFA's Y2K outreach efforts.

Refining and Re-targeting Our Outreach Efforts

- We are continually seeking new methods to reach and motivate all possible health care providers with our message. For example:
 - Recent focus groups with providers across the nation indicate that they look to their computer software vendors, clearinghouses and third party billers for advice on Y2K. On September 22, we held a major conference for this group, working with Association for Electronic Health Care Transactions (AFECHT), to encourage them to test with Medicare and other insurers and to work with HCFA to get our testing and contingency planning message to health care providers. AFECHT represents health claims clearinghouses along with health insurers and software vendors.