Choosing a Managed Care Information System -- What You Need to Know

by Cheryl V. Homan, MBA, RRA

The new environment created by managed care has prompted providers to reconsider their information systems. An understanding of the market, the capabilities of various kinds of systems, and the needs of the organization can enable HIM professionals to aid their employers in making the right choices.

Healthcare organizations across the country are consolidating and restructuring to retain and secure business in response to the new parameters of managed care reimbursement. In some markets, providers have formed provider-based organizations such as independent practice associations (IPAs), physician/hospital organizations (PHOs), and management service organizations (MSOs). These new provider-based organizations facilitate the attainment of favorable contracts, including some full-capitation arrangements in which providers must assume the traditional insurer functions.

The information challenges created by new contracting arrangements cannot be readily addressed with traditional provider information systems designed for fee-for-service reimbursement. Even those providers who have not created a provider-based organization or have not yet entered into any type of capitated arrangement are dissatisfied with the support of their current information systems. Vendors are responding to the needs of this new environment through modification of products, development of new products, and development of strategic relationships with other vendors.

Even so, managed care information needs cannot be supported by a single information system solution. Health information management (HIM) professionals are being asked to provide answers to questions for which information may not easily accessible via an information system. These professionals have the opportunity to serve as catalysts in the selection of a system or systems to support the new environment. As with many of today's new healthcare reimbursement and service delivery concepts, the phrase "managed care information system" is being widely used to describe applications that support information tracking and reporting for managed care. Most providers who are affected by managed care in some way feel that implementation of a managed care information system is the answer to all their needs -- even without a clear concept of what such a system is and where it comes from.

What's in the Managed Care Information System Marketplace

The "1998 Resource Guide" published by *Healthcare Informatics* magazine lists more than 170 managed care information system products. The products listed encompass a range of applications that support a particular information need or niche to major information systems designed to manage patient populations in a risk-sharing environment.

Historically, managed care information systems were designed to support the operations of managed care organizations that defined themselves as payers. Such organizations included insurance companies and health maintenance organizations (HMOs). These early managed care systems supported management of health plan-related functions, including:

- membership and enrollment
- benefit management
- customer service
- claims/encounter processing
- utilization management tracking
- referral/authorization management

These early managed care systems have evolved over the years, and many products currently available in the marketplace have incorporated or are incorporating additional functionality to support the new environment. These new components include:

- capitation and risk pool management
- premium billing
- contract management
- case management for the entire care continuum
- provider profiling
- provider credentialing

A provider who has fully embraced the concepts of managed care requires an array of information systems support not found in the health plan-related management applications often referred to as "managed care information systems." Business management and patient care management components are required as well. Business management functionality is found in applications that have been traditional components of hospital information systems or practice management systems and include:

- patient registration
- patient scheduling
- claims processing and generation
- accounts receivable management
- fee schedule maintenance
- diagnosis and procedure code entry and maintenance
- general accounting
- financial reporting

Patient care management components needed to support managed care provide functionality to capture, access, and utilize patient clinical information at the point of care and serve to facilitate the decision-making process in patient care delivery. Systems or applications in the market that support this functionality include:

- order entry
- results reporting
- point-of-care documentation
- electronic medical records
- computer-based patient records
- clinical decision support
- clinical pathways development and monitoring
- utilization management
- quality management

It is important to note that many of the patient management systems described above are currently found as niche vendor products in the marketplace. Hospital information system and practice management vendors are working to integrate these products to form a complete solution, but presently much of this integration is accomplished via system interfaces. To complicate the situation even more, several other information system components that have not been categorized above also are part of a complete managed care information system solution. These components include:

- cost accounting
- HEDIS or quality standard reporting
- wellness management
- outcomes management
- risk management
- marketing
- customer satisfaction

What Is Needed?

The information system functionality required to support the full spectrum of managed care cannot be found in one information system. In many instances, the functionalities needed are found in multiple systems. Thus, today it becomes incumbent upon a provider to develop the capability to interface and integrate the information from various systems to succeed in managed care. An organization or provider contemplating investing in a managed care information system to support its new environment must first determine the functionality that is required to support the organizational charter.

Needs for a managed care information system differ from provider to provider, depending upon the organizational structure, risk assumed, and services provided. For example, the needs of a provider who has established a provider-based organization such as a group practice, IPA, MSO, or PHO are much different from those of a provider trying to manage multiple managed care reimbursement contracts. In the former situation, it is highly likely that some form of a managed care information system is required. In the latter situation, any information system with a contract management application might suffice. Thus, the first step is to determine whether the provider's current or projected organizational structure and managed care business warrants implementation of a managed care information system. To assist in making this decision, a provider should ask the following questions:

What type of membership functions will need to be performed?
Membership-related functions are normally performed by HMOs, PHOs, IPAs, or any organization which must maintain plan membership, bill premiums, and subsequently pay health claims and include:

- membership and enrollment
- benefit management
- premium billing
- customer service

Is the provider organization responsible for claims and utilization-related functions?
These functions usually will be performed by any organization that must pay claims and report on utilization of healthcare services. They include:

- claims/encounter processing
- utilization management tracking
- medical case management
- medical records management

What authorization and referral-related functions are the provider or organization responsible for?
Authorization and referral are typically performed by a medical review function that may reside in a physician's office, hospital utilization management department, or the QA/UM department of an HMO or PHO and include referral:

- tracking
- processing
- reporting

Is the organization responsible for paying or re-pricing medical claims?
HMOs, PHOs, IPAs, and other such organizations may have responsibility for the following:

- maintaining a provider database
- provider contracting
- provider credentialing

Is the organization at risk for claims or capitation payments?
Organizations that must maintain financial accountability for the payment of healthcare services may have responsibility for financial-related functions, including:

- accounts payable
- accounts receivable
- general ledger
- marketing support

- capitation management
- broker support

Most managed care providers and organizations will not perform all of the functions listed above but will be responsible only for a subset of these functions. As noted earlier, these relate to the functionality typically found in managed care information systems that support payer and provider organizations such as HMOs, PHOs, IPAs, and the many other organizations of this nature.

How Did Your Organization Answer These Questions?

If you answered "yes" to any one of the five questions above, it would be beneficial for your organization to examine managed care information systems as potential solutions to meet your needs. If you could not answer "yes" to the questions, then you might consider niche vendor managed care component solutions for particular application needs, along with solutions that might be available through your core information system vendor.

Role of the Health Information Management Professional

While most HIM professionals have limited experience with tasks and business processes related to health plan management, the blurring of the lines between provider and payer in the world of managed care creates opportunities to join teams that are redefining and operationalizing these new entities. HIM professionals have the background knowledge to assist in defining information system functionality required to meet the new management and information demands, and they have the requisite knowledge of current information systems and the data maintained.

HIM professionals can be especially helpful in assisting and evaluating the claims and utilization-related functions of managed care information systems, specifically those related to utilization management tracking, medical case management, and medical records management.

Utilization Management Tracking

The utilization management tracking function supports the organization in tracking utilization patterns, trends, and effectiveness, enabling the development of provider profiles to ensure cost-effective and appropriate utilization of services. Areas to examine include:

- capture of data regarding members, families, providers, PCPs, specialists, population groups, and employer groups
- capture of data related to diagnoses and procedures
- statistical capabilities for peer review reporting, identification of patterns of treatment, and quality/outcome reporting
- concurrent review tracking
- individual HMO and other third-party payer contract statistics

Medical Case Management

The case management function assists the organization in effectively managing the patient care process including appropriateness of site, treatment, and recovery. Areas to examine include:

- online capabilities for prospective case management
- support for numerous commercially available length of stay, severity of illness, and intensity of service tables
- tracking of clinical protocols, care plans, and critical pathways with support for variation tracking and reporting
- appropriate security mechanisms for data entry and access
- integration of case management, membership, referral, and provider information
- financial liability tracking based on fee schedules in the system
- special reports/screens for tracking OB cases
- support for outpatient case management

Medical Records Management

The medical records management function supports the assignment of unique identifiers or medical record numbers for each member to effectively coordinate individual patient information. Areas to examine include:

- capabilities for medical record number assignment and tracking
- support for location of medical record information
- interfaces available to ascertain test results and other required patient information

New Information Management Challenges

HIM professionals employed by providers who have entered the world of managed care must now answer questions that provide proof of commitment to the managed care philosophies of wellness. Summarized patient information about the care provided is no longer sufficient. Today, data that characterizes geographic populations, outcomes of care, appropriateness of care and setting, and anticipated utilization help a provider achieve and maintain a competitive advantage in managed care. Healthcare entities that have created provider-based organizations must also meet national quality standards and demonstrate that plan participants are satisfied with the care they receive and its cost. While such information assists providers in developing and assuring a quality product, they also need information to support successful contract negotiations and strategic service planning.

The managed care environment is supported by many different information systems. For some organizations and providers, a managed care information system is one of the components required to support the operations and new information demands of managed care. HIM professionals can support the selection of a managed care information system and can also provide their organizations with a wealth of information related to how current information systems can support the world of managed care.

Reference

"The 1998 Resource Guide." *Healthcare Informatics* 14, no. 12 (1997).

Cheryl V. Homan *is a member of the AHIMA Board of Directors and a senior management consultant with the Information Systems Planning and Vendor Selection Practice of Superior Consultant Company, Southfield, MI.*

Article citation:
Homan, Cheryl V. "Choosing a Managed Care Information System--What You Need to Know." *Journal of AHIMA* 69, no.4 (1998): 34-37.
