

Steps for contingency planning

CMS is encouraging covered entities to consider some common risks associated with the October 16, 2003 deadline and make contingency plans to address those risks. The following seven steps are general guidelines for creating contingency plans:

1. Assess your situation: Determine what business processes are most at risk. Determine whether the risk condition is based on your readiness or the readiness of your business partners. Assess your expected October 2003 financial status. Understand how a disruption in cash flow could impact your daily operations. Estimate what financial obligations will come due at this time.

2. Identify risks: For each business process you identified as a potential risk for disruption, assess the likelihood and impact of problems. List each potential risk as high, medium, and low likelihood. Take into consideration the readiness of your trading partners as well. Communicate with your trading partners to assess their level of readiness for October 16, 2003 and what impact their risks may have on your operations. Ask your payers if they intend on maintaining active capability to send and receive your current formats while you transition to HIPAA standards. For each of your trading partners, assess whether you have established a sufficient "good faith" relationship to support each other's contingent operations, as well as your own goals towards compliance.

Document the responses they have given you through discussions and correspondence. Focus on the risks that have the highest risk exposure and that most impact your cash flow. For example, evaluate the potential for delay in payments and take appropriate action.

3. Formulate an action plan: Determine what you can do to reduce the likelihood and impact of each risk happening. Choose a strategy that will reduce that risk. Incorporate your strategy into your staffing needs. For instance, you may require more staff time to handle phone calls to resolve problems. Recognize how this could impact your payroll.

4. Decide if and when to activate your plan: Decide when you must take action to implement your chosen strategy so as to prevent an interruption in current business. Decide what you can do now to avoid problems later.

Determine what your "trigger" is for putting your strategy into action, and decide who will make that decision, and how.

5. Communicate the plan: Record your entire strategy, the person responsible for each action, and the steps that must be taken. Share them with everyone who will have a role in implementing your contingency plan.

6. Test your plan: Review the strategy with the key players and run through each potential risk and the steps identified to reduce / avoid each risk.

7. Treat your contingency plan as an evolving process: Treat your plan as a business process that is evolving. Continually review your own efforts at readiness, particularly your efforts to inform your business partners of your expectations, and your efforts to test with them. Update your plan as you move forward and add any additional "to do" items you identify along the way. Keeping track of your status will keep you organized and focused, as well as document your "good faith efforts" to comply. Most importantly, keep the lines of communication open between you and your payers and clearinghouse.