

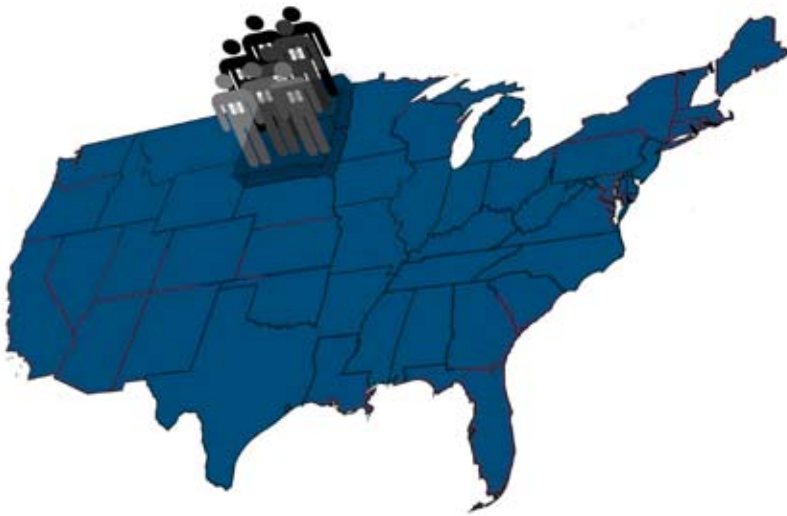


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The State of NASCO

North and South Dakota... who knew?



NASCO has experienced tremendous growth, based in part on the astounding growth of our Plan customers. In fact, we are poised to post double-digit growth over the next two years, forecasting to eclipse the milestones of 150 million claims processed in 2009 and 175 million in 2010. If you examine our growth from a member perspective, that's an additional 1.3 million members per year.

Did you know that 1.3 million members equals the populations of North and South Dakota combined? If NASCO's size were ranked by the total number of members served - 11.7 million - we would equal the size of the seventh largest state in the United States, just above the

populations of Ohio and Michigan. By 2010, NASCO will surpass Illinois and Pennsylvania moving into fifth place. And if we compare the size of NASCO to the 221 countries of the world, we would rank 73rd, ahead of Cuba, Greece, Portugal and the Czech Republic.

The most exciting news is that our double-digit growth is spread among our Plan customers. We are forecasting over 20 percent growth in claims processed at Blue Cross Blue Shield of Michigan and CareFirst, Inc., and in excess of 80 percent growth in claims at Blue Cross Blue Shield of Massachusetts. In addition, we are forecasting healthy 4 percent gains at our two largest Plans - Horizon Blue Cross and Blue Shield of New Jersey, Inc., and WellPoint, Inc. We look forward to the many benefits profitable growth affords our associates, Plan customers and owners.

John Ladaga
Chief Executive Officer
NASCO

NASCO Migration is First Test of CareFirst's Readiness



CareFirst Inc., CEO and President Chet Burrell recently unveiled his vision for the company to CareFirst's associates. Burrell explained that an important part of the new CareFirst strategy requires migrating all groups over 200 in size to NASCO during the next several years.

The company achieved the first step in reaching this goal on July 1, 2008, when the State of Maryland's 63,000 PPO contracts, representing the largest group, successfully migrated to the NASCO system. CareFirst also migrated to NASCO the 3,550 contracts of Washington County Public Schools.

"We will be virtually doubling our large group book of business on NASCO between now and Jan. 1, 2010," said Dennis Cupido, Senior Vice President of Large Group. "We will go from about 250,000 contracts currently on NASCO

to about 550,000 contracts. To accomplish this, we took all the NASCO-dedicated associates and put them under one unit. So from beginning to end, our large group associates are fully accountable from enrollment and billing to customer service and processing a claim. It's all about accountability."

"This is only the first migration of many more to come," said Cupido. "But I am proud of the way our people have responded to this challenge. We anticipate a very smooth transition for our members."

HIPAA 5010 and ICD-10

Money Pit or Golden Opportunity?

Rich Cullen, Managing Director
IPP Program Development, BCBSA

Mike Price, Director
Business Client Development
and New Client Sales, NASCO

What do you know about the two new Notices of Proposed Rule Making (NPRMs) on the implementation of HIPAA 5010 and ICD-10?

The new rules for HIPAA 5010 update all nine currently mandated HIPAA electronic transactions from ASC X12 version 004010A1 (4010) to 005010 (5010), adopt transaction standards for Medicaid pharmacy subrogation and upgrade NCPDP transactions from version 5.1 to D.O. The proposed implementation date for 5010 is in April 2010. ICD-10 will be more complex than HIPAA 5010. The proposed rule is to



transition from the ICD-9-CM code set to ICD-10-CM for diagnoses and ICD-10-PCS for procedures (not affecting CPT codes.). The challenge here is that the new codes go beyond just updating the codes themselves; updating the code structure has significant implications for how these codes can be used. The proposed implementation date is in October 2011, which is a very tight time frame.

What kind of impact will the new NPRMs have on the industry? First and foremost on our minds are the implementation time frames. The implementation dates are just around the corner and, without adjustment, will alter our industry's priorities over the next couple of years. HIPAA 5010 will likely equate to a large claims system project for most health plans. It will require technical development work and testing, but largely it is work that the health plans understand. However, ICD-10 could be much more extensive. For example, some health plans believe that ICD-10 will have an impact on provider network pricing, which could cause them to renegotiate provider contracts. At a minimum, claim systems will be significantly impacted. Today, claims adjudication relies heavily on the diagnosis codes. New codes, new code structures and new usage practices could require extensive changes to health plan systems, which is why everyone is concerned with the tight time frame.

How is NASCO preparing for the 5010 and ICD-10 changes? NASCO is currently focused on developing a solution approach for the HIPAA 5010 changes and has targeted completion of the approach for the end of this year. Because ICD-10 could provide significant opportunities and challenges for our Plan customers and our business, NASCO will be engaging in an ICD-10 assessment that will help us determine how to handle the ICD-10 changes. We are targeting the end of the first quarter in 2009 for completion of the assessment, and we will involve our Plan customers every step of the way.

How is the Blue Cross and Blue Shield Association (BCBSA) preparing for the 5010 and ICD-10 changes? The first step for the BCBSA has been the ongoing monitoring of and participation in the development of the NPRMs. Since the release of the NPRMs, the BCBSA has been coordinating the submission of BCBS Plan Comments, including NASCO's. The BCBSA Comments will highlight the very tight time frames to get this work done. We are hopeful that our position, taken along with the concerns expressed across the industry, will extend the time frame for implementation of the initiatives.

Sheri Poe Bernard, CPC, CPC-H, CPC-P, Vice President of Clinical Coding Content at the American Academy of Professional Coders in Salt Lake City, suggests that many HIM professionals may be concerned that the three-year preparation time frame the proposed regulation specifies is not enough. "We expect there to be a public outcry regarding the short timetable established in the proposed rule," she says. "We hope that the government will listen to the concerns of physicians, Payers and facilities that understand the complexity of ICD-10 implementation and request more time to effect a cohesive transition." **What are your thoughts on the preparation time frame?** It's too short!

How can Plans work with the BCBSA and NASCO to prepare? Plans are working with the BCBSA to prepare Comments and at the same time begin the work associated with planning for these changes. BCBS Plans that leverage the NASCO system will benefit from the work NASCO is doing to develop technical approaches and understand the strategic implications of an initiative like ICD-10.



COMING SOON...
the new face of NASCO!

Get ready to see NASCO like you've never seen us before with the introduction of our new marketing brochure. A vibrant collection of pages, this piece tells the NASCO story and provides valuable information about all of our products and services. If you are interested in receiving a copy, please send your request to info@nasco.com.

The Enterprise of the Future:

The IBM Global CEO Study

What will the Enterprise of the Future look like? To answer that question, IBM interviewed more than 1,000 CEOs from around the world including NASCO's CEO John Ladaga.

Based on an analysis of the interviews, IBM identified a number of traits common to the organizations that are successfully managing change and outperforming the competition. These traits provide a "blueprint" for the Enterprise of the Future, which will be:



Hungry For Change - Companies capable of successfully managing change will embrace it and use this skill to push their competitive advantage

Innovative Beyond Customer Imagination - Organizations will continue to develop collaborative relationships with customers to create innovative services, products and experiences.

Globally Integrated - Outperforming companies are more likely to choose a globally integrated business design as they map their future.

Disruptive by Nature - More than two-thirds of all CEOs are focused on business model transformation, and more than one in five are pursuing an even more disruptive path - redefining their markets, moving into or creating wholly new industries.

Genuine, Not Just Generous (corporate social responsibility) - Many CEOs are already growing their businesses by being more socially responsible. These CEOs have put developing new products and services at the top of their agenda.

When asked for his impression of the survey results Ladaga said, "It was very insightful to see the similarities in responses to the IBM Global CEO Study questions across our industry segment. It will be even more fascinating to see how the various companies in our industry manage or cope with the same traits. Over the next three years there will be winners and losers and I suspect that how companies manage these key traits will be a large factor in their success or failure."

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The graphic features a blue background with a grid of colored squares (green, orange, purple, white) in the top left. A calendar for April 2009 is shown, with the dates 20, 21, and 22 circled in red. The text 'NASCO Network Conference' is prominently displayed, along with the tagline 'Every Plan deserves no gaps'. The event details, including the dates 'April 20-22, 2009' and the location 'Ponte Vedra Inn & Club, 200 Ponte Vedra Boulevard, Ponte Vedra Beach, Florida 32082', are listed on the right. The bottom of the graphic contains the slogan 'CREATIVE SOLUTIONS • INDISPENSABLE ADVICE • LOWER COSTS • OPTIMAL RESULTS'.

2009 NASCO Network Conference
Every Plan deserves no gaps

SAVE OUR NEW DATE!

We are pleased to announce the new dates for the recently postponed NASCO Network Conference.

April 20-22, 2009

Ponte Vedra Inn & Club
200 Ponte Vedra Boulevard
Ponte Vedra Beach, Florida 32082

CREATIVE SOLUTIONS • INDISPENSABLE ADVICE • LOWER COSTS • OPTIMAL RESULTS