

Clock Begins Ticking on HIPAA Compliance

Although the Health Insurance Portability and Accountability Act (HIPAA) was passed by Congress in 1996, it is just now gaining wide momentum — due largely to the long-awaited “privacy standards,” which recently took effect. According to Jill Squiers, director of planning at NJHA, trustees can expect the privacy standards to have great impact on their hospitals. But to understand just how much impact, it’s important first to understand HIPAA.

When HIPAA was passed nearly five years ago, its intent was to provide protection for healthcare consumers. Under HIPAA, healthcare consumers would be able to carry their health insurance from one employer to the next. To facilitate the ease of transferring consumers’ healthcare coverage, Congress opted to move toward the electronic transmission of healthcare data. And with that move came a need to ensure privacy, confidentiality and security of data.

Ensuring privacy, however, was harder than it sounded. Over the past two years, the Department of Health and Human Services has received more than 52,000 comments on the standards. When they were finally released this past December, there was still controversy and objections by some. NJHA included.

“While we support the concept of HIPAA and recognize the need to ensure the protection of patient data and patient privacy, we have a lot of concerns with the scope, cost and time frame for the implementation of this law,” says Squiers.

Hospitals nationwide are required to be compliant with HIPAA by April 14, 2003. And the requirements are stringent. Some of the main provisions include:

- **Appointment of a Privacy Officer.** All healthcare providers must appoint a “privacy officer” to review the hospital’s current policies and procedures to determine if they need to be changed to comply with the rule; and to oversee privacy procedures.
- **Establishment of a Written Privacy Notice.** A written notice must be provided to each patient detailing the potential ways a patient’s healthcare data may be used or disclosed, and the hospital must abide by the terms of the notice.
- **Patient Consent.** All providers must obtain patient consent for the use and disclosure of their information for treatment, payment or healthcare operations.
- **Patient Authorization.** Hospitals wishing to use or disclose patient information other than for

treatment, payment or healthcare operations must obtain patient authorization. Patients have many rights under the rule and may choose not to provide authorization

- **Workforce Training.** Hospitals must provide training on privacy policies and procedures for all workforce members (including volunteers).
- **Business Associates.** Specific contracts must be signed between hospitals and “business associates,” such as vendors, consultants and any other outside firm that provides service, to ensure that any data used or disclosed is not in violation with hospital policy.

According to Squiers, there is much trustees can — and should — do to prepare. First is allocation of money. The American Hospital Association estimates that the law’s privacy portion alone will cost the healthcare industry up to \$22 billion.

“HIPAA is going to be much more costly than Y2K but unlike Y2K, where hospitals had a choice if they wanted to undergo all of the changeover, they have no choice with HIPAA because it’s law and they must comply,” says Squiers.

Trustees should also make sure that HIPAA is part of the board agenda. A hospital-wide HIPAA task force (representing senior management and hospital departments) should be in place within the organization, and ongoing reports should be made to the board.

Squiers also recommends that trustees think about culture change.

“The privacy rule will require a change in organizational culture,” she says. “You know how sometimes people put yellow sticky notes, with their passwords, right on their computers? Well, employees can no longer do that. The next HIPAA rule, coming down the pipeline, will require healthcare providers to implement physical safeguards to ensure that data is protected. For example, some hospitals may choose access controls such as timed computer log-offs (i.e. if employees leave their desks for more than two minutes, they will have to re-enter their password). Or even biometrics (requiring a thumbprint) to log on to the computer system.”

To further educate trustees on the issue, NJHA will hold a videoconference — watch for time and date. Trustees are also encouraged to surf the Web, specifically www.njha.com/html/hipaa.html for the latest news on HIPAA.

Issues Briefing From the Pages of NJHA's NewsLink

A recent NJHA survey shows that **HMOs are doing a less-than-stellar job of complying with the state's prompt pay rules.** The survey of hospitals showed that 84 percent of HMO claims remained outstanding beyond the 40-day manual claim standard set in law.... Acting Governor Donald DiFrancesco has announced that **the state will increase the number of biochemical disorders that newborns will now be screened for.** NJHA supports efforts to protect the well-being of New Jersey's youngest residents, but is keeping watch to make sure hospitals are not ordered to absorb added screening costs....**President Bush has introduced a \$1.96 trillion federal budget with a key distinction for hospitals:** For the first time in 20 years, a president's budget proposal doesn't seek cuts in Medicare payments to hospitals. However, graduate medical education would take a hit under the Bush spending plan....NJHA has joined with emergency room physicians, emergency squad personnel and state health officials to search for ways **to reduce the number of instances where overcrowded emergency rooms force hospitals to divert squads to other facilities.**

NEW JERSEY HOSPITAL ASSOCIATION

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Robert Marks – Chairman, Council on Hospital Governance

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Kerry McKean Kelly – Managing Editor ■ Shari Mycek – Writer

Update from the NJHA Council on Governance

Spring regional meetings kicked off April 25 with regions III & IV at NJHA. The remaining meetings will be held in June. Please check your mail, or the NJHA Web site (www.njha.com) for exact times and locations.

Topics of discussion during the winter meetings focused on some of the most pressing matters pending in Trenton. Some highlights:

- **Charity Care** — Documented charity care is up \$83 million (16 percent) compared to last year. Reasons for the jump? Hospitals are doing a better job of documentation and there are more uninsured individuals seeking care. NJHA continues to press for additional state funding to make sure hospitals are compensated for this care.
- **Mandatory Overtime** — A bill that would prohibit mandatory overtime for nurses and other licensed

healthcare workers remains pending in the Senate Budget and Appropriations Committee. NJHA opposes the bill, maintaining that mandatory overtime must be available as a last-ditch option for keeping patient beds staffed during the current nursing shortage.

- **Nursing** — NJHA is working with Sen. Joe Vitale (D-Woodbridge) on initiatives to ease the nursing shortage including state-funded scholarships for nurse-specialty training. The association is also establishing a Nursing and Allied Health Recruitment Center at NJHA.

More detailed information on the regional meetings can be found on the NJHA Web site. And remember to register for the NJHA Annual Meeting, Thursday, June 7, at the Princeton Marriott Forrester Village.

ADDRESS SERVICE REQUESTED

Princeton, NJ 08543-0001

760 Alexander Road • PO Box 1

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