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## *HIPAA: An Olympian Challenge For Nation's Healthcare System*

BY KERRY McKEAN KELLY

The sweeping  
federal law  
will have a  
major impact on  
the day-to-day  
operations of  
the nation's  
hospitals.

**F**or hospitals, complying with HIPAA — the federal Health Insurance Portability and Accountability Act — is a little like running the hurdles. Except they don't know how high the hurdles are or where the finish line lies.

HIPAA is the sweeping healthcare reform law passed by Congress in 1996. It was created to give consumers health insurance protections, such as eliminating refusals for coverage based on pre-existing conditions.

But the law extends well beyond the portability and accountability measures contained in its title. HIPAA also requires groundbreaking data standards that will bring all players in healthcare — providers, payers, intermediaries, the government — into a standardized way of processing transactions electronically. Coupled with that aggressive push into electronic data submission — called “administrative simplification” in HIPAA talk — comes new standards for patient privacy and security.

So ambitious is the HIPAA mandate that the Health Care Financing Administration calls it “the most significant healthcare law to create sweeping changes in the health industry since Medicare.”

It's a challenge complicated by the fact that the federal government has yet to finalize all the stan-

dards, rules and regulations that will be used to make HIPAA a reality. So while the race is on to comply with HIPAA, hospitals are still waiting to find out just what they have to comply with and when they must accomplish it.

### **Payoff at the Finish Line**

For all the uncertainty surrounding HIPAA, there's cautious optimism throughout the healthcare industry that it's a necessary step that will have dividends in the long run. Information travels quickly in this new electronic age — with ramifications broader and more complex than most information systems and hospital policies are prepared to address. HIPAA is seen as a way to corral the vast possibilities and create a uniform system that improves service, reduces costs, prevents fraud and protects patient privacy.

“It truly is standardizing nationally the ways in which claims are processed,” says Valerie Sellers, NJHA vice president of policy and planning. “It's as simple — and as compli-

cated — as that. That theoretically is good news for providers, who eventually should realize cost savings from quicker, easier transactions. And it's good news for consumers, who stand to benefit from a much more streamlined and efficient system.”

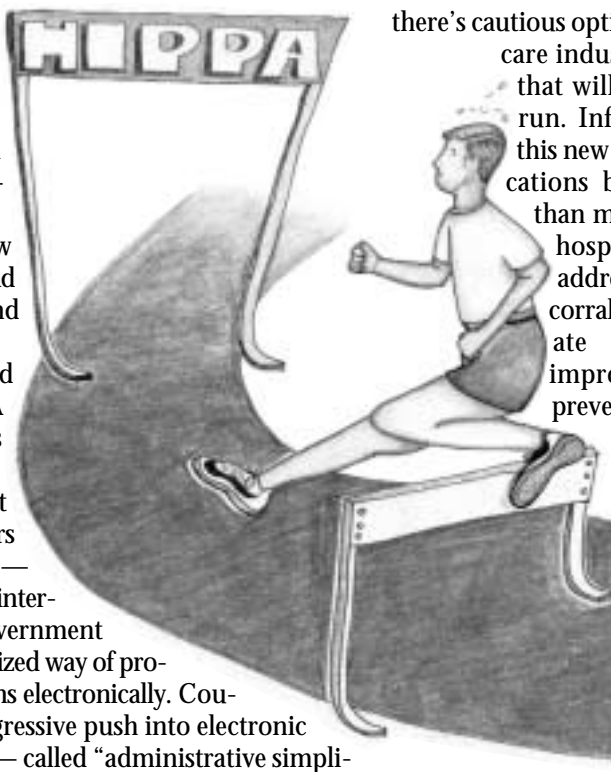


ILLUSTRATION BY PAMELA BROWN-VILLARIZ

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## ***HIPAA Challenge ...*** continued from page 1

But all good things have a price. And for HIPAA, the price tag is jaw-dropping. The official Department of Health and Human Services' estimate places the cost of HIPAA compliance at \$3.8 billion over five years. However, independent consultants predict much more significant expenses reaching as high as \$43 billion over five years.

The payoff will come over time, say government officials and industry consultants. Shared Medical Systems, a Malvern, Pa.-based consulting firm, notes that 20 cents out of every healthcare dollar is spent on administrative overhead. HIPAA, when fully implemented, is expected to save the industry about \$9 billion annually, according to SMS.

***“Thanks to HINT,  
New Jersey is in front  
of the pack.”***

— NJHA's Donna Pizzulli

### **Fast Start for New Jersey**

For hospitals, the most immediate challenges are meeting HIPAA's administrative simplification standards. The final rule covering electronic transactions and code sets — the standards that will be used for electronic exchange of information — was published in the *Federal Register* earlier this month. Hospitals have two years and two months from the first publication of that rule to come into compliance.

With the final rule in hand, providers should be developing strategies to gauge their HIPAA needs and work toward implementing the new standards, says Jill Squiers, NJHA assistant director of policy. (For HIPAA readiness tips, see the page 3 sidebar.)

New Jersey actually has a running start in meeting HIPAA's electronic data interchange goals. Last July, Governor Whitman signed the state's Healthcare Information Networks and Technologies law, commonly called HINT. This

NJHA-backed law set the stage for standardized healthcare enrollment and claims forms and electronic data transmission. (Other hotly debated provisions that ultimately won approval in the final law imposed prompt payment standards on HMOs and other payers.)

Nine Garden State pilot hospitals have already launched test cases of electronic data submissions. These pioneer programs, working with a data intermediary, are in various stages of providing daily electronic submissions of patient discharge data to the state plus claims submission to Medicare and other payers. An “edit” feature on the front end of the process virtually assures that only “clean” claims will be submitted to payers. The result: prompt payment and reduced administrative costs.

This new data intermediary process meets HIPAA requirements for national standards, says Donna Pizzulli, NJHA vice president of information services.

“For some of the nation's hospitals, complying with HIPAA's administrative simplification standards will be a daunting task,” says Pizzulli. “But thanks to HINT, New Jersey is in front of the pack. When this on-line data intermediary system is fully implemented, New Jersey will have a HIPAA-compliant system that will provide accurate, up-to-date and comprehensive data on every patient admitted or seen as an outpatient.”

### **Course Full of Obstacles**

No one, however, expects the privacy and security provisions to prove so headache-free. While some of these provisions have been released in preliminary form, no final rules have been published. In fact, some measures have yet to be released even preliminarily.

“The biggest challenges under HIPAA are going to be the privacy and security concerns,” says Pizzulli. “That's the big, looming mystery.”

## ***Perspective***

GARY S. CARTER, FACHE – President



I've long been fascinated with the vast possibilities presented to us by this new information age. E-commerce, telemedicine, electronic data exchange — they all open never-imagined frontiers for reducing costs and making healthcare more responsive to our patients.

On that count, I embrace the philosophy of the Health Insurance Portability and Accountability Act. It simply makes sense that all of us in the business of health share a common ground for handling records and transactions.

But despite my underlying support, I can't shake one compelling concern: How in the world are we going to pay for this? Even the most conservative estimates say HIPAA's provisions will cost the healthcare industry several billion dollars. That's several billion more than the nation's hospitals have. And it comes in the wake of a number of fiscal bombshells recently lobbed hospi-

tals' way including the multimillion-dollar effort to remediate Y2K and the ongoing fallout of the Balanced Budget Act of 1997.

The financial reality is that our healthcare system may struggle to comply with HIPAA not because of a lack of will, but because of a lack of dollars. Our leaders in Washington must recognize that reform of this magnitude is a shared responsibility, and they must join in underwriting the expense through additional BBA relief or other funding assistance.

In this case, laying down the law isn't enough. Following through with the resources to get it done is an undeniable part of the obligation.

## Strategies for Success

# Remember Y2K? HIPAA Strategies Are Similar

By KERRY McKEAN KELLY

Worries include policy matters such as how patient data can be used in the future and practical problems with implementing new electronic safeguards to ensure the privacy of patient information.

Sellers says preliminary rules raise concerns that ways in which patient data is used currently for research and planning may be curtailed under HIPAA. For example, hospitals routinely use blinded patient data to perform community health assessments, but such a use may be threatened under HIPAA privacy provisions.

Meanwhile, hospitals are facing the exhausting task of reassessing privacy and security policies to see if they're ready for the electronic age.

"Hospitals have always paid close attention to patient privacy and security of records but today's emerging technology opens a whole new world of privacy considerations," says NJHA General Counsel Betsy Ryan.

*"Today's emerging technology opens a whole new world of privacy considerations."*

— NJHA's Betsy Ryan

Changes in store for hospitals include a thorough review and update of policies, procedures, documentation, staff training practices and contracts with business partners, says Ryan.

Meanwhile, the information systems department will be forced to explore new areas such as encryption of data transmitted via the Internet and authentication strategies to ensure that information transmitted to remote sites is reaching the individual it was intended to. Possible solutions could be as simple as having staff change their passwords more often — or as cutting edge as requiring a fingerprint or iris scan before an individual is granted access to information. Without final regulations, the industry must wait to see what will be required of it.

With the uncertainty surrounding HIPAA's final provisions, it's not easy to forge a compliance action plan.

"On one hand we're telling hospitals to start moving forward, but on the other hand we're telling them to go slowly because we really don't know what to expect," says Jill Squiers, NJHA assistant director of policy.

With that cautionary note in mind, here are some HIPAA action tips from NJHA and the American Hospital Association:

- Assemble a work team with representation from varied hospital departments — information systems, medical records, billing, clinical staff, legal, risk management and human resources, among others. NJHA Vice President of Policy and Planning Valerie Sellers suggests an approach that parallels hospital efforts to address Y2K systems issues.
- Designate subcommittees to take on the three main HIPAA components — administrative simplification, privacy and security. Be sure to include measures for ensuring coordination and communication, both between the subcommittees and the main group, but also to executives and staffers throughout the hospital.
- Get educated about the regulations. The regulations — both final versions when available and the proposed versions — are on the Health and Human Services Web site at [www.aspe.hhs.gov/admsimp](http://www.aspe.hhs.gov/admsimp). Other useful sites include [www.aha.org](http://www.aha.org) (the American Hospital Association) and [www.ncvha.hhs.gov](http://www.ncvha.hhs.gov) (the National Committee on Vital and Health Statistics.) Also take advantage of resources such as NJHA's new newsletter the *HIPAA Quarterly Update*; a soon-to-debut HIPAA page on NJHA's Web site, [www.njha.com](http://www.njha.com); plus NJHA education sessions planned for late fall and

January. In addition, NJHA is in the process of forming a HIPAA task force with hospital representatives charged with helping their peers in other hospitals make the transition.

- Assess your organization's technical capabilities for handling electronic transactions, as well as existing security systems' ability to address privacy concerns.

*"We're telling hospitals to start moving forward."*

— NJHA's Jill Squiers

- Analyze existing privacy and security policies. Do they sufficiently cover the privacy concerns of electronic data exchange?
- Begin building awareness throughout the organization on the scope of HIPAA, especially relating to privacy and security issues. Focus on cultural changes that may be needed to ensure privacy and consider ways to educate staff.
- When presented with pitches from consultants or software vendors, consider buying services in modules. Buying only a "piece at a time" allows you to receive the most flexible information that can react to changes in HIPAA provisions. NJHA is in the process of analyzing various vendor proposals to provide HIPAA preparedness resources to member hospitals.

*For additional HIPAA information or to receive a copy of the HIPAA Quarterly Update, contact Jill Squiers at 609-275-4252 or [jsquiers@njha.com](mailto:jsquiers@njha.com).*

## Interview

# Nath Kaplan, R.N.

BY KERRY McKEAN KELLY

**N**ath Kaplan, R.N., is director of management information systems at Newark's Columbus Hospital, one of the test sites under the state's HINT law. After a successful trial phase, Columbus now stands ready to begin using live EDI with the state and some payers.

**Q** Using a scale of one to 10, with one being the easiest and 10 being the most difficult, how would you rate your EDI testing experience?

"I would say it was about a 4. It was not very complicated. There were a few little snafus getting connected to the Internet, transmitting through the Internet.

**Q** What long-term benefits do you see in the switch to EDI?

The old process of going through Blue Cross (the data intermediary) has been a nightmare for us because they will only take data on a nine-track (magnetic) tape. That adds two weeks to the whole process, and adds costs in shipping and handling and man hours. And the new way is beautiful — (our designated staff) person comes in

each day, does her work and makes the corrections and then we transmit every day.

**Q** Have you seen any cost savings?

Definitely. Using the old process, I think we pay \$1.50, \$1.45 a claim, plus you pay for every error that has to be corrected. In the new system, you're correcting everything before you send it. I think you're talking an expense of only about 45 or 50 cents (per claim.) Our estimated savings for the hospital ... would average around \$16,000 to \$18,000 a year.

**Q** What advice do you have for other hospitals preparing for EDI?

It really was a team effort. There were aspects from information systems, there were aspects from patient accounting, medical records. (They all worked together) to make the corrections, working to verify everything. We do have one person who is primarily the (EDI) person ... it's important to have one consistent person doing it with some sort of a backup.



**Q** Has this experience eased your anxiousness about HIPAA?

"I think HIPAA's still going to be a big deal — it covers so many other things. We've already started looking at HIPAA. I'm going to be the HIPAA coordinator also, and I'm doing weekly data security rounds. I actually have little data security tickets and if I see data security violation they get issued a ticket ... and the vice presidents get a report each month on violations. We also started looking at our network security. I think it's going to be a major undertaking and probably none of the hospitals have the dollars to do it.

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