Healthcare Information and Management Systems Society **HIMSS**

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U.S. Healthcare Industry
Quarterly HIPAA Compliance Survey Results:
Fall 2001

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Healthcare Industry Quarterly HIPAA Survey Results: Fall 2001

One Year to Transactions Deadline – Are We on Target?

As the final Fall 2001 HIPAA Survey results arrived in mid-October, the 1 year anniversary of the HIPAA Transactions Rule's effective date passed – giving the industry exactly 12 months to meet the compliance deadline. Will it be ready?

Over half of all survey participants, across all segments of the healthcare industry, reported that their organizations are actively working on HIPAA assessments and project planning. Many have begun implementations, primarily on Transactions and Privacy requirements. However, there are other indicators that industry-wide readiness for the October 16, 2002 Transactions deadline is questionable – even unlikely. 11% of all participants stated that their organizations are planning to "do nothing and see what happens" – certainly a precarious position. Moreover, though 45% of hospital respondents have either completed their HIPAA assessments or expect to by January 2002, their activity reflects less momentum than indicated in our July survey. At that time, nearly 80% of hospital respondents projected that their assessments would be complete by yearend.

Another trend that does not bode well for on-time Transactions compliance is that 16% of vendors reportedly will not be ready to transmit or accept all transactions by the deadline. Neither, apparently, will 7% of payers – although it is possible that those reporting represented small health plans, which have until 2003 to comply.

Finally, the most frequently cited roadblock to compliance reported by providers was "not enough time." While it can be argued that, for the large numbers just starting compliance initiatives, this is an issue they created, the probability remains that many who have claimed "not enough time" are forecasting correctly.

Other Indicated Trends:

- Reportedly, most provider organizations are engaged in compliance activities. However, the data suggests that the smaller the organization the slower the progress, and the greater the concerns about budgets and time constraints.
- Given the costs of comprehensive assessment and implementation, reported budgets for as many as half of hospital providers appear insufficient.
- According to over 80% of vendor representatives, their product quality will be improved as a result of HIPAA-related changes and updates.
- Half of payer respondents indicated that their organizations are addressing remediation on their own, without coordinating with their clients.
- One fifth of all participants noted that their management is providing little or no compliance support.

HIPAA and the National Security Crisis

One final trend that deserves special attention relates to the impact of the current national security crisis on HIPAA-required security. Surprisingly, only 8% of the entire participant group – and even fewer provider representatives -- reported that their organizations' attention to security has been affected "quite a lot, or greatly." The overwhelming majority recorded little or no change in their security focus.

THE SURVEY

During the first ten days of October, Phoenix Health Systems and HIMSS conducted the Fall 2001 Healthcare Industry HIPAA Compliance Survey -- the seventh quarterly survey in an ongoing series. Following E-mail appeals to HIMSS 12,000+ members and to Phoenix' 15,000 HIPAAlert newsletter subscribers, 519 healthcare industry representatives responded. The online survey was completed anonymously via Phoenix' website HIPAAdvisory.com.

Because of concerns about smaller providers' unique issues, the Fall survey broke out hospitals with less than 100 beds into a separate provider category. Additionally, large physician groups with 30 or more physicians were included with "other providers," and practices with less than 30 physicians were separated into their own category. Respondents from provider organizations accounted for 66% (343) of participants. The breakout of participants follows:

- Hospitals – 50%
  - ✓ 400+ beds: 18%
  - ✓ 100-400 beds: 25%
  - ✓ Less than 100 beds: 7%
  - ✓ Other providers, including physician practices of 30+ physicians: 10%
  - ✓ Small physicians practices of less than 30 physicians: 7%
- Payers – 20%
- Vendors – 12%
- Clearinghouses – 2%

Compliance officers and IT management each represented about 25% of total respondents; 20% were department managers, and 15% senior managers. About 80% of all respondents reported that they have official HIPAA roles within their organizations.

HIPAA AWARENESS AND MANAGEMENT SUPPORT

Nearly 75% of their organization's department heads and senior management were judged by respondents as having moderate to high knowledge of HIPAA and its implications. However, overall levels of awareness remained essentially unchanged from our last three survey results. The level of reported management awareness may seem high, but the fact remains that 25% of managers were judged as still having little or no awareness of HIPAA – despite the fact that two final HIPAA regulations are now in effect.
About 20% of all participants claimed that their management is providing little or no compliance support; and 46% felt that HIPAA was receiving moderately high or high support. Results from provider representatives were nearly identical. Given the widely accepted tenet that management buy-in is critical to successful HIPAA implementation, we must conclude that implementation initiatives --probably the most expensive aspect of compliance – may encounter roadblocks or delays in these organizations.

IMPACT OF NATIONAL SECURITY CRISIS

When asked how the current national security crisis has affected their organizations' sense of urgency regarding HIPAA security implementation, 67% of all participants reported either "not at all" or "a little." Only 6% of provider respondents and 8% of all respondents felt that their organizations' attention to security was affected "quite a lot or greatly". This outcome was surprising and of some concern to survey analysts, in light of the strong relationship between the national security environment and healthcare services, and in view of recent strong directives from the AHA and the AMA to upgrade enterprise security.

**Impact of National Security Crisis on HIPAA Security Initiatives**
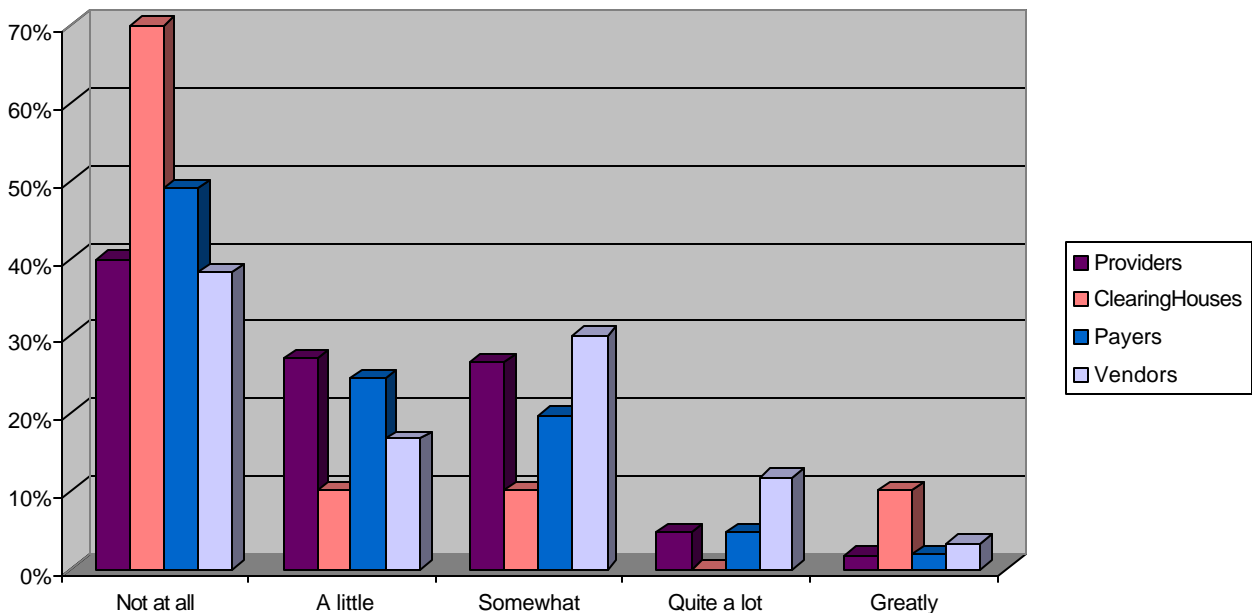
FOCUS OF ENTERPRISE HIPAA EFFORTS

Implementation Approach

Participants were asked to describe their organizations' compliance approach: "basic compliance", "incorporate HIPAA in strategic plans to achieve HIPAA's benefits", "best practices approach to exceed HIPAA requirements", "undecided", or "do nothing and see what happens".

Positive Approaches

More respondents reported using a "strategic" approach than any other– between 40-50% of each group. The exceptions were <100 bed hospitals (32%) and hospitals with 100-400 beds (37%). 30% of vendors and 40% of clearinghouse respondents reported using a "best practices" approach, but significantly fewer members of other industry segments are applying best practices (a range of 12-18%). More respondents from payer organizations (35%) and <100 bed hospitals (also 35%) reported using a "basic compliance" approach than any other group. A range of 18-28% of the remaining industry segments reported doing basic compliance, excluding clearinghouses – none of which were using a basic approach.

Provider Implementation Approach
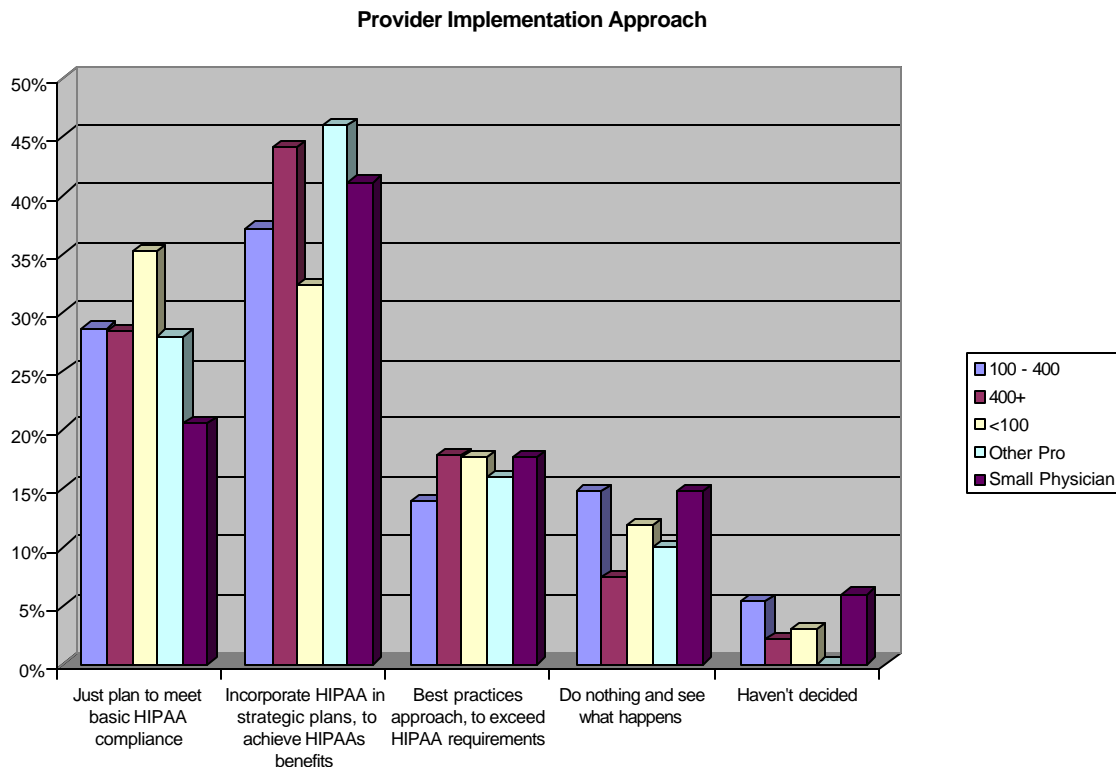
"Do-Nothing" Approach

A relatively small but significant percentage of participants (11%) said that their organizations would "do nothing and see what happens." That they selected this answer rather than "undecided" suggests that the inaction is a deliberate choice rather than a result of ignorance or confusion. More participants from hospitals with 100-400 beds (15%) and from small physician practices (also 15%) projected that they would "do nothing" than any other groups. About 7% of respondents from 400+ bed hospitals and payers, and 11% of all remaining groups also chose this answer. The single exclusion was clearinghouse representatives, none of whom plan non-compliance. An average of 3% of all respondents were undecided.

Areas of Current Compliance Activity

AWARENESS – Between 2/3 and 3/4 of all those surveyed noted that they were currently engaged in awareness efforts – generally in all regulatory areas of HIPAA.

ASSESSMENTS – A range of 1/2 to 3/4 of all participants reported that they are currently conducting HIPAA assessments.

- **Hospitals** -- Hospitals with over 400 beds appear to lead the hospital industry in assessment activity: 75% were reported to be conducting assessments related to Transactions and Privacy, and 2/3 in Security. About 1/3 are including Identifiers in their assessments. 2/3 of hospitals in the 100-400 bed category reportedly are doing assessments addressing Transactions, Privacy and Security. Half of <100 bed hospitals were reported to be focusing on Transactions, with 2/3 addressing Privacy and Security issues.

- **Other Providers** – As reflected in our Summer Survey results, other providers including physician practices lag behind hospitals in performing impact assessments. Nevertheless, it appears that their assessment efforts have stepped up: about half of this group, including respondents from large and small physician practices, said they are working on enterprise HIPAA assessments.

- **Payers, Vendors and Clearinghouses** – Just under 3/4 of payer, vendor and clearinghouse respondents stated their organizations are conducting impact assessments – primarily in the areas of Privacy, Security and Transactions.

PROJECT PLANNING AND IMPLEMENTATION

A range of 50% to 75% of all participants reported that they are conducting HIPAA project planning; between 25% and 50% of all groups are working on implementation, primarily in Transactions and Privacy.

- **Hospitals** -- Among hospitals with over 400 beds, participants reported that 2/3 are preparing Transactions, Privacy and Security project plans; 1/3 are already working on implementation. Half of respondents from <400 bed hospitals and 100-400 bed hospitals are doing Transactions and Privacy project plans, with less emphasis on

Security; and about 25% are working on implementations in the same areas. For all hospital groups, these results represent essentially no change from the Summer Survey results.

- **Other Providers –** About 50% of other provider respondents and 30% of small practices indicated that they are doing project planning. Slightly less than 20% of other providers have started work on implementation.

- **Payers, Vendors and Clearinghouses** – A range of 2/3 to 3/4 of respondents from payers, vendors and clearinghouses reported doing Transactions and Privacy project plans, with 50% also planning Security. This represents almost no change from the Summer Survey responses in July. Between 1/3 and 1/2 of these groups indicated they are implementing Privacy and Transactions, with 25% including Security.

USE OF OUTSIDE CONSULTANTS

Like our July survey, more payer participants (66%) said they are engaging consultants for HIPAA compliance support than any other industry group. Just over 55% of 400+ bed hospitals, 42% of 100-400 bed hospitals and 38% of <100 bed hospitals are reportedly using consultants. Not surprisingly, considering the high cost of consultant support, only 30% of other providers, and 18% of small providers answered yes to this question. Of those using consultants, respondents indicated that this outside support was needed primarily for assessment and planning. Only 33% of payers and 5% to 10% of the various hospital segments using consultants expect to include consultants in implementation efforts.
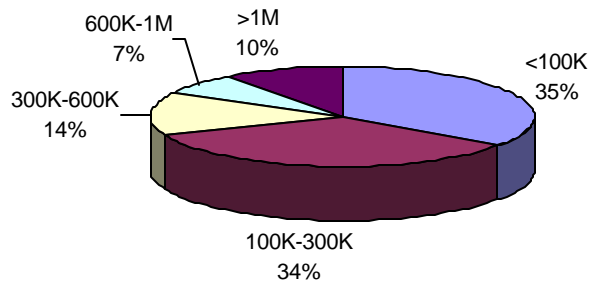
PROVIDER BUDGETS

Provider respondents were asked how much their organizations are spending on HIPAA in 2001, and have budgeted for 2002. A large percentage of respondents (28% for 2001, 32% for 2002) reported not having these answers. The following excludes their responses:

- **2001 HIPAA SPENDING**

  o Spending of all providers: 58% -- less than $100K; 23% -- $100K-$300K; 12% -- $300K-$600K; 2% -- $600K - 1 million; 5% -- over $1 million

  o In hospitals of more than 400 beds: 35% -- less than $100K; 34% -- $100K-$300K; 14% -- $300K-$600K; 7% -- $600K - 1 million; 10% -- over $1 million

  o In hospitals of 100-400 beds: 60% -- less than $100K; 25% -- $100K-$300K; 13% -- $300K-$600K; 1% $600K-1 million; 1% -- over $1 million

- In <100 bed hospitals: 70% -- less than $100K; 18% -- $100K-$300K; 12% -- $300K-$600K; 0% -- $600K - 1 million; 0% -- over $1 million

- By other providers, incl. large practices: 54% -- less than $100K; 11% -- $100K-$300K; 12% -- $300K-$600K; 4% -- $600K - 1 million; 18% -- over $1 million
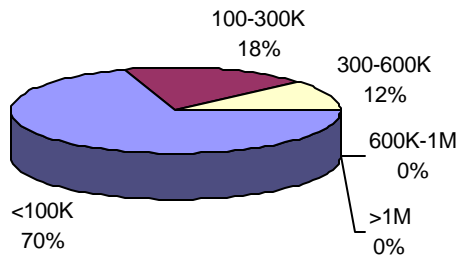
- Small physician practices: 100% -- less than $100K.

2001 Spending: 400+ Bed Hospitals


2001 Spending: 100-400 Beds
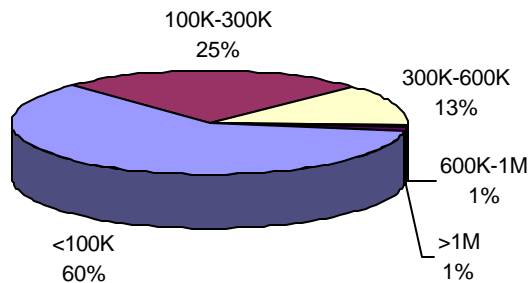
2001 Spending: Hospitals With < 100 Beds

- **2002 HIPAA BUDGETS**

  - Budgets for all providers: 35% -- less than $100K; 28% -- $100K-$300K; 15% -- $300K-$600K; 11% -- $600K - 1 million; 11% -- over $1 million

  - In hospitals of 400+ beds: 9% -- less than $100K; 32% -- $100K-$300K; 19% -- $300K-$600K; 15% -- $600K - 1 million; 25 -- over $1 million

  - In hospitals of 100-400 beds: 28% -- less than $100K; 40% -- $100K-$300K; 18% -- $300K-$600K; 13% $600K-1 million; 1% -- over $1 million

  - In <100 bed hospitals: 71% -- less than $100K; 14% -- $100K-$300K; 0% -- $300K-$600K; 7% -- $600K - 1 million; 7% -- over $1 million.

  - By other providers, incl. large practices: 54% -- less than $100K; 11% -- $100K-$300K; 12% -- $300K-$600K; 4% -- $600K - 1 million; 18% -- over $1 million
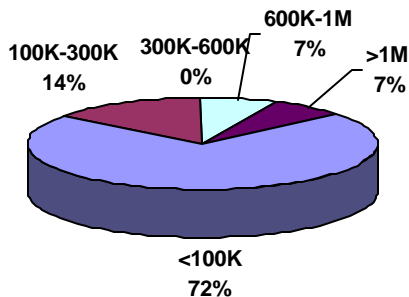
  - Small physician practices: 100% -- less than $100K.

2002 Budget: 400+ Bed Hospitals
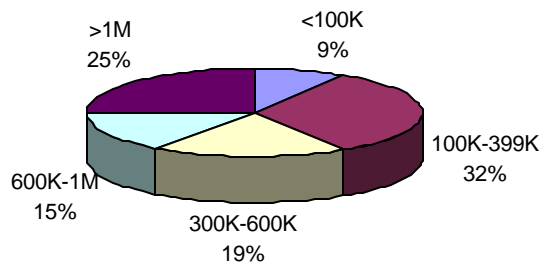
2002 Budget: 100-400 Beds
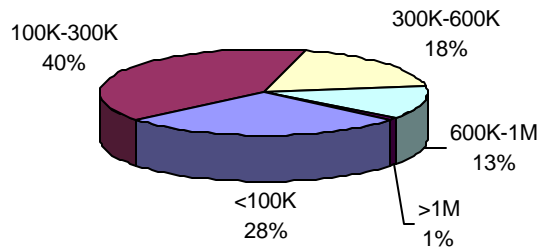
2002 Budget: With <100 beds

PROVIDERS -- HIPAA ASSESSMENT COMPLETION

About 15% of all provider-based respondents reported that they have completed their HIPAA impact/gap assessments. 31% expect to be done in less than 3 months, 30% in 3 to 6 months, 10% in 7 to 12 months, and 2% after 12 months --later than the Transactions deadline. 10% did not know when their organizations' assessments were likely to be done.

Hospitals with over 400 beds appear farthest ahead: 25% of their representatives stated that assessments have been completed and another 26% expect to be done by yearend. Another 32% anticipated being finished within 3 to 6 months, and 12% in 7 to 12 months.

About 15% of 100 - 400 bed hospital representatives, <100 bed hospitals, and other providers have completed HIPAA assessments. 42% of 100-400 bed hospital respondents expected to be completed in 3 months or less, 30% within 4 to 6 months, 6% in 7 to 12 months, and 3% after the deadline. 24% of <100 bed hospitals reportedly will complete assessments within 3 months, 18% in 4 to 6 months, and 15% within 7 to 12 months. 32% of other provider respondents, including large physician practices, anticipated completing assessments within 3 months, 32% in 4 to 6 months, 4% in 7 to 12 months, and 4% after the October 2002 deadline. Just 6% of small physician groups have conducted assessments; 12% expect to be done in 3 months or less, 32% in 4 to 6 months, 21% in 7 to 12 months, and the remaining 6% after 12 months.

E-HEALTH AND HIPAA COMPLIANCE

Just over 50% of all provider respondents agreed that their organizations would need to be HIPAA-compliant in order to execute their E-health strategies. Considering the expense of E-health initiatives, it is not surprising that E-health strategies were reported most often by representatives of 400+ bed hospitals (59%) and 100-400 bed hospitals (53%).

COORDINATION EFFORTS WITHIN INDUSTRY

About 60% of all provider respondents noted that their organizations were actively coordinating compliance with vendors; about 40% said they were working with payers.

ROADBLOCKS TO COMPLIANCE

Providers were asked to rank-order several factors as impediments to their organizations' achieving HIPAA compliance: "Not enough time" was ranked as the greatest roadblock by more respondents (94) than any other factor. "Interpretation of the regulations" ranked #1 second most often (81 people); "budget constraints" was ranked #1 third most frequently (by 75 participants). A crosscheck of all items ranked #1 or #2 reaffirmed this result. Compared to other provider participants, those from <100 bed hospitals were most concerned about time (41%) and budget constraints (35%). 25% of all other groups ranked time constraints and budgets highest.

**Ranking of Roadblocks by Provider Group**

	All Hospitals	Other Providers	Small Physician Practices
Not enough time	1	3	3
Budget constraints	2	1	2
Interpretation of regulations	3	2	1

READINESS TO DO HIPAA-COMPLIANT BUSINESS

The survey questioned participants from payers, clearinghouses and vendors concerning their organizations' progress in HIPAA remediation efforts. They were asked if they had

begun coordinating compliance with their clients, and when they would be ready to use HIPAA transactions.

- **Payers**: Of the 106 payer respondents, about 50% said they have begun coordinating remediation with their clients -- the other 50% are going it alone. This result is essentially identical to answers in the Summer Survey. About 10% said they are ready now to accept/transmit all HIPAA transactions. Another 15% expect to be ready within 3 months, 30% in 4 to 6 months, 38% in 7 to12 months, and 7% after the October 2002 Transactions compliance deadline.

PAYER READINESS
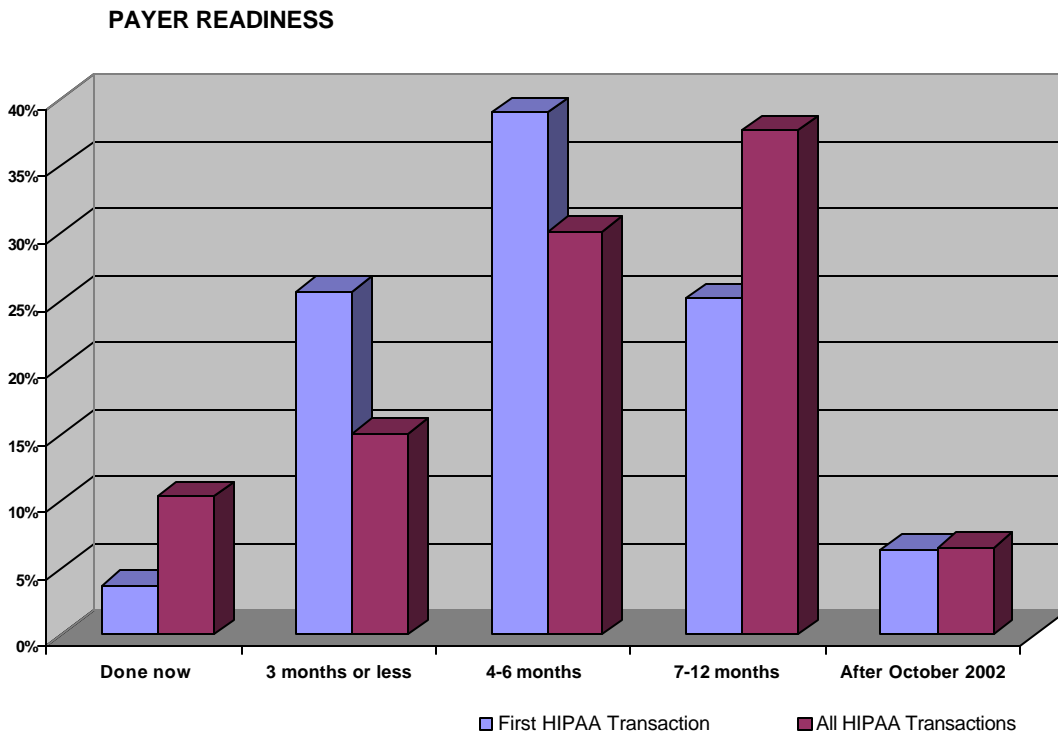
- **Clearinghouses**: The sample of clearinghouse representatives was small – 10 participants. 80% reported that they have begun coordinating remediation with clients. One person (10%) stated his organization was ready now to accept / transmit all HIPAA transactions, 30% will be ready in 4 to 6 months, and the remaining 60% in 7 to 12 months. All clearinghouse participants confirmed that they would be able to transmit and accept HIPAA transactions by the compliance deadline.

- **Vendors**: About 75% of vendor representatives said that they are coordinating remediation with clients. Slightly fewer than 15% said that their organizations have completed Transactions-related remediation or product development. Another 12% expect to be finished within 3 months, 28% in 4 to 6 months, 30% in 7 to12 months,

and 16% do not expect to meet the compliance deadline next October.

    o **Product Quality**: Vendor representatives also were asked if they expected that the HIPAA-related product changes their firms were making would improve their product(s). Over 80% said they believed product quality would be higher.

To review and compare results of the surveys conducted in previous quarters of 2000 and 2001, go to http://www.hipaadvisory.com .

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