

HIPAA: State of the Industry

Tactical Guideline: Considering the implications of HIPAA AS throughout almost every functional area of an HCO, early education of management and clinicians is essential, and training of all employees must be included in action plans for operationalizing HIPAA.

Enterprisewide Impact: Not Just the IS Organization

AS Category	EDI	Identifiers	Code Sets	Security	Privacy
Functional Area Impacted					
Billing/Patient Accounting	X	X	X	X	X
Medical Records	X	X	X	X	X
Claims/Encounters	X	X	X	X	X
Eligibility	X	X	X	X	X
Medical Management	X	X	X	X	X
Case Management	X	X	X	X	X
Customer Service	X	X	X	X	X
Marketing	X	X	X	X	X
Sales/Underwriting	X	X	X	X	X
Benefit Design	X	X	X	X	X
Reporting/Analytics	X	X	X	X	X
Physician Contracting	X	X	X	X	X
Nursing	X	X	X	X	X
Physicians/Clinicians	X	X	X	X	X

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Source: Gartner

Despite an early misconception shared by many HCOs that HIPAA is just another challenge facing IS departments, the AS mandates will have a profound impact on almost every functional business unit throughout payer and provider organizations. This will be represented by the modifications needed to core transaction processing and ancillary departmental software applications. Even where vendors assume most responsibility for implementing those changes, users will still face training and testing on modifications. The e-transaction, identifier and code-set standards will require a careful inspection of every application that transmits financial, administrative or clinical data to other HCO departments and to outside enterprises. In many cases, HCOs will find applications — usually departmental — that are no longer supported by vendors and will either be forced to investigate modifying source code in escrow (internally or using third parties) or to select replacement solutions. These same applications must also be studied to ensure that they have appropriate security precautions built in, such as audit trail capabilities. Most significantly, almost every employee in every department must undergo education on new policies and procedures for handling patient-identifiable information to protect both the patients and the HCOs.

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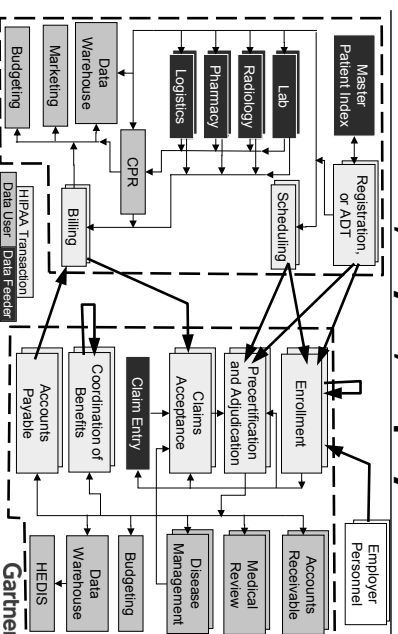
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New Rules/New Realities: Healthcare organizations must assess the impact of the HIPAA standard on all systems that provide to or use data from the systems that actually create or receive the HIPAA transactions. Most will require some remediation.

The System of Systems: Providers, Payers, Employers



Source: Gartner Research

As enterprises assess the requirements for compliance with the HIPAA transaction, code and identifier standards, they evaluate the impact on three categories of application systems: 1) those that are the source or recipient of the HIPAA transactions ("transactors"); 2) those that gather data and pass it to the transactors ("data feeders"); and 3) those that make downstream use of information gathered by the transactors ("data users"). Data feeder systems may have to be changed to collect data that was not previously required, such as the birthdate and gender of the subscriber. Data user systems may have to adjust to different codes as the transactors are remediated for HIPAA.

In provider and payer enterprises, there are many kinds of application systems that fit these categories — e.g., patient registration systems are transactors for eligibility, pre-certification and referrals; at the same time, they are data feeders for the billing system. In a large enterprise, for each kind of application there may be several or as many as a dozen distinct instances of application system. These distinct instances are usually different products, each of which must be assessed and remediated separately. In total, large integrated delivery networks may have to assess 100 or more distinct systems and payer enterprises that have grown through acquisition may have to assess dozens.

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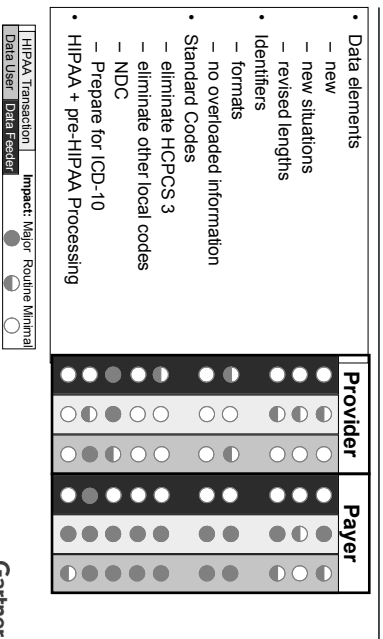
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Strategic Planning Assumption: By 1Q02, DHHS will revise its standards to remove the requirement for using NDC codes, except in pharmacy claims (0.8 probability).

The Devil Is in the Details



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Source: Gartner Research

The rules in adjudication systems are complex, reflecting payment policies of the payers and sponsors, state and federal regulations, and negotiated arrangements with providers. They lump individual services into bundles that are specially priced by diagnosis-related group (DRG) or other criteria. Payers have created special codes for services, revenue centers and denial reasons to simplify their programming. The rules are generally implemented in explicit program statements, often with literal code values. HIPAA does not require that the policies change, but it requires that the transactions be expressed using national-standard code sets and that the remittance advice be expressed using the same enumeration of services that was in the claim. The previous practice was to express the remittance advice in terms of bundled services. Other problems include a new system of identifiers that decouples the identifier of a provider with its specialty, fields that are much longer than before, and new fields. The new codes, full length of the fields and new fields must be echoed from the claim to the remittance advice. A further complication is that the remediated systems must continue to process paper claims in the old formats.

The payer systems that process other transactions face the same challenges on a smaller scale. Provider billing systems, having been designed to fulfill the conflicting requirements of different payers, have less trouble adapting to the standard codes. They do have to be modified to collect new data or support longer data fields.

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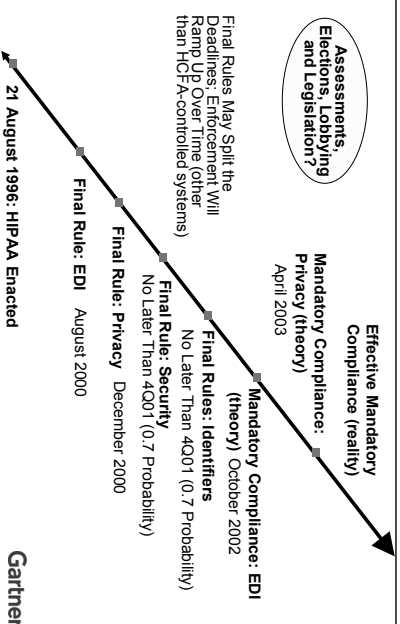
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Strategic Planning Assumptions: Through 3Q03, 70 percent of healthcare payer organizations will not have achieved full compliance in non-HCFA environments with the full set of final HIPAA standards for transactions, codes and identifiers (0.8 probability).

Through 2003, healthcare payer organizations that have not achieved full compliance with the HIPAA transaction standards will not experience substantial economic consequences in non-HCFA environments due to explicit government delays of the deadlines, slow enforcement or accepting fines as the cost of doing business (0.7 probability).

You Want It When?



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Source: Gartner Research

The Department of Health and Human Services (DHHS) has not yet published final rules on identifiers, claim attachments and report of first injury. As the healthcare industry fully analyzes the implementation guides and standards for the transactions that have been published, questions have arisen that must be answered prior to full implementation, and these answers have not yet been provided. The industry is just now understanding the remediation effort required to prepare for the standards. There is no guidance from the government with respect to the processes necessary for a full national implementation, and yet this requires a degree of coordination among independent entities that is unprecedented for government regulations. These issues together lead to the inescapable conclusion that the healthcare industry cannot meet the mandatory deadlines. There is precedent for an action by the government to delay the deadlines or delay enforcement. DHHS officials have already hinted that early enforcement may be directed at healthcare organizations (HCOs) that have blatantly ignored the regulations, rather than at those that are diligently working to comply but have not fully completed the tasks. Even if such delays are not forthcoming, large HCOs may consider unilateral delays for programs that are not paid with federal funds, regarding the maximum penalty of \$25,000 per year, per standard as a cost of doing business. Ultimately, competitive pressures and the requirement for the cost savings will drive compliance, but HCOs have options to consider so that delays of up to a year will not have devastating consequences.

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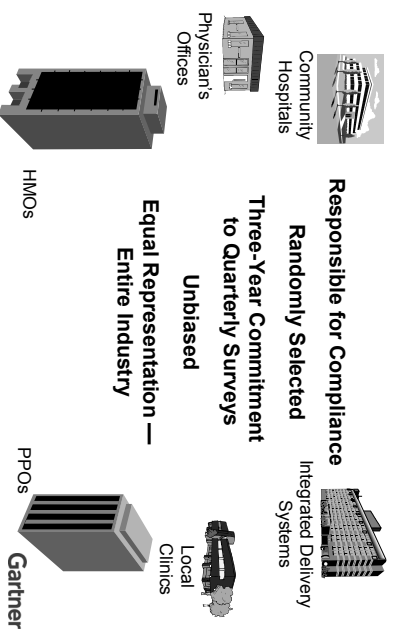
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Definition

The HIPAA Panel Methodology



Source: Gartner Research

The Gartner HIPAA survey seeks to understand how HCOs are responding to the challenges of HIPAA compliance over time by studying a representative sample of randomly selected providers and payers. The survey targets those individuals designated with responsibility for their organizations' HIPAA compliance efforts. A total of 225 organizations participate, comprised of 104 payers and 121 providers. Payer participants include health maintenance organizations (HMOs), preferred provider organizations (PPOs) and private health insurers. Provider participants include representation from integrated delivery systems, hospital networks, stand-alone hospitals and physician groups.

One of the aspects that makes this panel study unique is that, unlike most other industry surveys, respondents were chosen randomly in representative numbers and not self-selected, which would have resulted in a sample of HIPAA-savvy respondents fueled by their interest in volunteering for such a survey. For example, some surveys solicit the participation of those individuals who are already subscribed to the sponsoring organization's HIPAA list serve. That approach introduces a degree of bias into survey results, since one can assume that not every HCO has already taken an active interest in learning more about the regulations and their impact. Another unique aspect is that the panelists have agreed to continue participation for three years of quarterly surveys. This fact will eliminate the introduction of variability into quarterly results and allow accurate reporting of the industry's true progress.

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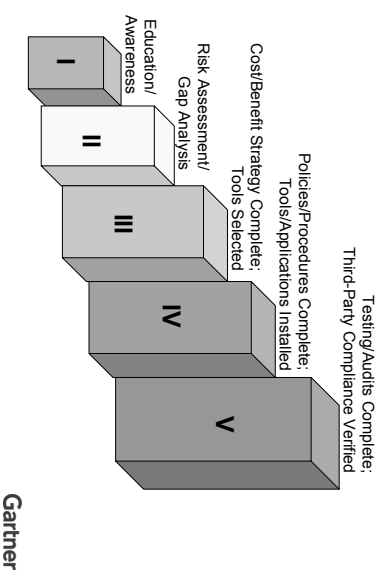
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Imperative: Considering the efforts required to complete the education and assessment stages, HCOs must move aggressively toward formal HIPAA planning or risk being unable to complete required technology and process modifications in the necessary time frame.

Gartner's HIPAA COMPARE Scale



Source: Gartner Research

To rate the activity and readiness of HCOs, Gartner has developed the COMPARE scale for HIPAA AS. The COMPARE scale is a tool originally developed and copyrighted by Gartner in 1997 for tracking an enterprise's progress with year 2000 compliance. Gartner has subsequently adapted the instrument to track the progress of the healthcare industry's activities and readiness to meet HIPAA AS mandates.

Level I: At this stage, an HCO has completed its organizationwide general education and awareness program; all preliminary activities are complete. *Level II:* An HCO has completed (internally or with outside assistance) a formal assessment of its vulnerabilities and activities needed to achieve compliance with electronic data interchange (EDI), security and privacy requirements. *Level III:* At this stage, an HCO has quantified tangible and intangible costs and benefits to realize compliance, and used that information to formulate a comprehensive compliance strategy. This strategy will address HIPAA as an enabler for achieving the HCO's overall e-business strategy. *Level IV:* An HCO has completed and communicated policies and procedures for achieving compliance to all affected entities, departments and employees. Selection is complete for all physical tools needed for EDI and security compliance, including upgrade or replacement of applications when necessary; there is nothing left to plan or negotiate. *Level V:* All tools and applications have been implemented and tested. For security and privacy, the HCO has benchmarked the industry and has implemented all measures believed necessary to adequately address requirements. A formal process is in place to address "evolving" requirements and pursue "absolute" compliance.

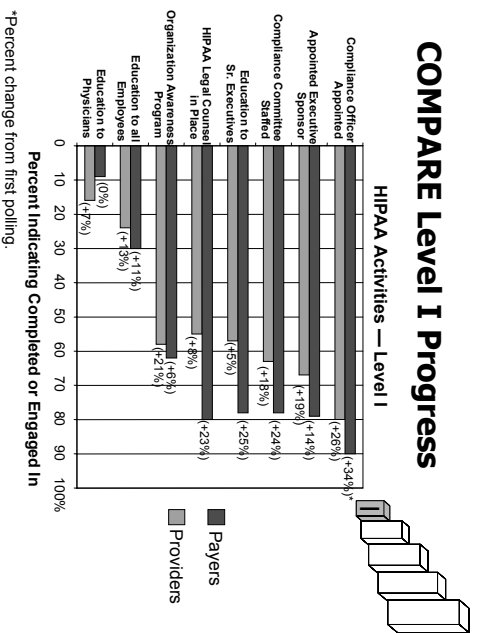
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COMPARE Level I Progress

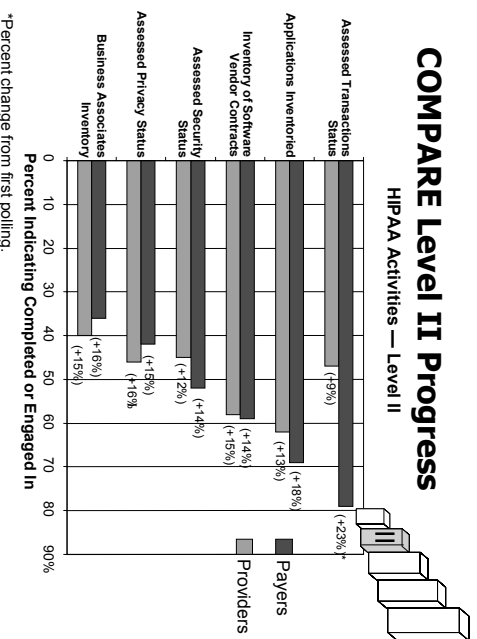


Source: Gartner HIPAA Panel Survey, 1Q01

It is not surprising that payer organizations (payers) are more aggressive than provider organizations (providers) in their compliance activities, especially when you consider that they may need to accept standardized transactions before the compliance deadline. In addition, payers may not be as able as providers to rely on their third-party software vendors, as many of their processing systems are self-developed. What is surprising about the Level I survey results is that barely half of providers have completed or even begun most of these milestone activities. The first final rule on standardized EDI transactions has been in place since August 2000. These activities represent the basic organizational steps required to begin planning subsequent compliance activities. In its press release announcing the first final rules, the DHHS left open the slight possibility of rescinding the EDI regulations if consensus on privacy regulations could not be reached by DHHS. Perhaps many HCOs took this as an indication that it would be premature to begin attacking HIPAA compliance until it was a 100 percent "sure bet." This assumption was a mistake. More likely, these HCOs have been hindered by a post-year-2000 ambivalence among non-IS executives about any initiative perceived to be "just another IS department nuisance."

Still, in just three months since the first quarterly survey, both payers and providers have made statistically significant progress through most of Level I, but it is apparent that payers are more aware of the deadlines.

COMPARE Level II Progress



Source: Gartner HIPAA Panel Survey, 1Q01

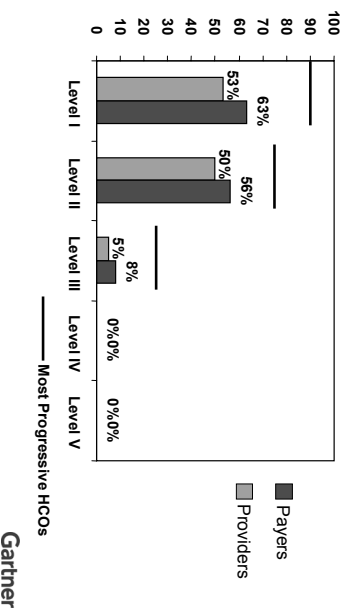
Payers are also far ahead in their planning activities for the EDI regulations, and became even more aggressive in 2001. When the first providers begin submitting claims and other transactions in ASC X12N formats, a payer must be ready to accept these inbound transactions or else incur the added expense of utilizing a clearinghouse service (which, as many payers are discovering, is not even a tactical solution) that it cannot pass on to the provider. If a competing payer's processing systems are already prepared to accept the EDI standard, the noncompliant payer risks a competitive disadvantage. Although most HCOs have already completed an inventory of applications and review of vendor contracts as part of their year 2000 compliance efforts, only a little more than half of those HCOs have begun or completed updating those tasks regarding HIPAA. For providers, these activities will likely be relatively more-resource-intensive than for payers. A typical integrated delivery system may have more than 100 IT vendor contracts, many maintained by individual departments. These must be identified and organized before beginning a systematic assessment with legal counsel, of vendor responsibilities.

Apparently, many HCOs expected the DHHS to publish final security regulations before privacy, because the proposed privacy rule generated so much controversy. With the privacy rule published in February 2001 and barely more than 40 percent of payers and providers having started assessments of their vulnerabilities, it is clear that substantial work lies ahead in the short term for most HCOs.

HIPAA: State of the Industry

New Rules/New Realities: Payers are 63 percent through Level I and 56 percent through Level II. Providers are 53 percent through Level I and 50 percent through Level II. Progressive HCOs (those that started aggressive HIPAA planning by early 2000) report completion of approximately 90 percent and 75 percent of these milestones, respectively, as of April 2000, and have even begun about 25 percent of Level III tasks.

COMPARE Overall (Lack of) Progress



Source: Gartner HIPAA Panel Survey, 1Q01

Of grave concern is the minuscule percentage of respondents who have begun educating their physicians. The work patterns of doctors will be significantly disturbed as an HCO establishes and enforces the policies required for HIPAA compliance. Physician leaders must be consulted during the process. A first round of awareness is necessary so that they will give the assessment process sufficient attention. Another concern is that for the most part, neither providers (24 percent) nor payers (30 percent) have begun formal HIPAA education for their employees. HIPAA's transaction and code set standards will have a significant impact on the business processes of most HCO departments, and large providers such as integrated delivery systems (IDSs) have many more departments than payers. More important, the entire enterprise must become fanatical about protecting patient privacy and must introduce much more stringent policies and procedures. The communication of these changes and their reasons must begin early. The relatively small percentage of HCOs that have begun examining their business associates is another concern. That exercise will serve as the foundation for developing procedures to protect or disidentify patient data as it is transmitted among stakeholders, and for establishing formal chain of trust agreements. Also, the activities and readiness of data interface (both EDI and paper) partners must be assessed to coordinate new or modified transaction processes. Because very few HCOs in the panel have currently completed any of the significant milestones of COMRAKE Level III or beyond, we will withhold detailed reporting of those results until subsequent quarterly surveys.

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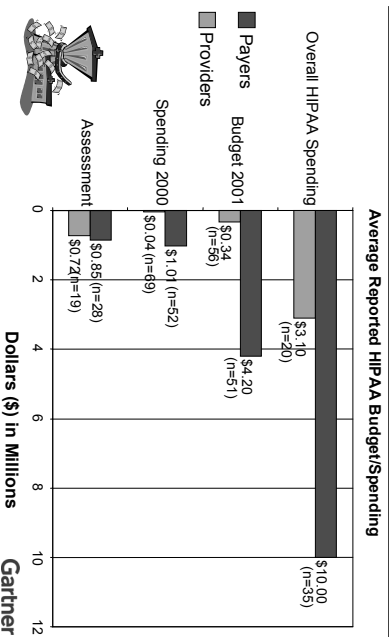
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Strategic Planning Assumption: For at least 75 percent of HCOs, the time and money spent on achieving HIPAA compliance by 2004 will represent between one and two times their efforts and costs for year 2000 compliance (0.8 probability).

Early Compliance Cost Estimates



Source: Gartner HIPAA Panel Survey, 1Q01

Wall Street analysts, reporters and consultants have all attempted to put a price tag on the industry achieving compliance. In almost every case, these predictions have been presented without estimating assumptions and without real data collected from providers and payers to support their figures. Further, many of the early estimates did not even consider that most of the final HIPAA rules had not yet been published. By asking our panelists about their planned HIPAA costs, we have validated our opinion that it is simply too early to try to publish "one number" predicting total compliance costs. Seventy-three percent of all organizations polled indicated that they have not developed preliminary overall budgets for achieving compliance. Even narrowing down the spending time frame to 2001 (for which most HCOs have already finalized corporate budgets), only 53 percent had estimated near-term HIPAA compliance costs. Still, the relatively few HCOs that have estimated their HIPAA spending offer at least anecdotal comparative data. Of those 27 percent who had developed a preliminary total budget, HIPAA spending is expected to average more than \$7.5 million. Slightly more HCOs have received budget approval for their HIPAA budgets for 2001 only, with a \$2.2 million average expectation for the that year. However, the healthcare industry is historically poor (on the low side) at predicting costs. To draw a cautionary parallel, IDSs as late as 1999 predicted that their total year 2000 remediation would cost an average of \$4.8 million. By early 2000, those same IDSs reported that year 2000 had cost more than twice that amount, on average.

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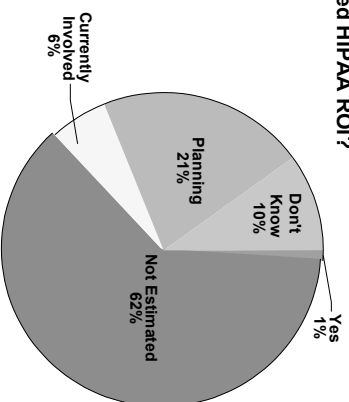
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New Rules/New Realities: Recently passed Medicare relief to the Balanced Budget Act is welcomed, but is not a panacea to financially ailing HCOs. Given budget restraints, the only reason to invest in any nonclinical initiative is to improve business processes, and thus bottom lines.

But Are HCOs Considering ROI?

Estimated HIPAA ROI?



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Source: Gartner HIPAA Panel Survey, 4Q00

Despite the continuing growth of dramatic and very-achievable ROI examples, Gartner found in its first quarterly HIPAA panel survey that only 7 percent of HCOs had even considered ROI opportunities inherent in HIPAA. Clearly, in an era of reimbursement pressures, as well as growing consumer and employer demand for better quality and lower costs, HIPAA offers a tremendous chance for HCOs to gain competitive advantages if they prioritize their HIPAA activities and spending appropriately.

The reality is that most providers and payers are seeking tactical solutions for HIPAA compliance that emphasize cost and resource minimization. Following on the heels of year 2000, and after three years of financial struggles due to Balanced Budget Act Medicare reimbursement cuts, many HCOs consider HIPAA to be just another conformance nuisance. They also are treating HIPAA as "another IS headache," and are loathe to invest in any technology-related initiative, due to a perception of minimal value derived from previous investments.

This mentality presents an opportunity for more-progressive organizations to realize true competitive advantages in their markets. Lower costs and improved customer service are inevitable results of being able to conduct standardized business transactions online. Those organizations that realize this fact first and take actions to capitalize will be positioned to survive and even thrive.

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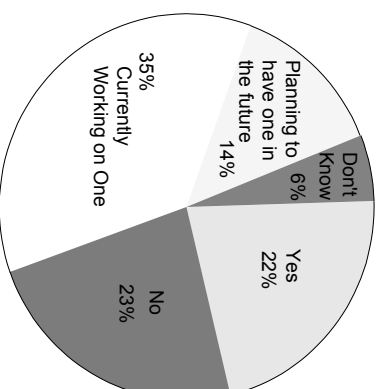
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Strategic Planning Assumption: By 2004, 50 percent of HCOs will conduct at least 40 percent of administrative and financial healthcare transactions, and customer service queries using Internet-based technologies (0.7 probability). These HCOs will be the competitive leaders in their markets.

Do HCOs Have an E-Business Strategy in Place?



Gartner

Source: Gartner HIPAA Panel Survey, 4Q00

Gartner has published extensive research positioning HIPAA AS as the enabler or catalyst for the healthcare industry to finally embrace the opportunities inherent in e-business. Toward that end, we were interested in discovering whether the industry was, in fact, ready for e-business, and asked if HCOs had such a strategy in place. Fewer than one-fourth of HCOs have documented their e-business plans.

However, payers are well ahead of providers on this front, with 32 percent reporting having completed e-business strategies vs. only 13 percent of providers. Also, in an encouraging sign, 94 percent of responding HCOs report at least some overlap of staff working on both e-business and HIPAA projects, and the figure rises to 100 percent in payers.

Although it is disappointing how few HCOs have completed HIPAA ROI analyses or formal e-business strategies, it is encouraging that the vast majority see at least some relationship between HIPAA and e-business.

Action Item: Treat HIPAA AS as the catalyst to bring your organization and its people the skills needed to capitalize on e-business opportunities – lower costs, increased revenue, improved customer service and better market agility.

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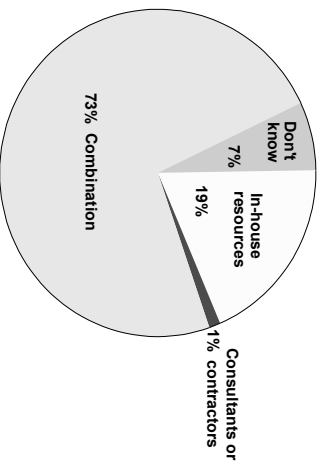
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Strategic Planning Assumption: Much like the Year 2000 crisis, demand for HIPAA consultants will exceed supply by early 2002, allowing those consulting firms with demonstrated EDI, privacy and security skills to increase hourly rates from 25 percent to 50 percent (0.8 probability).

To What Extent Do HCOs Need Help?

Resources for HIPAA Assessment



Gartner

Source: Gartner HIPAA Panel Survey, 4Q00

Consultants and systems integrators will see a rapidly rising demand for their HIPAA services in 2001. Nearly three-quarters of organizations will approach assessment through a combination of in-house resources and contractors. Fortunately, the HIPAA consulting ecosystem is robust, with more than 70 firms with developed, strategic HIPAA practices.

Based on anecdotal evidence from those HCOs that have been relatively progressive around HIPAA, an HCO can expect an initial assessment project to take eight to 12 weeks using outside assistance, and 12 to 24 weeks if done internally, depending on its size.

At least in the short term (through 2003), consultants stand to be the largest beneficiaries of HIPAA, for three main reasons:

- Already, nearly three-fourths of HCOs acknowledge that they need outside assistance just to complete the initial assessment work.
- Based on the small sampling of HCOs that have actually forecasted their HIPAA budgets, the cost and scope of work is very likely to exceed that of the year 2000 crisis in healthcare.
- As the demand for IT skills far exceeds the supply, HCOs will be forced to rely on consulting firms, who will continue increasing their rate premiums as the industry nears the first compliance deadlines.

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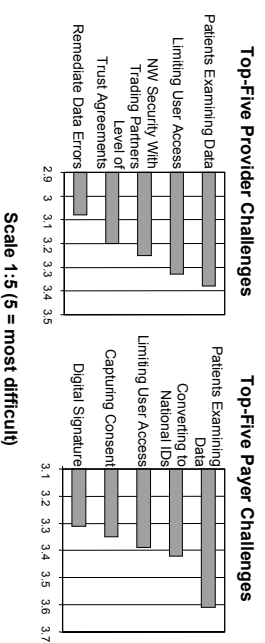
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HIPAA: State of the Industry

Decision Framework: The more difficult the challenge (as with these top five), the more appropriate it is to require outside assistance. On the other hand, HCOs ranked policy development and employee education tasks as relatively easy, making them good candidates for internal completion.

What Are the Toughest Regulation Challenges?

Perceived Difficulty With HIPAA Compliance



Scale 1:5 (5 = most difficult)

Color Key:
Privacy
EDI
Security

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Source: Gartner HIPAA Panel Survey, 4Q00

A survey question with a mean rating of 3.00 is seen as "moderately difficult" on average by respondents. Mean ratings should be seen as a comparative tool for assessing the perceived difficulty of achieving one HIPAA challenge against all others.

Notable differences do exist in the perceived challenges associated with achieving HIPAA compliance:

The top-two provider challenges associated with HIPAA are each associated with privacy — a patient's right to examine and change data (3.49), and user functions that limit access to only those who "need to know" (3.36). Significant differences between providers (2.99) and payers (3.42) are observed for converting to nationally standardized identifiers.

The task of complying with the EDI regulations will likely be significantly easier for providers. While providers will be replacing dozens of different transaction formats with a single standard, payers must revise back-end processing to accept a single standard transaction rather than the proprietary transactions that the payer designed to meet specific needs. Payers shoulder a larger burden because they cannot fully rely on clearinghouses or transaction-mapping products for compliance. Payers must revise their adjudication programs to eliminate local codes and use standard identifiers. However, that effort could require a substantial investment that could necessitate special remediation tools and skilled outside assistance.

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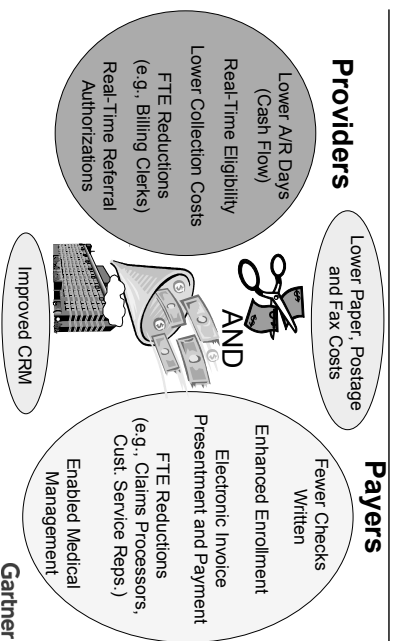
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HIPAA: State of the Industry

Decision Framework: Although security and privacy mandates are necessary and require investment, they do not have the same potential as the HIPAA EDI and standardization rules for cost savings.

The Best Possible Bad News



Source: Gartner Research

Stop stressing over HIPAA privacy and start thinking of HIPAA EDI as your key to business transformation. No matter what it costs, the return can be phenomenal if you spend wisely. Actual, conservative HIPAA return on investment (ROI) examples:

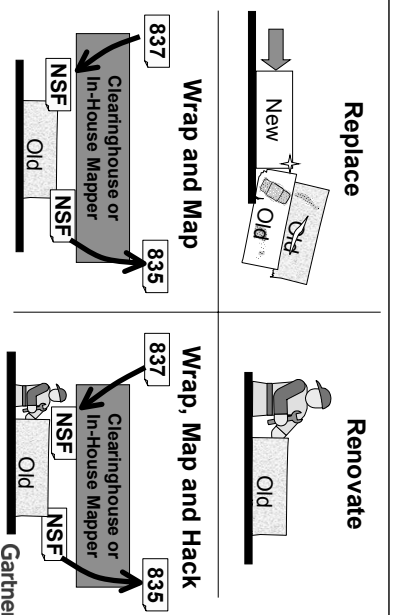
- A large hospital system will reduce rejected claims from 11 percent to 5 percent, resulting in \$15 million additional yearly revenue.
- A Blues plan will cut or redeploy dozens of claims clerks, resulting in net cost reductions greater than \$3 million a year.
- A midsize hospital system, through reductions in paper, people and postage, and more-efficient processes, will accelerate reimbursement more than \$6 million per year, and lower administrative costs by more than \$4 million annually.

Seeking the least-expensive means of complying with HIPAA's transaction, code and identifier requirements is a sure way to lose competitive standing, because cost savings will be missed. HCOs should put their most-creative and aggressive efforts toward these requirements, not just to comply but to actually exploit opportunities through restructured in-house processes and business relationships that take advantage of EDI and the availability of standards.

HIPAA: State of the Industry

Definition: "Wrap and map" remediation approaches use mapping software to transform data in the new format to look like the old format before presenting it to the application, and transform the output data from the old format to the new.

Remediation Approaches



Source: Gartner Research

There are four alternatives for remediation of an individual system.

- *Replace* the current system by acquiring a vendor solution that can process and produce the HIPAA solutions. When the time is available to select, acquire and implement a new system, this approach allows for substantial long-term efficiencies by replacing multiple separate applications that perform the same function with a single product that reduces the latency time for processing, upgrades the technology platform and provides a solid basis for future changes.
- *Renovate* the current system with a Y2K-like inspection of source code, repairing or replacing modules that deal with data elements and codes that are changed by the HIPAA standards.
- *"Wrap and map"* the old system by using software mapping tools or a clearinghouse to convert the HIPAA transactions to the old-style format, presenting the old-style format to the old system and translating the old-style output to the HIPAA response. Where feasible, this approach minimizes the short-term costs associated with HIPAA compliance.
- *"Wrap, map, and hack"* the old system, using the wrap-and-map technique to minimize the renovation that is required in the old system. Where a simple wrap-and-map solution is not feasible, this approach represents the minimal short-term costs.

Imperative: Incorporate tactical remediation activities into a plan that balances expedience against strategic benefits and composes a long-term strategy for the fundamental data model and process improvements necessary to be competitive.

'You Take the High Road; I'm Busy Fighting the Alligators'

- The high road: Finally a corporate data model
 - HIPAA standards provide a rare opportunity to standardize data elements and codes
 - consolidate duplicate systems
 - the adoption of Internet technologies
 - straight-through processing and reduced latency
- The low road: wrap, map, and hack
 - minimize the renovation of transaction systems
 - eliminate impacts on downstream systems
 - ostensibly required by HIPAA deadlines

Gartner

Source: Gartner Research

There are two approaches to HIPAA transaction compliance – tactical and strategic. Each provides a different ROI with vastly different investments. *The tactical approach* focuses on the fastest and most cost-effective (in the short term) route to HIPAA transaction compliance. The solution includes a heavy reliance on translation and auditing tools, employing internal or outsourced clearinghouse mapping technologies. Few changes to the back-end processing environment or data model are planned. Although ROI results will be tangible, they are short-term only. As all healthcare organizations must comply with these standards, so there is no specific competitive advantage for minimal compliance. This approach does nothing to address current processing inefficiencies and costs, which include process inefficiencies such as dumping electronic transaction to paper and then rekeying them, poor internal data models, and continuing translation or clearinghouse vendor costs. *The strategic approach* focuses on improved data models and business processes that will better position the health plan to reap the administrative benefits and position HIPAA investments as the catalyst to better healthcare outcomes and new business opportunities. This will enable quicker adjudication, customer response, better reporting, improved successes with Internet initiatives and better use of data from external sources.

By 2005, healthcare organizations that rely solely on tactical HIPAA remediation will lose market share because of process inefficiency and inflexibility (0.8 probability).

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Recommendations

- Embrace HIPAA EDI and standardization mandates as the change agent to bring your organization (and its people) the skills it needs to support e-business.
- If you haven't begun detailed assessment efforts, get busy now. Get help too — from consultants, peers, trade organizations and Web resources.
- Use HIPAA to precipitate developing a systematic application integration architecture and infrastructure so that HIPAA can be implemented incrementally.



Gartner

Source: Gartner Research

It is essential to regard HIPAA as an opportunity. A sure path to loss of competitive standing is to find the least-cost methods of compliance with the opportunistic HIPAA requirements without finding a way to capture the cost savings. At the same time, it is not critical to maximally address all requirements. An HCO can defer one-time compliance costs by gauging its response to security and privacy standards to find the threshold of measures that represents responsible, real-world compliance at a level comparable to other HCOs in the industry.

Gartner projects a three- to six-month time frame for a typical payer or provider organization to complete all of the major tasks entailed in COMPARE Level I and Level II. At this point, far fewer than half of HCOs have even begun all of these milestones. Unless the DHHS or the U.S. Congress extends the deadline for standardized transactions, many HCOs are facing a time and resource crisis beyond the scope of year 2000. If an HCO has not mobilized its HIPAA coordination efforts and launched detailed assessment and planning efforts as of April 2001, it should seek consulting assistance immediately.

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Wes Rishel

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