Summary of Gartner
COMPARE Survey of
HIPAA Readiness
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Industry Scorecard for HIPAA

Definition: Gartner’s Compliance Progress and Readiness (COMPARE) scale is a methodology that defines the detailed milestones necessary in a comprehensive compliance program.

Gartner’s HIPAA COMPARE Methodology

The 166 participants in Gartner’s seventh HIPAA survey were selected using a stratified, equivalent sample of providers (composed of integrated delivery systems, stand-alone hospitals with at least 250 beds, and physician groups of at least 30 physicians) and payers (composed of health maintenance organizations with more than 10,000 members, large national preferred provider organizations and private health insurers). At these sample sizes, Gartner’s provider and payer data is statistically valid to a 10 percent margin of error. Using random selection in representative numbers avoids the bias that comes with surveys that solicit volunteers. The panelists agreed to continue participating in three years of surveys. This will minimize the introduction of variability into ongoing results and allow accurate reporting of the industry’s true progress.

Our COMPARE scale for HIPAA groups questions into levels that represent the phases of a HIPAA project: Level I (getting oriented), Level II (a formal assessment of its vulnerabilities and activities needed to achieve compliance), Level III (quantifying costs and benefits, creating a strategy and plans), Level IV (completing and communicating policies and procedures, remediating or replacing applications, and negotiating with business associates) and Level V (implementing and testing all tools and applications, benchmarking the industry on privacy and security, implementing all compliance measures, and establishing a formal process to address “evolving” requirements and pursue “absolute” compliance.)
Market: Many payers have simply abandoned taking a strategic approach toward HIPAA transactions in favor of tactical compliance approaches.

For Level I (not shown), most HCOs have completed all items except for education. Clearly some organizations decided to perform assessments without widespread education. For Level II (also not shown), approximately 70 percent of health plans had completed all activities except assessing the security status. This is not surprising, since the final security regulation was just published in February 2003. Providers were about the same, except that they were only at the 50 percent level for inventorying software vendor contracts and business partners. Of those HCOs that had not completed activities, 90-95 percent of them were currently doing them. (80 percent indicated they were now doing security assessments.)

We note that about twice as many HCOs have completed Level III tasks when compared to August 2002. On average, responding payers have started 82 percent of the Level III tasks, and providers have started 78 percent. The average percentages of Level III tasks completed by payers and providers, however, are only 34 percent and 32 percent, respectively.

The milestones that have shown the greatest progress are the planning steps for Level IV. Perhaps the most disappointing finding of this survey iteration is that few HCOs have completed cost/benefit analyses. In fact, many providers appear to have abandoned treating HIPAA as a strategic opportunity with return on investment (ROI) potential; now, one-half of payers and two-thirds of providers report having no plans to analyze potential benefits. Indeed, there was substantial regression on the completed statistic for the providers. Gartner attributes this to a reassessment of costs and plans. The fact that 48 percent of the payers are doing one is encouraging.
The greatest progress since August 2002 appears in Level IV. Most providers and payers have embarked on most tasks (excluding security).

A majority of HCOs are beginning their implementation tasks concurrently with their Level III — Detailed Planning tasks. Indeed the averages for initiating and concluding Level III and Level IV tasks are very similar. Many HCOs tell Gartner that they have procured or are seeking off-the-shelf solutions to expedite much of their privacy and security implementation work.

The situation with TCS appears promising based only on the answers to respondents’ questions. About 94 percent of payers and 77 percent of providers report having begun implementing system modifications, interfaces and data conversions. Providers, however, are largely at the mercy of their software vendors, most of which are still working on their compliance upgrades.

Level V tasks are also well on the way, with a few of the most aggressive HCOs showing completion on many Level V tasks (other than security). In this survey, Gartner asked about “Chain of Trust” agreements. During the survey period, the final security rule was published, which changed the name of these agreements to “Business Associate” agreements to be consistent with the privacy regulation.
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Market: As of 16 April 2003, which was the testing deadline stipulated by the AS Compliance Act, less than 60 percent of providers were ready for formal testing of claims and remittance advice transactions with their trading partners.

Level V: Transaction Testing
Internal and External

The “80-80 rule” applies very well to EDI projects: design and programming take 80 percent of the project time and testing takes the other 80 percent.

February 2003 was the first time Gartner asked specific questions about HIPAA transaction testing. The overall pattern of progress across the transactions is generally consistent with the industry need to minimize disruption in claims processing and payment streams. Claims and remittance advice show the most progress, with 78 percent of payers testing claims internally and 66 percent externally. Eligibility follows closely behind, in part because there is a substantial volume of pre-HIPAA electronic eligibility transactions. This is an encouraging sign because this transaction will generate ROI through improved claims clearance.

Gartner was surprised to find that progress on enrollment/disenrollment outpaced eligibility for payers and more surprised to see substantial progress on the provider side. This is good because of the potential to improve payer ROI and to engender more accurate eligibility data.

Although these results are encouraging, the absolute progress is troublesome in the light of the “80-80 rule.” Low rates of external testing of providers, and the number of providers that need to test with a clearinghouse or payer, indicate trouble ahead.

Action Item: The industry needs to develop a contingency plan to deal with less-than-complete readiness for claims and remittance advice.
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Strategic Planning Assumptions: By October 2003, 90 percent of the specified HIPAA transactions done electronically will conform with the HIPAA standards (0.2 probability). Between October 2003 and October 2005, 90 percent of the specified HIPAA transactions done electronically will begin to conform with the HIPAA standards (0.6 probability). By October 2005, most HCOs will have given up on achieving truly uniform HIPAA transactions and will use nonuniform, payer-dictated transactions (0.1 probability).

For Levels I and II, Gartner interprets the “start” numbers as being as close to 100 percent as the industry will achieve, given varying implementation methodologies in different HCOs. The fact that only 66 percent of payers and 54 percent of providers are showing completion for Level II is a reflection of the deferral of education to later steps and the distant deadline for security compliance.

Levels III and IV are interesting in that more HCOs have begun tasks in the Level IV category than have begun tasks in Level III. The tasks in Level III are primarily methodology milestones, and many HCOs have chosen not to do cost benefit analyses and other methodology steps.

The tasks in Level IV and V, however, are the actual deliverables of HIPAA compliance. In computing overall progress for Level V, Gartner included the answers to questions about internal and external testing of transactions that had not been asked in August 2002. Had they been asked then, HCO progress for Level V would be numerically lower.

Overall, the healthcare industry has made substantial progress with its HIPAA compliance initiatives. This picture would look very good, except that the Level V tasks are time-consuming and the questions were asked two months from the privacy deadline and eight months from the TCS deadline. Overall, Gartner expects compliance efforts to continue for up to a year after the official deadlines.
Key Issue: How should healthcare organizations that are not on schedule manage their HIPAA compliance work?

Getting Started on Testing

Gartner asked panelists if their trading partners are ready to test. This is an important measure of the ability of the industry to complete the conversion to HIPAA transactions by 16 October 2003. Testing is required both for HCOs that choose to send and receive the standard formats and for HCOs that choose clearinghouses. Claredi, one of the firms that offers HIPAA certification, has observed that test data from clearinghouses varies in HIPAA compliance according to the provider that was the original source of the data. This is because some providers have been more diligent than others in adding the new data elements required by HIPAA to their outbound information streams.

The good news is that 14-18 percent of the respondents have heard that more than half of their trading partners are ready to test, and 33-44 percent report that at least 10 percent of their trading partners are ready. This glass is half full, in that the leading-edge trading partners will bear the brunt of an HCO’s debugging its HIPAA compliance. When the same HCO tests with other trading partners, errors are more likely to be confined to companion guide or line-of-business variations.

It is also possible to find support for a pessimistic view that the glass is half empty. Almost a fourth of providers with less than a billion dollars in revenue have not heard of any trading partners being ready to test.

Tactical Guideline: HCOs should test early with a few trading partners to hone their HIPAA compliance before embarking on parallel tests with many trading partners.