



Countdown to Compliance For HIPAA

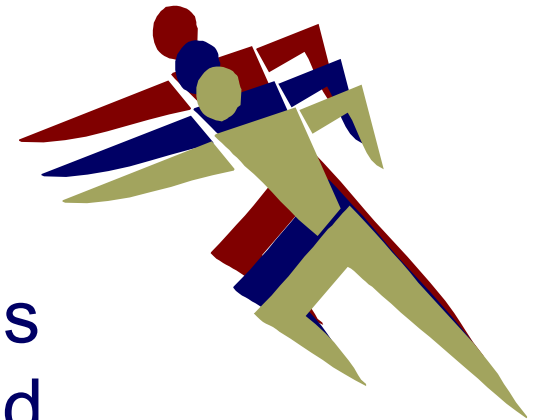
Results of the Winter 2004
Healthcare Industry HIPAA Compliance Survey
conducted by
HIMSS and Phoenix Health Systems

Tom Grove, Vice President

17th! Healthcare Industry Quarterly HIPAA Survey

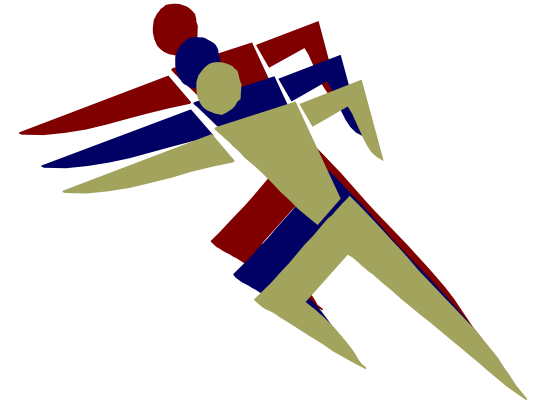
- Conducted in collaboration by **Phoenix Health Systems** and **HIMSS**
- Participants completed the online survey during early January 2004, at Phoenix' web site HIPAAdvisory.com
- Expanded coverage of transactions readiness

Who Participated?



- 631 industry representatives across the nation responded
- 70% of total respondents were Providers
 - Hospitals represented 51% of the total
 - Remainder were physician practices and other providers
- 30% of respondents were Payers and Vendors, and only a few Clearinghouses

Who Participated?



- Almost 90% of respondents hold an “official” role within their organization for HIPAA compliance
 - 52% CIOs or senior department managers
 - 28% specific role in compliance or security

Transactions and Code Sets: Key Findings

- Less than 50% of respondents are ready to conduct **all** HIPAA standard transactions
 - Only 50% have completed external testing
- 85% of Payers continued to accept non-compliant transactions into January
 - 34% will stay on this course for at least three more months
 - An additional 34% will continue until the Centers for Medicare and Medicaid Services (CMS) ends its temporary Contingency Plan

Ready for All HIPAA Transactions

	Ready Now	Within 3 Months	Do Not Know
Providers	45% (up from 18%)	18%	21%
Payers	56% (up from 53%)	17%	10%
Vendors	40% (down from 47%)	16%	12%
Clearinghouses (4 responses)	50%	0%	0%

Focused Efforts

Transaction	Provider	Payer
837	78%	85%
835	68%	82%
276/277	41%	72%
270/271	41%	63%
834	19%	55%
820	8%	38%
None	2%	0%

Obstacles:

“We Have Met the Enemy, and the Enemy is Us”

Providers

1. Payers are not ready to accept/transmit standard transactions
2. Payers are not ready for testing
3. Cannot get needed information from Payers, Vendors and Clearinghouses

Payers

1. Providers are not ready for testing
2. Providers have not captured the data required for standard transactions
3. Cannot get needed information from Providers, Vendors and Clearinghouses

Obstacles:

*“We Have Met the Enemy,
and the Enemy is Us”*

Clearinghouses

1. Payers are not ready for testing
2. Payers are not ready to accept/transmit standard transactions
3. Providers have not captured the data required for the standard transactions

Vendors

1. Ambiguities exist in Implementation Guide specifications
2. Payers are not ready to accept/transmit standard transactions
3. Providers have not captured the data required for the standard transactions

The CMS Contingency Plan

- Over 50% of Providers and 33% of Payers felt that CMS should maintain its Contingency Plan for up to three months.
- 32% of Providers and 50% of Payers want the Contingency Plan extended up to six months or longer.

Internal Contingency Plans: What's Plan C?

Providers

- Direct Data Entry and/or Paper
- Clearinghouse

Payers

- Accept paper processing
- Continue to accept non-compliant transactions

Vendors

- Advise Providers to use a compliant Clearinghouse
- Continue to accept non-compliant transactions

Clearinghouses

- Use compliant Clearinghouse

Interesting Comments

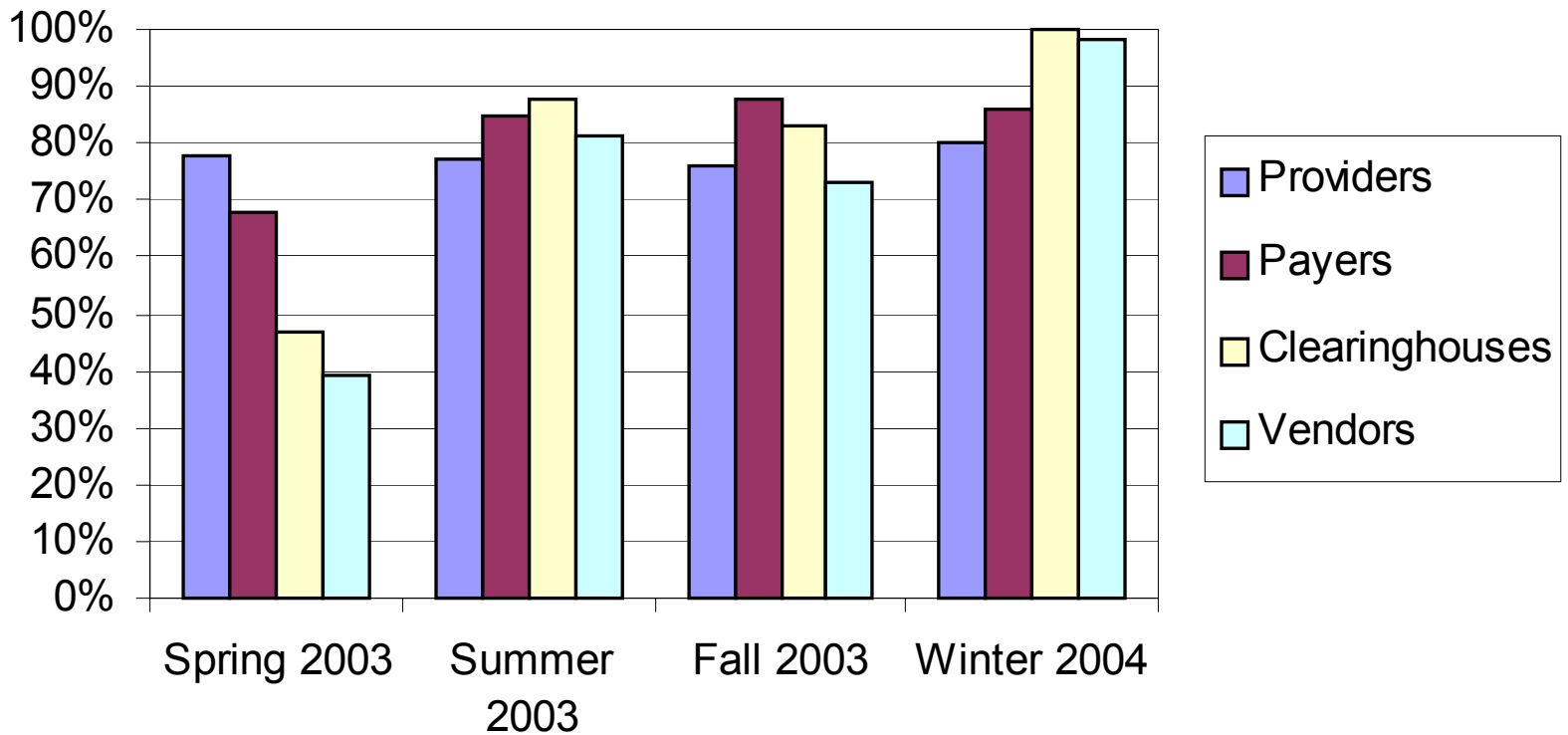
- **Provider:** “Clearinghouses and Payers were not ready – and some still are not.”
- **Provider:** “Various of our Payers tell us that they are ready, however they provided the wrong PIN, lost our Trading Partner Agreements, fail to return phone calls, lost our test files....”
- **Payer:** “We are currently capable of accepting and sending compliant transactions. We are awaiting our Provider/Clearinghouses to be ready.”
- **Payer:** “...We are only able to accept the 837 transaction from our largest Providers. The smaller ones...are too small for the Clearinghouse to have reached them on their testing schedule.”

Interesting Comments

- **Clearinghouse:** “Our challenges lie in our trading partners’ misinterpretation of the Implementation Guides, reduced or non-existent claim-level acknowledgement responses, and their general issues associated with implementing a new X12 system.”
- **Clearinghouse:** “Inconsistent interpretation of the Implementation Guides by the Payers, [is] causing more Payer-specific customization in all translator programs than anticipated.”

Privacy Progress

**Industry Privacy Compliance Comparison:
Spring, Summer and Fall 2003 with Winter 2004**



Privacy: Key Findings

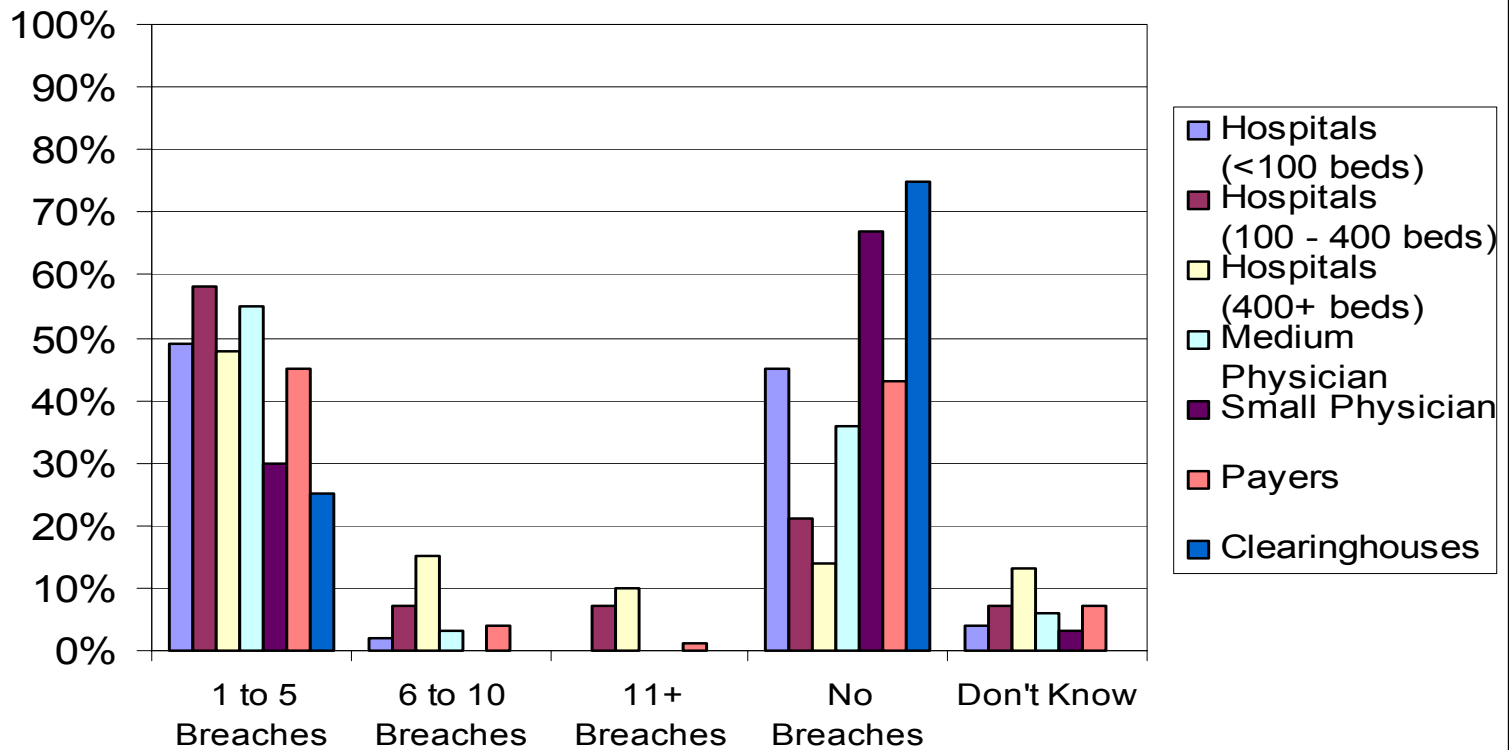
- 20% of Providers and 14% of Payers reported that they remain non-compliant with the Privacy Rule, nine months after its effective date.
- Even among “compliant” organizations, compliance gaps remain in areas such as establishing Business Associate Agreements and monitoring internal Privacy compliance.
- An average of 56% of Provider and Payer respondents reported their organizations had experienced one or more privacy breaches since April 2003.

Privacy “Spot-Check”

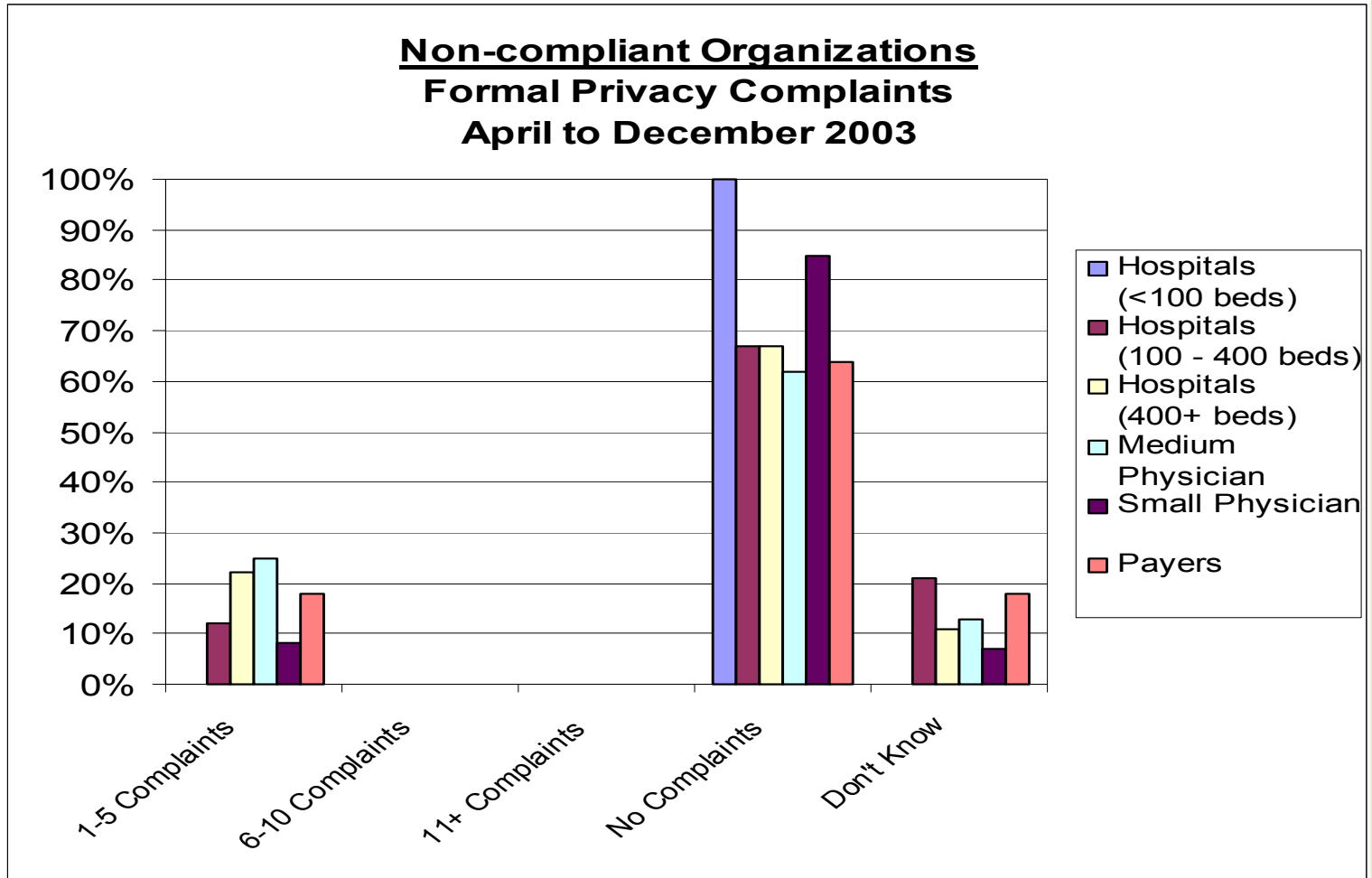
Detailed Spot Check of “Privacy-Compliant” Organizations		
Areas of Privacy Compliance	Providers	Payers
Obtain Patient Authorizations for use and disclosure of PHI	99%	97%
Enable mandated patients’ rights (review, amend, restrict records)	99%	99%
Post and distribute Notice of Privacy Practices	98%	93%
Obtain acknowledgement of receipt of Notice of Privacy Practices	98%	N/A
Provide ongoing Privacy training	95%	100%
Use “Minimum Necessary” Restrictions	94%	N/A
Document Privacy policies and practices	93%	99%
Maintain Accounting of Disclosures	93%	96%
Implement security protections as required under the Privacy Rule	89%	95%
Provide overall workforce Privacy training updates	85%	96%
Monitor organizational compliance with Privacy regulations	76%	87%
Have obtained all required Business Associate Agreements	73%	93%

Privacy Breaches ARE Happening

Compliant Providers/Payers/Clearinghouses Patient Privacy Breaches April to December 2003



Formal Complaints (HIPAA and Civil Action)

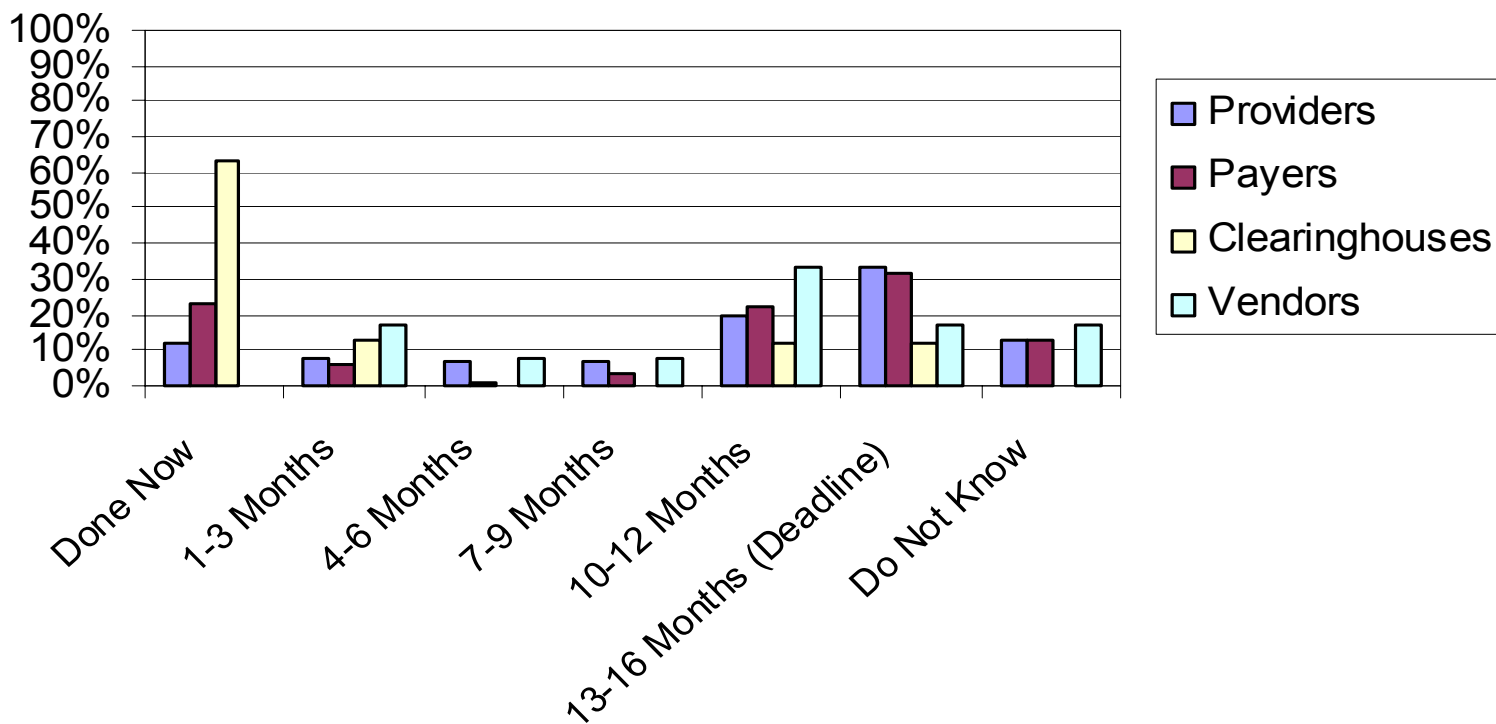


Security: Key Findings

- Initiatives for Security Rule compliance are moving slowly – over one-half of Providers and Payers reported they will not be fully compliant until 2005.
- An average of 24% of Providers, Payers and Clearinghouses reported that their organizations experienced one or more data security breaches from October to December 2003.

Security Progress

Security Remediation Completion and Expected Completion Percentages



Data Security Breaches

- 24% of respondents reported that their organizations had experienced one or more data security breaches from October to December 2003.
- The vast majority of respondents reported experiencing no breaches at all.
- Possible Biases: Desire not to report, breaches unknown to the reporter, or breaches unknown to the organization.

Consultant Support

- 49% of participants reported using outside consultants:
 - Payers and large hospitals are most likely to engage outside assistance
 - Most contracted for HIPAA Assessment and Implementation Planning and/or Implementation Support
 - Security Risk Analysis also popular



HIPAA Budget Highlights

- Across the industry, HIPAA budgets for 2004 are lower than for 2003:
 - Payers showed the most dramatic drop as they wind up transactions spending.
 - Payers and Clearinghouses should need to spend comparatively less on Security compliance.

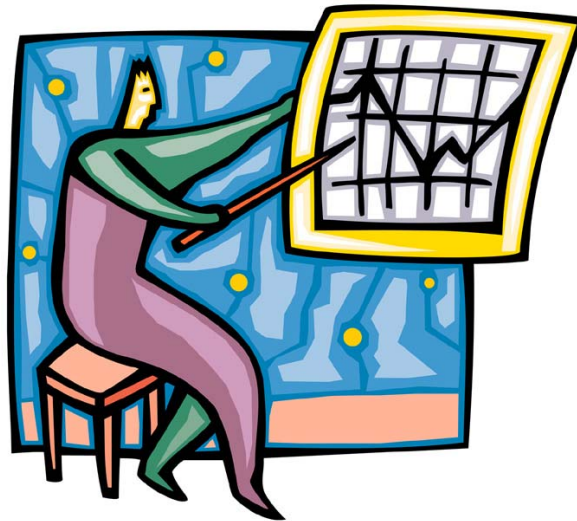


Summary

- Industry focus is on Transactions compliance, with Security compliance a secondary priority.
- Privacy compliance has improved, but is still not complete:
 - A significant number of those reporting compliance still have issues.
 - Complaints are a real force.
- All industry segments have Transactions barriers, and each group believes the others are major barriers.
- Security compliance is a year off (2005) for many respondents.
- Spending on HIPAA compliance activities is dropping.

Complete Survey Results

- Survey results are published each quarter at www.HIPAAAdvisory.com, -- compare results with previous surveys!



Questions About Survey

- For further information about the Quarterly Industry HIPAA Surveys, please contact:

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