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■ **FEATURES**

**Vickie L. McCormick
and Scott Elliott**

HIPAA Compliance Options for Small and Mid-Sized
Organizations

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HIPAA Compliance Options for Small and Mid-Sized Organizations

Web Tools, Employee Expertise, and Solid Legal Advice all Play a Part

Vickie L. McCormick and Scott Elliott

Like many mid-sized health care companies, Minneapolis' Center for Diagnostic Imaging (CDI) called together a committee of its best and most experienced employees from several departments to begin shaping a plan for addressing the impending Administrative Simplification regulations of the Health Insurance Portability and Accountability Act (HIPAA). They broke into three task forces and began reading through the regulations.

It wasn't long before the enormity of their mission was apparent. "It was extremely overwhelming," said Peg Feaski, CDI's regional vice president. "The size of the regulations, the details, the many aspects of it—it was a very daunting task."

The 1996 federal law brought with it a complex maze of new regulations health care organizations are grappling to address. While most sought a one-year extension on the October 2002 deadline for electronic transaction compliance, an April 14, 2003 deadline looms for compliance on the privacy portions of the law.¹

CDI faced a difficult choice now confronting many health care organizations its size: Pull staff off of their regular duties to work on HIPAA compliance or shell out big money for consultants or lawyers for guidance. For small and mid-sized companies, however, cost-effective solutions are a must. As a result, many are turning to Web tools.

"A lot of institutions don't have the staff to dedicate to do a project like this," said Kelly McLendon, vice president for Clinical HIM Strategies, an information technology vendor for hospital information systems. McLendon, who also has worked on electronic health initiatives for the American Health Information Management Association, said smaller organizations generally will need help to comply with HIPAA. "For them, Web tools make a world of sense rather than going from the ground up," he said. "That's very difficult. It's too much to know."

CDI ultimately chose a combination of strategies. The company relied on its own employee expertise, bought Internet-based services from a consulting firm to use as a guide, and sought legal advice on key issues.

Options for Small and Mid-Sized Organizations

Dawn Lunde began weighing the pros and cons for a variety of approaches to compliance 18 months ago. Lunde's employer, Minnesota Healthcare Network, provides management functions for doctors and health organizations in Minnesota and western Wisconsin. As director of network services, she took the lead in figuring out what the group's role would be in helping the network's 410 affiliated doctors in 36 health care organizations operating in 60 locations.

"Our groups range in size from one physician to about 25," she said. "Right away we knew we had a quandary on our hands. We determined early on our role would be to find resources they could choose from and coordinate educational sessions. We're not doing the work for them."

Lunde began researching the options. She put together education sessions for network affiliates, which identified what they could expect from the four most common approaches to HIPAA compliance.

1. Hire an Attorney

Lawyers interpret regulations and advise clients on their legal responsibilities, so it seems natural to look first for legal advice. Firms with real experts in HIPAA can be a tremendous resource. Those, however, are often the big law firms, and they often come with big fees. Because cost is a chief concern for small or mid-sized organizations, many find themselves ruling attorneys out for that reason alone. Others have found themselves counterproductively explaining the regulations to the attorneys in their initial meetings.

Vickie L. McCormick

is special counsel with Halleland, Nilan, Lewis, Sipkins & Johnson, a legal and health care consulting practice in Minneapolis, MN, and Halleland Health Consulting, Inc. She can be reached at 612/204-4156 or by email at vmccormick@halleland.com.

Scott Elliott

is a freelance writer in Dayton, OH. A journalist for 12 years, Elliott has covered education, health care, government, and law enforcement.

2. Do It Yourself

For organizations that have the right expertise and can find a way to break key personnel loose from their regular duties to attend to HIPAA compliance, this is an attractive option and often much cheaper than lawyers or consultants. A benefit to this approach is that it creates in-house experts in HIPAA regulation that can be relied on in the future.

The time investment required, however, can be gigantic. Just reading and interpreting the regulations is a huge job. Without any outside guidance, creating a compliance plan can be truly daunting. Mistakes can result in an inconsistent interpretation of the regulations, which might slow the process or bring higher costs later on. Staff at smaller organizations also may not have the background or skills to conduct a gap analysis or to develop project management work plans.

3. Hire a Consultant

Expert guidance can help an organization focus on the important areas. Time-consuming tasks can be outsourced, and the consultants might be able to identify cash flow opportunities for billing. The biggest problem of this approach is, again, the potential high cost. In addition, if the consultant is asked to do most of the work, the organization may in the end be left without real internal experts who understand the regulations. The consultant's perspective of the regulation likely will dominate the plan, and achieving compliance will still require time and effort from within the organization.

4. Purchase Software or a Web Product

Many small and mid-sized companies are finding this to be their best option. Most have some sort of education section. Many include the original legislation and update their systems as regulations change. The better packages offer step-by-step instruction designed for the busy HIPAA project manager. This approach is less costly than consulting and less time consuming than tackling compliance internally. Web tools still require employee time to execute, and they may have to be customized to the organization. As with the do-it-yourself approach, however, employees will become experts in HIPAA compliance.

Ultimately, Lunde's organization picked a comprehensive, Web-based product, HIPAAnswers,TM and recommended their partner organizations also consider using it.

The Costs

Some industry titans will spend millions on compliance, redirecting employees, hiring new staff, or bring-

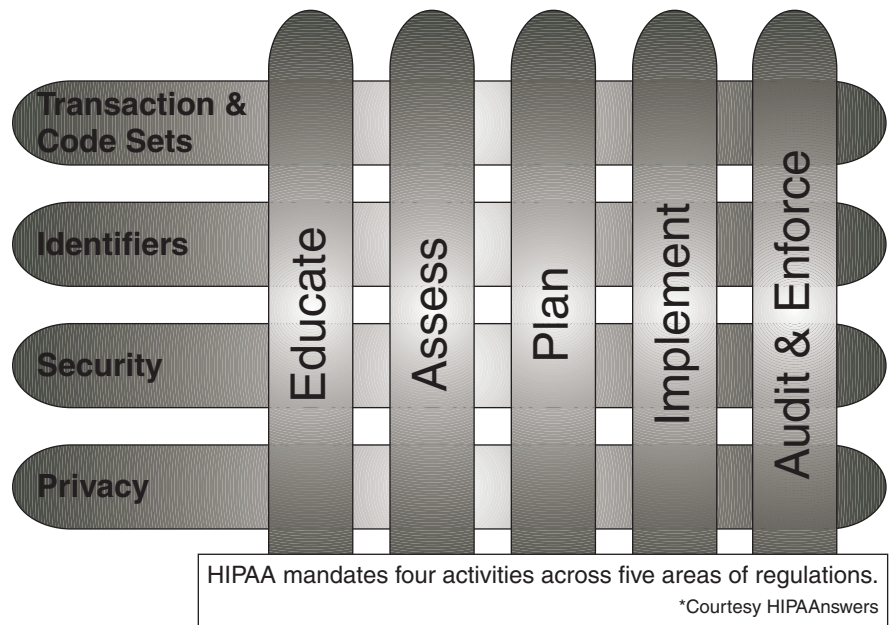
ing in top consultants to manage the process. For example, Blue Cross Blue Shield of Florida expects to spend "tens of millions of dollars" to get ready for the new regulations, according to its in-house HIPAA compliance program director. Nationwide, the compliance costs could be \$18 billion or more.²

It's harder for small and mid-sized companies to dedicate staff or spend big sums needed to achieve compliance, so software-based guides are growing in popularity. "They're looking for a practical, easy explanation for the rules," said Robert Tennant, government affairs manager of Medical Group Management Association and co-chair of the Workgroup for Electronic Data Interchange's Strategic National Implementation Process. "If they can get that and not pay much money, all the better. It can be much cheaper than hiring a consultant to tell you all you need to know."

CDI conducts diagnostic imaging in an outpatient setting at 21 centers in five states. It has about 20 physicians on staff and works with thousands of other doctors through referrals. "We looked at attorneys, big consulting firms, and small consulting firms," Feaski said. "There's a wide range of resources out there. We wanted to do most of the work ourselves so we would learn and reduce our risk for complying with the regulations."

Not to mention, outside expertise is rarely cheap. "For a consultant to come in, I haven't heard anything less than \$10,000," Tennant said. "Practices don't have that kind of cash lying around the way they might have a few years ago."

CDI soon found the answer to HIPAA compliance wasn't going to be simple. It's very expensive to hire consultants," Feaski said. "It was way more than we wanted to spend. Smaller organizations like ours, we're



not as large as those who can hire dedicated staff to do this. Mid-sized medical groups and businesses that have experts on staff in their own processes and systems can pull in resources they need to assist. We don't have enough resources to hire people to back up those who were on our steering group, and we didn't feel like we were the experts on HIPAA."

By comparison, Internet and software solutions range from a handful of free or very low-cost products to some that may cost several thousand dollars. CDI chose a step-by-step, Web-based process for evaluating the company's compliance gaps, which produced a game plan of tasks to complete on a schedule designed to meet the deadlines in the law.

Barbara Daiker, administrator for Northwest Eye Physicians of Maple Grove, MN, said she tried talking to the company's attorney first about HIPAA compliance. "It was really expensive, and I don't really know if they knew much more than we did. I told them everything," she said. "I spent 45 minutes with them and I got an \$1,800 bill. I told them, 'I'm not paying for that. You didn't teach me anything I hadn't already learned from our Web service.'"

Seeking to avoid the costs of lawyers or consultants, Daiker said the group turned to software and Web tools. Daiker looked around at other software options but found that most programs on the market specialized in one aspect of HIPAA or another.

Daiker and Feaski both settled on HIPAAAnswers, a more comprehensive tool that covers all areas of HIPAA law. "When we first started going through it, it's like learning a whole new language," Daiker said. "It was helpful to have definitions in the tool so we could say, what does this mean? Does it apply to us? If we got stumped, we called or emailed them, and their experts got back to us. They'd say, 'this is how it works,' or if they didn't know, they researched it and incorporated the answer into the software."

The Web Approach

Software companies, consultants, and others are now dipping their toes into the HIPAA Web tools market. Many firms are using simple software to sell their higher-priced services while other applications focus on eliminating or dramatically reducing the need for expensive consulting assistance.

Dirk Niles, vice president of sales and marketing for the Minneapolis-based creators of HIPAAAnswers, said the same questions and needs surfaced time and again on their HIPAA consulting jobs, illuminating the value of a Web tool that could be employed by a variety of health care organizations.

"In conversation with a hospital client in Florida, we were talking about entering data into our database," Niles said. "The client did not want to pay for us to come down, do the assessment, and enter data for them. They were in a better position to assess themselves and

enter data into our database. At that moment the light bulb went on. If we put this on the Internet, a lot of customers could access our database and do their assessment and remediation work. That was the birth of the product."

Niles said the best Web tools act as a "consultant in a box," styled like popular tax preparation software, which asks users to answer a series of questions assessing their needs and ultimately produces documents customized to meet those needs.

"HIPAAAnswers asks targeted questions and guides users through a structured process to the answer appropriate for their unique circumstances. Since we put our health care expertise into it, the results are as tailor-made for a client as if our consultant had done the work," he said.

Among the wide variety of HIPAA Web tools are the following:

1. *HIPAAAnswers*. This tool addresses transactions, code sets, privacy, security, and identifiers following a five-step process of education, assessment, planning, implementation, and update/audit. Each client's information is confidential but accessible through a secure Web site, and the company frequently retools its services to accommodate legal changes or client feedback.
2. *CPRI-HOST*. The Computer-based Patient Record Institute-Healthcare Open Systems and Trials has developed software to help health care organizations comply with the security and privacy rules of HIPAA. The program summarizes each privacy rule's requirements, assesses what must be done for the organization to comply, and points the user to other resources for further explanations of HIPAA rules.
3. *HIPAA Basics*. This is a comprehensive Web-based assessment tool, which includes project plan generation and gap analysis reports. It comes in two versions: consultant-led and Web-based.
4. *HCProfessor*. This software package is largely an educational tool for users to learn about HIPAA standards through a self-assessment.
5. *RiskWatch*. This tool covers all aspects of HIPAA compliance, including administrative procedures, physical safeguards, technical security data services, security mechanisms, EDI standards, and privacy. It allows organizations to survey an entire organization quickly, mapping to exact HIPAA directives, and aggregates the results in a complete report with graphics.⁷

6. *HIPAA Junction*. This downloadable software deals with transactions and code sets but not security or privacy. It is a remediation aid rather than an assessment tool. It is designed to help organizations avoid writing computer code to enable their systems to transact under HIPAA standards.
7. *HIPAA-U*. This program is designed to give health care organizations access to resources through a Web site. The site includes discussion threads on HIPAA subjects and the opportunity to share best practices with peers and experts. It includes policy guides and checklists in its database.
8. *Contractor Assessment Security Tool*. CAST is an automated database and software application for Health Care Financing Administration business partners to perform self assessment by entering data through questionnaires based on HCFA core security requirements and protocols, which are similar to HIPAA security rules.

Smart Shopping

Finding a Web-based solution for HIPAA compliance can be a complicated task, especially for organizations that have little HIPAA expertise on staff. Gail Sausser, chairperson of the HIPAA task force for the Health Care Financial Management Association, said it might be worth it for some to look for help from an outside HIPAA expert to evaluate Web options. "You need a trusted adviser—someone who understands HIPAA," she said.

Some Web tools are only a partial solution to compliance, Sausser said. They may focus on only one area of the law or be too simplistic to be helpful. Be wary of promises that a software program can be a miracle cure to magically make an office HIPAA compliant, she noted. The covered entities, and not just their software, need to be HIPAA compliant.

Sausser said software or Web providers that have never worked in health care should be avoided. "Health care is very technical and unique," she said. "You want somebody with a long track record of understanding your business."


A good place to start is by looking to trade organizations, many of which are evaluating software and Web packages so they can advise their members. Other experts suggest that organizations ask the following questions:

1. How easy to use is the service or application? Does it include definitions and help?

2. Does the application include references to the original legislation and the legislation itself along with clear interpretations?
3. What additional consulting services are available or required?
4. How does the software address state-level privacy law pre-emption?
5. Is application support and maintenance included?
6. Does the software have several clients similar in size, scope, and location to your organization with whom you could speak?

Tennant advises organizations interested in Web tools or software solutions to educate themselves first. A good place to start is the Internet. WEDI's Web site has general information about HIPAA that can help.¹¹

Tennant suggests the following:

1. *Look for programs that can modify content.* "The rules are continually changing. You need a product that is flexible. If it's a one-time purchase, you may not have that option. It's better to be on a subscription basis so you can get any modifications."
2. *Look for programs that aren't overpriced.* "Ask yourself what makes the more expensive products better than the cheaper ones."
3. *Look for programs that include templates.* "They should include template forms so you don't have to reinvent the wheel. That will cut down a lot of staff time."
4. *Look for programs that use language that is easy to understand.* "Make sure the product is aimed at your level of understanding. If it's too technical, it may not be usable. Can you train clinical, clerical, and administrative staff with it? Does it have that flexibility?"
5. *Look for programs that provide gap analysis.* "You need to get the lay of the land. How far away from compliance are you?" 

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