

Measuring HIPAA's Impact (HIPAA on the Job)

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As children, most of us stood against a door frame while our parents recorded our height and the date on the wall. These marks climbed each year as reminders of the changes we were experiencing. When relatives visited, we proudly showed off our progress to adulthood.

These lines didn't tell the entire story of the year's events. They weren't annotated with the date of a broken arm or blue ribbons won, but those annual marks proclaimed our growth over time.

In the more than four years since August 16, 1996 (the "birthday" of the Health Insurance Portability and Accountability Act [HIPAA]), healthcare has started the process of change required to meet the goal of administrative simplification.

The proposed rules have generated more than 100,000 comments, and at press time only two rules have been finalized. Training sessions have taken place and articles have been written to educate the industry. Organizations have developed implementation guidelines. Providers and payers have created project plans and steering committees.

But so far, not much simplification has happened. Instead, we have been spending money with-as yet-no return.

As part of the final rule on transactions and code sets published in August 2000, the Department of Health and Human Services (HHS) estimated that the industry will spend \$6.6 billion to implement these first HIPAA regulations. In return for that investment, HHS projects industrywide savings of \$25.7 billion. The accuracy of these projections may be contested, but the question of what industry would spend more than \$6 billion without documenting a return is a good one. Unfortunately, the answer may be healthcare.

Analyzing Compliance

Use this matrix to assess your organization's compliance, opportunity, and capacity. Sample ratings are provided as an example.

Rule	Compliance	Opportunity	Capacity
Transaction and code sets	Medium	High	Low
Privacy	High	Low	Medium
Security	High	High	High
Identifiers	Low	Medium	Low

How Do We Get Started?

To realize a return in complying with the HIPAA regulations, an organized approach is required. Organizing a process this diverse and comprehensive requires deliberate action. An organizational target should be set for HIPAA so that those responsible for implementation understand the charge. An analysis of where your organization is today and what resources will be required to meet the target is the next step. Finally, developing a set of ongoing measurements that will document the progress is essential to ensure the realization of return.

HIPAA compliance requires senior-management level involvement because of the topics it addresses and the money it requires. But no one person will be able to address the entire scope of these regulations. Appointing a leadership team may be the first step.

This team should include professionals from health information management, information systems, the compliance office, and patient accounts. Depending on the organization and goals, representatives from registration or admitting, scheduling, utilization management, contracting, or others may be included.

Once appointed, these leaders need to be well educated on the requirements, what best practices already exist, and the current processes within the institution affected by HIPAA. Seminars, publications, Web sites, and online training can help close any knowledge gap.

During this education process, be aware that the regulations will continue to evolve, even after the first set of final rules is complete. Those rules will be updated and additional rules will be written. Once it is aware of the requirements, the leadership team can turn its attention to setting the initial organizational goals.

What Should Our Target Be?

The HIPAA regulations are uniquely flexible. The security regulations describe the required outcome, but not the methods to reach those outcomes. The transaction standards require compliance for any electronic transaction, but don't require that transactions be performed electronically. This flexibility provides an opportunity for each organization to set its own HIPAA target (see "From Compliance to Efficiency," above).

Of course, noncompliance is not an option, so compliance is clearly the primary target of HIPAA efforts. But beyond compliance, organizations can use HIPAA standards to improve their cash flow or operational efficiency. Many of the transaction standards, for example, address operations that are currently manual and would be almost impossible to automate without standards.

A good example is eligibility. Most eligibility verification is done over the phone; then it is entered into a system or noted on a financial record. Although HIPAA does not require a change in this system, it enables the development of one electronic eligibility message that can be shared with all payers. Without the standard, creating unique data sets and messaging connections with all payers would make automation of eligibility verification almost impossible.

As organizations begin to consider the right HIPAA target, they may ask such questions as:

For compliance:

- What do we have to do to comply?
- What technical changes will need to be made to our systems?
- Which policies will need to be reviewed, revised, or developed?
- What processes may need to be altered?
- What new data will have to be collected
- Which staff members are affected?
- What skills do those staff members need to develop?
- For additional benefit:
 - Where are our greatest opportunities for improvement in HIPAA-related areas?
 - What are our most manual processes and what do they cost us?
 - Which processes cause delays in service?
 - Which processes cause errors?
 - What processes take the most staff time?
 - What causes our largest categories of lost revenue?
 - Where are our greatest risks in administrative processes?
 - What additional information could we use if it was collected in a form that is more easily analyzed?

In addition to analysis of risk and benefit, no planning function would be complete without looking at available resources. This analysis might answer questions such as:

- What staff members should be tapped to work on HIPAA projects?
- In what other initiatives are they already involved?

- How much of their time can be dedicated to HIPAA?
- Are there other projects that should be or are aligned with HIPAA compliance?
- What is the available budget?
- What other planned system enhancements will affect compliance?
- What existing relationships do we have with vendors or consultants who could help with HIPAA?

Sample HIPAA Indicators

How can your organization establish measurements of key indicators for HIPAA implementation success? While indicators will vary for every organization, here are some samples.

Claims Processing

- Days in accounts receivable
- Days in accounts receivable by payer
- Time between claim and adjudication
- Percentage of electronic claims transactions overall
- Percentage of electronic claims transaction per payer
- Denial rate by payer
- Rejected claims rate per payer
- Reasons for denials
- Reasons for rejected claims
- FTEs sending claims out
- Number of claims that require attachments

Authorizations

- Number of payers processing electronically
- Percentage of authorizations done electronically by payer
- FTEs processing authorizations

Code Sets

- Number of payers using nonstandard version
- Number of payers using alternate coding guidelines
- Number of payers using HCPCS Level III codes
- Code changes made for billing

Privacy

- Percentage of employees with awareness training in first 30 days
- Percentage of employees with confidentiality statement on file
- Percentage of employees who have completed job specific confidentiality training
- Number of privacy incidents per month

Remittance

- Number of payers processing remittance electronically
- Percentage of remittance processing done electronically by payer
- FTEs processing payments

Eligibility

- Number of payers processing electronically
- Percentage of eligibility processing done electronically by payer
- FTEs processing eligibility information

Security

- Percentage of employees with a unique password
- Days to assign a unique password
- Days to disable a password
- Number of security incidents per month
- Number of security audits run per month

Analyzing Compliance

The answers to questions like these will provide data about planning compliance with the regulations and leveraging the standards to improve operations and cash flow. But the hard work is just beginning.

Every organization will have limited resources, no matter what its resource commitment. And every organization will have opportunities and challenges for compliance and process improvement. The trick, as always, is making the right decisions about how to proceed.

"Analyzing Compliance," page 16A, shows an elementary tool that may assist decision makers in consolidating risk and benefit data and facilitating decision-making. This example may provide ideas on how to lay out the information in a way that summarizes any level of data.

The tool shows information at the highest level of HIPAA regulations, but a similar approach could be taken for individual elements of any regulation. Organizations will need to agree on a common understanding of the "high, medium, and low" categories and may want to use a more discriminating metric, such as 1 through 10 with qualifiers at each level, or the actual quantified financial estimates of risk and benefit.

How Do We Measure Performance?

So far, we've outlined a process that is a sizeable commitment of time and energy, but no simplification has actually happened. Now is the perfect time to establish measurements of the key indicators for your HIPAA implementation success. "Sample HIPAA Indicators," page 16C, shows what some of those measures might be in the areas of claims processing, remittance, eligibility, authorizations, code sets, privacy, and security.

Demonstrating Success

These "marks on the wall" will document the organizational transition towards HIPAA compliance and, beyond that, to administrative simplification, the intent of the law. Without capturing the detail of this change from the outset, organizations will find it difficult to point to any savings or improvement. Just like showing Grandma "how tall we've gotten," we will want to show our board of directors how much money we have saved, risk we have reduced, and efficiency we have gained. That's a much better story than "Yes, we are in compliance."

Reference

"Health Insurance Reform: Standards for Electronic Transactions." 45 CFR parts 160 and 162. Federal Register 65, no. 160 (August 17, 2000).

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