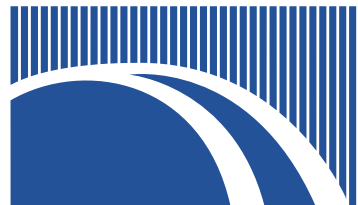


Reducing the Tracking and Reporting Costs of HIPAA's PHI Disclosure Requirements

Estimating Costs and
Comparing Manual Processes
with Automated Solutions



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EXECUTIVE SUMMARY

As of April 2003, the major players within the industry — hospitals, health plans, physician practices, claims clearinghouses, managed-care organizations and other types of entities — are required to track disclosures of protected health information (PHI) as mandated by the Health Insurance Portability and Accountability Act (HIPAA). Under the regulations, healthcare organizations are required to maintain a six-year history of PHI disclosures for every patient and be able to provide a detailed report of the disclosures within 90 days following a patient's request for the report. The majority of healthcare organizations are not prepared to efficiently handle this additional administrative workload. Non-compliance with the regulations can result in fines and legal action.

Although these new regulations are intended to protect a patient's right to privacy, the net affect is that healthcare organizations are being mandated to absorb an entirely new cost within their existing budgets. Will healthcare organizations further reduce profit margins to pay for this or will budgets for other line items be cut to cover the additional costs?

HOW MUCH WILL COSTS INCREASE?

Preliminary estimates predict that the annual cost per bed will increase by \$66.57 to \$86.97 in hospitals that use manual processes to track and report on PHI disclosures. For example, a typical 1,000-bed hospital will see its annual costs increase by \$66,570 to \$86,970 a year — the cost of two to three full-time equivalents

(FTEs). These preliminary estimates do not include numerous variables that are difficult to predict (such as accounting for disclosures at outpatient, urgent care, and extended care facilities), meaning that these estimates could increase by 50% to 100%.

Furthermore, these variables are highly affected by patient populations. For example, hospitals serving communities with high violence rates are likely to have a higher number of PHI disclosures to report, making them more susceptible to increased costs.

While healthcare organizations cannot completely eliminate the costs of complying with HIPAA's PHI regulations, they can implement processes and software solutions to substantially decrease the costs. Software solutions on the market today can reduce the cost of documenting PHI disclosures by 66%. In addition, the solutions can reduce the cost of preparing PHI disclosure reports by 87.5%. Combined, these solutions can drop the cost of complying with PHI disclosure regulations per bed to \$17.94 to \$20.49, which is a 73% to 76% improvement over hospitals that manage these tasks with manual processes.

Today's software solutions provide the opportunity to substantially reduce the cost of compliance and possibly save the jobs of staff members. Beyond predicting the compliance costs of hospitals and health systems, this white paper will detail the features that healthcare organizations should consider when evaluating PHI disclosure solutions.

Despite frequent consumer complaints heard across the nation about the rising cost of healthcare, yet another cost is being added to the delivery of care. New government regulations enacted this year are increasing the administrative workload of the healthcare industry and raising costs, yet do not improve the quality of care delivery or patient outcomes. This new cost strikes another blow to hospitals and physician practices that are already struggling with shrinking reimbursements from payers and reduced profit margins.

As with the enactment of any new regulation, there are many variables that are difficult to project. The goal of this white paper is to arm healthcare executives with information to make preliminary cost estimates and evaluate alternatives to reduce these costs.

BACKGROUND

Under HIPAA, the U.S. Department of Health and Human Services (now called the Centers for Medicare and Medicaid Services or CMS) established the Standards for Privacy of Individually Identifiable Health Information. Parts of the standard require the tracking and accounting of PHI disclosures to certain outside entities. The enactment of HIPAA's PHI disclosure regulations in April 2003 placed another huge paperwork burden on hospitals, delivery networks and provider groups. The administrative aspects of the regulations are daunting, as are the costs associated with the additional workload.

DISCLOSURE OF PROTECTED HEALTH INFORMATION

In routine treatment and healthcare operations, "covered entities" (i.e. providers, health plans and clearinghouses), may transmit PHI between themselves without tracking each disclosure. However, in a number of situations, the covered entities are required to obtain consent from the individual, document specific information about the disclosure, and make the records available to the individual for the previous six years.

This presents a substantial record-keeping responsibility for all covered entities, but especially burdens those with multiple facilities and/or

business associates. Where do copies of all the disclosure records reside? If a patient requests their records from the central facility, will they receive the records from all outpatient facilities, clinics and other facilities within the enterprise?

TYPES OF DISCLOSURES

The government's Code of Federal Regulations stipulates that the following disclosures must be recorded and made available to the patient:

- Business associates if not for treatment, payment or operations
- Public health activities (births, deaths, public health investigations, etc.)
- Reports of child abuse, neglect or domestic violence
- Health oversight activities authorized by law (audits, investigations, professional licensure and disciplinary actions)
- Judicial and administrative proceedings (court orders, subpoenas, lawsuits and other legal activities)
- Law enforcement purposes (reporting crimes involving gunshot or stabbing wounds, information to identify and locate suspects, fugitives, or missing persons)
- Coroner, medical examiners and funeral directors
- Research with no authorization (waiver of authorization, work preparatory to research)
- Disclosures to a third party when the safety of an individual is at risk (threat of violent crime, etc.)
- Military and veterans activities (if directed to do so in the Federal Register)
- Workers' compensation, if not for payment or patient care
- Protected services for the President and others
- Organ and tissue donation
- Disclosures not permitted by HIPAA (accidental disclosures, wrong number faxes, etc.)
- As otherwise required by law

Patients can request a report accounting for all the above disclosures made during the previous six-year period, starting with the April 2003 compliance date. The first request in any year must be free of charge; the entity may charge a reasonable fee for subsequent reports.

Table 1 quantifies the number of several disclosures that the healthcare industry will be required to track. This table illustrates how the industry will need to track more than 12 million disclosures annually. And this list represents only a sub-set of the disclosures that will require tracking, since other types of disclosures are difficult to quantify.

Table 1:
Quantifying the Number of PHI Disclosures

For the purposes of this white paper, the following are a subset of health-related events that require reporting to non-covered entities. The actual HIPAA guidelines require organizations to document numerous other types of disclosures that are difficult to quantify.

A subset of health-related events that require reporting to outside agencies	Number of annual incidents to document
Deaths (a)	2,416,425
Births (b)	4,019,280
Homicide (c)	20,308
Suicide (d)	30,622
Domestic violence (e)	2,300,000
Child abuse (f)	900,000
Violent assaults not resulting in death that are reported to law enforcement (g)	2,435,374
Organ donations and transplantations (h)	34,443
Total	12,156,452

Sources
 (a), (b), (c) — CDC Fastats A to Z
 (d) — National Vital Statistics Report
 (e) — Findings from the National Violence Against Women Survey, sponsored by the National Institute of Justice and the Centers for Disease Control
 (f) — Domestic Violence Awareness Month documentation from the Centers for Disease Control
 (g) — Findings from the National Violence Against Women Survey
 (h) — Living Organ and Tissue Donor Recipient Foundation

DISCLOSURE RECORDS

According to the Code of Federal Regulations, the following information must be maintained for each of the disclosures listed above:

- Date of disclosure
- Name (and address if known) of entity or person receiving PHI
- Brief description of PHI disclosed
- Brief statement of purpose for disclosure

- Copy of authorization, if obtained
- Copy of written request for disclosure
- Documentation of oral communications if possible

PSYCHOTHERAPY NOTES

Psychotherapy notes fall under different rules. Disclosure of psychotherapy notes require the patient’s written consent, except that the originating organization may use them for the following:

- Treatment
- Training
- Legal defense in proceedings brought by the patient
- HHS Privacy actions, and health oversight agencies
- Imminent threat to public safety
- Medical examiners and coroners
- As required by law

OTHER DISCLOSURE REGULATIONS

Additional disclosure tracking and reporting requirements that healthcare organizations must accommodate include:

- Temporary Reporting Suspensions — Healthcare organizations must be able to temporarily suspend the reporting of PHI disclosures to patients in specific situations. For example, law enforcement agencies can request reporting suspensions under scenarios when patient information is disclosed to health oversight agencies and law enforcement.
- Disclosure Restrictions — Covered entities must also track “agreed upon” patient disclosure restriction requests. Although covered entities are not obligated to agree to disclosure restriction requests, if the agreement is made, the entity must comply, except for emergency treatment. This places additional burden on staff, especially remote facilities that must check with central offices before disclosing information.
- Confidential Communications — Upon request, covered entities must comply with patients’ desire to receive communications of PHI by other than the entity’s normal means, if the communication may endanger the patient. For example, a patient may provide an alternate address for delivery of information. All reasonable requests must be accommodated, and the entity cannot question whether there is true endangerment.

Table 2:
Total Industry Labor Resources and Cost of Documenting Disclosures

	A subset of the number of annual health-related events that require reporting to outside agencies (taken from table 1)	Hours to document PHI disclosures, assuming an average of 15 minutes for manually documenting, and 5 minutes for documenting with an automated solution	FTEs/Year	Annual FTE cost, assuming salary of \$30,000, not including benefit costs
Using Manual Processes	12,156,452	3,039,113.00	1,519.56	\$45,586,695
Using Automated Solution	12,156,452	1,013,037.26	506.52	\$15,195,559

Automated solutions reduce PHI disclosure documentation costs by 66%

DISCLOSURE TRACKING COSTS

Since the April 2003 deadline, most healthcare organizations have relied on using manual processes to track and report PHI disclosures, although some organizations have developed databases with limited functionality to store the information. These two approaches can be costly, as is illustrated in Table 2.

The table illustrates the total industry cost of documenting disclosures by using the predicted annual PHI disclosures from Table 1 as a baseline for estimating FTE costs. Once again, the predictions in Table 1 are not all-inclusive, since many of the other required disclosure types are difficult to predict.

The table demonstrates how the increased efficiency of using an automated solution can substantially reduce costs. The automated solution reduces the amount of time it takes to document disclosures by using pre-configured templates to enter information, which can reduce costs by up to 66%. However, the table assumes an annual FTE cost of \$30,000, not including benefits. This figure will vary by geographic region, and by the type of staff member that enters the information. For example, a registered nurse who periodically enters information is likely to have a much higher salary than an administrative staff member who routinely enters the information. The goal of the table is to provide healthcare executives with a method to estimate costs, and enable them to make calculations with their own figures.

DISCLOSURE REPORTING COSTS

Documenting PHI disclosures is the first half of the

cost estimate, and disclosure reporting is the second half. Several years from now, the challenge with disclosure reporting will be compiling up to six years of disclosures in a timely and efficient manner. Table 3 illustrates the overall costs that the healthcare industry will have to absorb. The table estimates the number of hospital encounters by using the annual number of hospital admissions and outpatient surgeries obtained from reliable sources.

The biggest variable in this table is estimating the percentage of patients who will demand PHI disclosure reports. With the regulations enacted only in April 2003, a history of report requests by patients is unavailable. To compensate, the table calculates the percentage of patient requests in two different scenarios: 0.5% and 1%. In 12 to 24 months, more accurate percentages, based on history, will become available.

The table uses an average of four hours to manually compile a patient-specific PHI report. However, it may take several more hours — perhaps even days — to manually compile a report for a chronically ill patient who has had numerous encounters with a health system. In other scenarios, it may take substantially less time to manually compile a report for a patient who has had limited encounters with a health system.

Comparisons between manual processes and automated solutions within the table demonstrate how healthcare organizations can substantially reduce their disclosure reporting costs. Using automated

Table 3:
How much will it cost the healthcare industry to comply with patients who demand disclosure reports?

Nationwide Statistics					
Annual Outpatient Surgeries	31,500,000				
Annual Hospital Admissions	35,644,440				
Total	67,144,440				
Manual Processes: Compiling Disclosure Reports Using Manual Processes					
	Annual outpatient surgeries and hospital admissions	Number of patients demanding disclosure reports	4 hours (on average) to prepare each disclosure report (numbers in hours)	FTEs/Year	Annual FTE cost, assuming salary of \$30,000, not including benefit costs
When 0.5% of patients demand disclosure reports	67,144,440	335,722.20	1,342,888.80	671.44	\$20,143,332
When 1% of patients demand disclosure reports	67,144,440	671,444.40	2,685,777.60	1,342.89	\$40,286,664
Automated Solutions: Compiling Disclosure Reports Using Automated Solutions					
	Annual outpatient surgeries and hospital admissions	Number of patients demanding disclosure reports	30 minutes (on average) to prepare each disclosure report (numbers in hours)	FTEs/Year	Annual FTE cost, assuming salary of \$30,000, not including benefit costs
When 0.5% of patients demand disclosure reports	67,144,440	335,722.20	167,861.10	83.93	\$2,517,917
When 1% of patients demand disclosure reports	67,144,440	671,444.40	335,722.20	167.86	\$5,035,833
Automated solutions reduce PHI disclosure reporting costs by 87.5%					
<small>Sources: American Hospital Association Resource Center data used to determine number of annual hospital admissions at AHA registered hospitals. Centers for Disease Control data used for annual inpatient surgery numbers.</small>					

solutions, which require only 30 minutes to fulfill report requests, can reduce disclosure reporting costs by 87.5%.

DETERMINING HOSPITAL COSTS BY BED SIZE

While estimating the total costs that the industry will absorb is an important metric to determine the overall impact of PHI disclosure regulations, healthcare organizations are concerned with how the regulations will affect their enterprises. Tables 4 and 5 demonstrate how hospitals can estimate their disclosure tracking and reporting costs by bed size. These tables combine the documenting and reporting costs from Tables 2 and 3 to determine overall industry costs. These costs are divided by the total number of staffed hospital beds that are registered with the American Hospital Association to determine the average cost per bed.

Hospitals using manual processes to document and report PHI disclosures can expect their annual cost per bed to increase by \$66.57 to \$86.97. Once again, these figures assume that only 0.5% to 1% of the hospital’s patient base request disclosure reports.

By comparison, hospitals using automated solutions can expect less of an increase in their annual cost per bed, ranging from \$17.94 to \$20.49. The efficiency of automated solutions — especially when it comes to fulfilling report requests — can reduce the cost of manual processes by 73% to 76%.

WHAT TO LOOK FOR IN A TRACKING SYSTEM

Automated solutions are needed now, before the paperwork of manual documentation processes begins to pile up. Some electronic medical record (EMR) vendors are promising to offer disclosure tracking and

Table 4:
Hospital Costs per Bed for Manually Documenting Disclosures and Compiling Disclosure Reports

	Total industry cost of manually documenting disclosures from table 2	Total industry cost of manually compiling disclosure reports (shown below in scenarios where 0.5% and 1% of patients demand reports)	Total staffed beds in all U.S. hospitals registered with AHA	Annual average cost per bed to manually document disclosures and compile disclosure reports
When 0.5% of patients demand disclosure reports	\$45,586,695	\$20,143,332	987,440	\$66.57
When 1% of patients demand disclosure reports	\$45,586,695	\$40,286,664	987,440	\$86.97
Average Disclosure Tracking and Reporting Costs per Bed at Hospitals Using Manual Processes =				\$66.57 to \$86.97

Table 5:
Hospital Costs per Bed Using Automated Solutions to Document Disclosures and Compile Reports

	Total industry cost of manually documenting disclosures from table 2	Total industry cost of manually compiling disclosure reports (shown below in scenarios where 0.5% and 1% of patients demand reports)	Total staffed beds in all U.S. hospitals registered with AHA	Annual average cost per bed to document disclosures and compile reports using automated solutions
When 0.5% of patients demand disclosure reports	\$15,195,559	\$2,517,917	987,440	\$17.94
When 1% of patients demand disclosure reports	\$15,195,559	\$5,035,833	987,440	\$20.49
Average Disclosure Tracking and Reporting Costs per Bed at Hospitals Using Automated Solutions =				\$17.94 to \$20.49
Automated solutions reduce overall disclosure tracking and reporting costs per bed by 73% to 76%				

reporting capabilities in the future, and many hospitals are waiting for this functionality while they continue to use manual processes. However, the April 2003 deadline has already passed, and each day that passes is cutting into the profit margins of organizations that continue to use manual processes.

Two strategies can help reduce costs. One is for healthcare organizations to implement interim automated disclosure solutions while they wait for their EMR vendors to offer the tracking and reporting functionality that they currently need. The data from the interim automated solutions can be exported and

used to populate the database within the EMR vendor’s solution once it becomes available. The second strategy is to immediately select a disclosure solution that can become part of the organization’s long-term strategy and co-exist with the other solutions within the enterprise.

COMPLETE SOLUTION

Simple Web form-based solutions can’t handle the multiple requirements of the new laws. Disclosures, temporary suspensions by authorized agencies, restrictions, confidential communications, and accounting reports are all part of a complete solution.

SECURE

Robust access control with a group/role model is essential to securing access only to those authorized to use the system. This also insures that users only have access to the parts of the system they need to do their jobs. For example, clerks at remote facilities may only have access to adding/modifying disclosures, while administrators would have access to all disclosures, accounting reports and audit trails.

EASE OF USE, WEB BASED

As it is not easy to forecast which personnel will be on duty when disclosure requests are made, it is essential that the system be available and self documenting for the first-time user. The system should aid the user in entering the appropriate data, and provide assistance in making the right decisions based on entity policies. Solutions that include the capability to maintain online disclosure policy manuals offer additional decision-making benefits to users and the organization.

REPORTING

Besides generating disclosure accounting reports for patients, the system should be able to generate other reports to help meet HIPAA privacy requirements. It should be able to report disclosures added to the

system by the various types to track what kinds of disclosures are being used. And, it should report on the disclosures entered by users and groups to track usages. Audit trails should monitor and report on all usage of the system.

SOFTWARE COST JUSTIFICATION

As with any technology purchase, healthcare executives must be able to justify the purchase based on the solution's ability to improve care and reduce costs. To absorb the costs of complying with PHI disclosure regulations, some healthcare organizations may be faced with making the decision to reduce clinical staff or reduce the services offered to patients in an attempt to cover the additional costs. Ultimately, these decisions may reduce the quality of care delivery.

HIPAA's PHI regulations place new requirements on caregiver organizations. In large organizations and those dispersed over wide geographic areas, these requirements — if not managed and planned for — can place a costly burden on staff and budgets. Properly used, disclosure solutions can alleviate much of the burden and inefficiencies, while enabling organizations to show due diligence in meeting these requirements.