The Impact of the Proposed HIPAA Privacy Rule on the Hospital Industry

A Report Prepared by

First Consulting Group

for the

American Hospital Association

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Section I:
Executive Summary

HIPAA Background

What is HIPAA?

In 1996, Congress passed the Health Insurance Portability and Accountability Act (HIPAA) which included provisions designed to streamline the administrative functions of health care, while at the same time encouraging health care entities to move toward electronic exchange and use of information. As such, health plans, health care providers, and clearinghouses will face new rules for performing electronic health care transactions, protecting the confidentiality of individually identifiable health information, and implementing security standards that ensure medical records privacy.

The Secretary of Health and Human Services this year released final regulations for the transaction standards, but has yet to release final security standards or privacy regulations. The privacy regulations will require safeguards for protecting health information, and will dictate how information can be used or disclosed both within a health care entity and to others who may need such information. In addition, the regulation provides new rights for patients to access, inspect, copy, and amend their own medical information. The regulatory authority granted to the Secretary under HIPAA was restricted to electronic records. However, HHS' proposed rule governs any such health information that has ever been in electronic form (i.e., electronic information printed and filed in a paper record) and is therefore quite sweeping. The proposed regulations were released in November 1999 with final regulations expected soon.

High-Level Findings

FCG Estimate of Three Excluded Privacy Components Exceeds Total HHS Projection

◆ HHS projection of the proposed HIPAA privacy rule's cost to the ***entire healthcare industry*** over five years - ***not including*** the cost of key provisions that HHS did not estimate.	**$3.8 billion**
◆ FCG estimate of the five-year ***cost to the hospital industry of three key provisions excluded above*** (minimum necessary use, business partner contracting, and state law preemption) – over and above the HHS estimate – ***if*** hospitals can generally comply by modifying current information systems.	**At least $4 billion**
◆ FCG estimate of the five-year cost impact on the hospital industry of the three key provisions cited above if hospitals must undertake major information system reconfiguration or replacement to comply.*	**Up to $22.5 billion**

**Given that the five major hospital system vendors cannot currently provide all of the functionality implied by the proposed HIPAA privacy rule, hospitals could require more significant upgrades, potentially making the information system costs substantially higher.*

Project Background

What Does This Study Seek to Demonstrate?

A number of key HIPAA privacy provisions that are costly and burdensome were *not* estimated by HHS in its impact analysis.

In addition, HHS may have significantly underestimated the impact of the proposed privacy rule on hospital organizations and other covered entities, specifically:

- The quantitative costs for hospitals, and
- The qualitative burdens for hospitals and consumers.

AHA engaged First Consulting Group (FCG) to:

- Outline the qualitative and quantitative impacts on hospitals of three components of the proposed HIPAA privacy rule that were *not* estimated by HHS:
  - A. Minimum necessary use of information
  - B. Requirements for contracting with and monitoring business partners
  - C. Preemption of contrary and less stringent state laws
- Provide detailed analysis regarding the approach HHS' used and the findings it reached in estimating the costs of the proposed rule.

Approach

How Did FCG Reach Its Conclusions?

In order to reach its conclusions, FCG:

- Solicited detailed input from nineteen diverse hospital organizations through a series of focus groups and telephone calls to ascertain the likely impacts of three components of the privacy rule;
- Determined the essential compliance tasks that a hospital is likely to undertake to achieve compliance;
- Built a financial model that projected the privacy rule components' expected cost impact on six organizations (based on the series of tasks identified above);
- Determined the predictable and variable cost factors across all organizations; and
- Projected costs for the entire hospital industry based on the factors above.

FCG's Industry Cost Projections

Detailed Breakdown

FCG's analysis of the likely costs of three key components of the HIPAA privacy rule on hospital organizations and a subsequent projection of those costs across the entire hospital industry reveals the following estimates:

HIPAA Privacy Cost Component	Initial Implementation Costs		Annual Ongoing Costs		Total 5-Year Costs	
	Low	High	Low	High	Low	High
	Mean		Mean		Mean	
State Law Preemption	$ 113M		$ 59M		$ 351M	
Business Partner Contracting	$ 724M		$ 410M		$2,364M	
Minimum Necessary Use: Training Component	$ 81M		$ 5M		$ 101M	
Information Systems Component	$ 862M	$19,210M	$ 0	$ 43M	$ 862M	$19,384M
Other Components	$ 105M		$ 55M		$ 325M	
TOTAL	$1,886M	$20,234M	$ 529M	$ 572M	$4,003M	$22,525M

Based on the anticipated costs of compliance for a representative sample of 19 hospitals extrapolated across all 6,050 hospitals in the industry (see Appendix for list of hospitals participating in this study). The broad range projected for the IT component of Minimum Necessary Use reflects the range of potential modification required for hospital systems. If major system revisions or replacements are not required, then the likely cost will be the lower figure projected . If, on the other hand, major revisions or replacements ***are*** *required, then the costs could reach the higher projection figure.*

Source for Hospital Industry Data: Health Forum 1999 Annual Survey of Hospitals

Source for Industry Salary benchmarks: US Department of Labor's Bureau of Labor Statistics 1998 report on National Industry Staffing Pattern Data

Minimum Necessary Use Requirement

Summary of Findings

Requirement: Organizations governed by HIPAA must make every reasonable effort not to use or disclose – internally or externally – more patient information than is necessary to accomplish an intended purpose.

- The rule governs patient-identifiable electronic information at the detailed data field level as well as paper-based information that was previously electronic.

FCG Estimate of Five-Year Impact to Hospitals: $1.3 – 19.8 billion

- of which information technology (IT) could comprise anywhere from $862 million to $19.4 billion.

Components of Costs:

- The largest portion of these costs entails reconfiguration of IT systems.
  - Staff training (driven by total number of employees) and other components make up a smaller percentage.
- Since the specific IT requirements necessary to meet "minimum necessary use" compliance are not currently known, and the IT approach that organizations may take to achieve compliance will vary, the estimated costs for IT reconfiguration also vary widely (making up from 66 to 98% of the total cost for this component of the privacy rule).

Minimum Necessary Use Requirement

Organizational Impacts and Approach

In order to meet the requirements of "minimum necessary use," organizations will need to:

- Convene a steering committee to agree upon the overall organizational approach to information access;
- Designate a person or team to execute such an approach
  - Conduct a comprehensive audit of all existing sources of patient-specific information and the systems used to store and maintain such data;
  - Meet with leaders of key user departments to explain the approach and confirm specific access requirements for each department;
  - Challenge some departments to reduce or eliminate needs for system access; and
  - Configure the organization's information systems (given their current limited capabilities) to carry out and manage these access requirements.
- Train staff in appropriate uses of patient information; and
- Employ after-the-fact audit mechanisms ("audit trails") to monitor actual record access.

Minimum Necessary Use Requirement

Hospitals Perform Many Essential Functions For Which Minimum Necessary Use and Disclosure of Patient Information Must be Determined

Minimum Necessary Use Requirement

Determining and Configuring the Minimum Necessary Use and Disclosure Requirements for Each Role or Function is Complicated

Role/Function	To What Information They Need Access	Why They Need Access
Emergency Room Staff	All past relevant hospital visit information (including diagnoses, treatment, medications and allergies)	To understand past relevant clinical history and all possible contributing factors
Admitting Staff	Past and current hospital admissions information	To complete current admissions process
Laboratory, Radiology and Pharmacy Staff	Past and current test results or prescriptions, including the diagnoses from which they were generated	To understand the clinical relevance and significance of the test being performed or the prescription being ordered
Managed Care and Case Management Staff (internal and external)	Reason for admission, past or planned treatment, and all clinically relevant information that would affect the patient's discharge and future care management	To facilitate the patient's discharge and ongoing care management
Consulting Specialist	All information pertaining to the patient's current complaint, relevant past history, and reason for referral	To incorporate past relevant clinical history and all possible contributing factors in reaching a diagnostic evaluation and recommending treatment for a patient
Medical Records Coders, Billers and Collection Staff	Diagnostic and treatment/procedure information plus related documentation	To construct an accurate billing record and effectively seek reimbursement from insurers
Department Chiefs, Accreditation Specialists and Clinical Researchers (internal and external)	Samples of patients and their associated medical records that meet certain criteria	To perform peer evaluations, prepare for accreditation or conduct clinical research

Business Partner Contracting Requirement

Summary of Findings

Requirement: Organizations governed by HIPAA must identify all business partners who use or access the organization's patient-identifiable information and hold such business partners accountable via a written contract for using that information consistent with the privacy requirements.

FCG Estimate of Five-Year Impact to Hospitals: $2.4 billion

Components of Costs:

- The largest driver of these costs is the estimated number of business partners with whom an organization will need to contract.
- Given that most organizations have yet to undertake this work, their estimates of the number of business partners varies widely, ranging from 50 to 750 per hospital (see page 14 for examples).
- FCG's estimating approach for this cost component assumes a variable work effort for establishing business partner contracts reflecting the expected range of complexity across all types of business partner relationships. It does not include the potential increased cost to hospitals of those services as a result of business partners' need to comply with the requirements or any liability costs associated with the rule.

Business Partner Contracting Requirement

Organizational Impacts and Approach

In order to effectively comply with the business partner requirements, hospital organizations will need to:

- Identify all of the applicable business partner relationships for which it is responsible under the HIPAA privacy provisions.
- Develop standard contract language to insert in each contract.
- Insert new language into all applicable business partner contracts and submit to business partners for approval.
- Educate those business partners unfamiliar with the privacy requirements and renegotiate with those business partners who are unwilling to accept standard contract language.
- Track business partner contracts henceforth during their renewal cycles as requirements change. (Some larger hospital systems may require contract management software for such tracking).
- Monitor business partners for compliance.

Business Partner Contracting Requirement

Organizations Estimate Anywhere Between 50 and 750 Business Partner Contracts Per Hospital

Clinical

- Affiliated, non-owned contract physicians
  - On-call physicians
  - Locum tenens
  - Specialty services (Lithotripsy, Dialysis, Pain Clinic, Behavioral Health, Cardiology, etc)
  - Lab test reading (including Pathology)
  - Contract Medical Directors & Chiefs
- Outsourced departments
  - Emergency
  - Radiology
- Hospital partners
- Peer review
- Medical School faculty
- Research
- Other clinical professionals
  - Contract nursing
  - Contract pharmacists
  - Contract PT, OT
  - Contract profusionists

Financial

- Billing agents
- Clearinghouses
- Auditors
- Collection agents
- Credit card processing services

Regulatory and Legal

Accreditation
- Professional (AOA, ACOS, CAP)
- JCAHO
- Managed care organizations
- CARF (long-term care and rehab)

State Licensure

Legal counsel

Medical Records

- Transcription
  - On-site
  - Remote/off-site
- Release-of-Information/Copying
- Filing
- Storage/warehousing
- Shredding/Destruction

Technology

- Vendors
  - HIS & other systems
  - Medical equipment
  - Lab equipment & testing
- IT Contractors
- Consultants
- Web-hosting/ASP vendors
- Network security/intrusion detection
- Equipment maintenance (IT, copiers)

Ancillary Clinical

- Ambulance and transportation
- Outside laboratory testing
- Outside imaging
- Organ procurement agencies

Miscellaneous

- Maintenance/Building and Grounds
- Plant security/guards
- Housekeeping
- Pastoral care/clergy
- Funeral homes

State Law Preemption Requirement

Summary of Findings

Requirement: Since the HIPAA privacy requirements will not preempt state laws that are in conflict with the proposed HIPAA privacy rule or that provide greater privacy protections, organizations must implement policies and procedures that reflect these differences.

FCG Estimate of Five-Year Impact to Hospitals: $351 million

Components of Costs:

- The principle driver of this cost is the legal consultation time required to analyze the varying and conflicting requirements of state law with those of the HIPAA privacy rule.
- Additional effort is required to adjust policies and procedures and train appropriate staff.

State Law Preemption Requirement

Organizational Impacts and Approach

In order to comply with the state law preemption requirements of HIPAA privacy, hospitals will need to:

- Determine and obtain the applicable state laws that pertain to the organization.
- Compare applicable state laws with the HIPAA privacy rules and determine relevant impacts.
- Revise policies and procedures that comply with differences in state law and the HIPAA privacy requirements.
- Implement and train appropriate staff for these specialized requirements.
- Review all applicable state laws and HIPAA privacy rules henceforth so as to understand any changes and the associated requirements.

HHS Cost Estimates

A Summary of HHS' Findings

Two-thirds of HHS' projections for the cost of the HIPAA privacy provisions on providers stems from two components (inspection/copying and amendment/ correction) while other significant cost components are excluded altogether.

Summary of the HHS Cost Estimates of Complying with the Proposed Privacy Regulations (in millions)*			
Provision	Initial or first year costs (2000)	Annual costs after the first year	Five year costs (2000-2004)
Development of Policies and Procedures (Providers*)	$ 333.0	--	$ 333.0
Development of Policies and Procedures (Plans)	$ 62.0	--	$ 62.0
Systems Changes – All Entities	$ 90.0	--	$ 90.0
Notice of Privacy Practices: Development Costs – All Entities	$ 20.0	--	$ 30.0
Notice of Privacy Practices: Issuance Costs – Providers	$ 59.7	$ 37.2	$ 208.3
Notice of Privacy Practices: Issuance Costs – Plans	$ 46.2	$ 46.2	$ 231.0
Inspection/Copying	$ 81.0	$ 81.0	$ 405.0
Amendment/Correction	$ 407.0	$ 407.0	$2,035.0
Written Authorization	$ 54.3	$ 54.3	$ 271.5
Paperwork/Training	$ 22.0	$ 22.0	$ 110.0
Other costs	Not estimated	Not estimated	Not estimated
Total	**$1,165.2**	**$ 647.7**	**$ 3,775.8**

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

*Estimates are based on a count of 871,294 providers and 18,225 plans; provider-specific estimates are marked as such and plan-specific cost estimates have been excluded.

Critical Analysis of HHS Cost Estimates

Summary Criticism of HHS' Methodology and Findings

FCG maintains two major criticisms regarding the assumptions and methodology that HHS outlined in the cost impacts section of the proposed HIPAA privacy rule:

1. By excluding from its impact analysis the most costly and burdensome provisions of HIPAA privacy on providers (such as the minimum necessary use standard, the monitoring of business partners and state law contracting), HHS' projected 5-year total cost of $3.8 billion to all covered entities (health plans, providers and clearinghouses) cannot be considered comprehensive.

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Critical Analysis of HHS Cost Estimates

Summary Criticism of HHS' Methodology and Findings

2. Many of HHS' cost calculations are derived from dollar and percentage numbers that lack a stated or logical source, and some specific assumptions appear inappropriate.
   - Calculations are not based on an approach that reflects the likely tactical and operational approach that hospitals will take to comply.
   - HHS assumes an alignment in the timing of the HIPAA privacy rule with that of other HIPAA components that will not likely occur.
   - HHS grossly underestimates the likely costs of the technical requirements.

Summary Conclusion

FCG believes that HHS' approach and methodology for estimating the cost impacts of HIPAA privacy on the hospital industry:

1. Do not comprehensively address all of the associated costs, and
2. Do not accurately estimate costs based on the likely approach that organizations will take to achieve compliance with the final rule.

FCG projects that the overall cost for achieving compliance with three key elements of the proposed rule that HHS did *not* attempt to estimate could range from $4 to $22 billion – higher than HHS' estimate for compliance with the entire rule absent these three components.

Section II:
Detailed Findings

Outline

The following section of the report is organized by the three provisions of the HIPAA privacy regulation on which AHA has chosen to focus:

A. Minimum necessary use;
B. Business partners contracting; and
C. Preemption of contrary and less stringent state laws.

For each component in this section, the following information is provided:

- Highlights of the requirements of the HIPAA component;
- Associated issues for hospital organizations;
- Implications and requirements for hospital organizations;
- Likely approach and cost drivers; and
- Summary cost impact findings.

A. Minimum Necessary Use

Highlights of the Requirement

Hospitals Must Use the Minimum Necessary Amount of Information

Organizations governed by HIPAA must make every reasonable effort not to use or disclose more patient information than is necessary to accomplish an intended purpose.

- The rule governs both electronic formats as well as any paper information if it has ever been in electronic form.

The proposed rule additionally requires that:

- Staff review, forward, or print out only those fields and records relevant to their need for information;
- Organizations not set global policies for disclosure of information but instead review each request on its own merits;
- Information systems be configured to allow selective access to different portions of a patient's record;
- Organizations document policies and procedures for determining such minimum use; and
- A process be put in place to periodically review routine uses and disclosures.

Associated Issues

Several Key Problems with Implementation

Too little guidance is provided in the privacy rule to determine what constitutes “reasonable effort” concerning “minimum necessary use.”

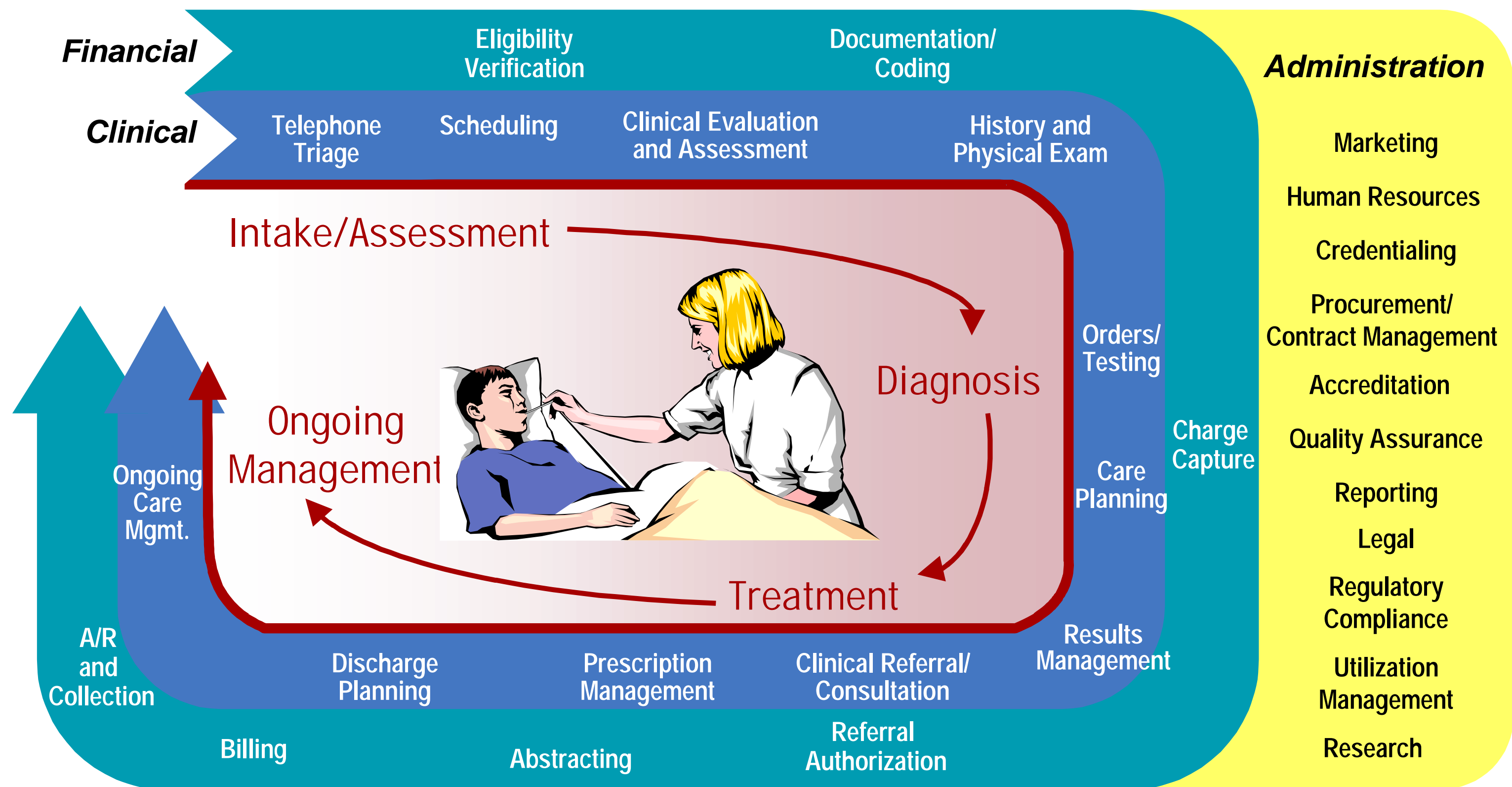
The rule fails to distinguish between the critical nature of *internal clinical* uses of patient information and the wider disclosure for *other purposes*, applying the same “minimum necessary use” requirements to both.

Configuring information systems to execute access restrictions at the level of specific data fields, as the proposed rule requires, cannot be readily accomplished today and would be costly to develop moving forward.

Implications and Requirements

Internal Hospital Uses of Patient Information Are Extensive

A majority of the functions conducted in a typical hospital organization require access to some portion of a patient's record in order to be performed.



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Implications and Requirements

Predictability of Physician-Patient Relationships Is Nearly Impossible

Attempting to limit access to medical records by predicting which staff need access to which patient records and then configuring that access in a hospital's information systems is currently an insurmountable task – even for clinical functions.

- The attempts of one leading organization to predict physician-patient relationships have demonstrated only an estimated 50% predictability in the relationship (and an expected 80% predictability at best).
- Some reasons for this unpredictability are:
  - Emergency presentations of patients;
  - Clinicians covering for other clinicians (on-site or off-site);
  - Specialists and sub-specialists providing consultations;
  - Clinicians with multiple role descriptions or qualifications functioning at varying levels from day-to-day (care manager one day, staff nurse another); and
  - Patients seen at multiple varied sites by various clinicians throughout a hospital network.
- Moreover, the proposed privacy rule requires that such determinations be made on a case-by-case basis.

Implications and Requirements

Hospitals Perform Many Essential Functions For Which Minimum Necessary Use and Disclosure of Patient Information Must be Determined

In the course of a typical hospital admission, many different roles require varying access to patient identifiable information for which “minimum necessary use” must be determined.

Implications and Requirements

Determining and Configuring the Minimum Necessary Use and Disclosure Requirements for Each Role or Function is Complicated

The type, depth and associated context of clinical patient information that each role requires differ widely, making the configuration of hospital information systems nearly impossible.

Role/Function	To What Information They Need Access	Why They Need Access
Emergency Room Staff	All past relevant hospital visit information (including diagnoses, treatment, medications and allergies)	To understand past relevant clinical history and all possible contributing factors
Admitting Staff	Past and current hospital admissions information	To complete current admissions process
Laboratory, Radiology and Pharmacy Staff	Past and current test results or prescriptions, including the diagnoses from which they were generated	To understand the clinical relevance and significance of the test being performed or the prescription being ordered
Managed Care and Case Management Staff (internal and external)	Reason for admission, past or planned treatment, and all clinically relevant information that would affect the patient's discharge and future care management	To facilitate the patient's discharge and ongoing care management
Consulting Specialist	All information pertaining to the patient's current complaint, relevant past history, and reason for referral	To incorporate past relevant clinical history and all possible contributing factors in reaching a diagnostic evaluation and recommending treatment for a patient
Medical Records Coders, Billers and Collection Staff	Diagnostic and treatment/procedure information plus related documentation	To construct an accurate billing record and effectively seek reimbursement from insurers
Department Chiefs, Accreditation Specialists and Clinical Researchers (internal and external)	Samples of patients and their associated medical records that meet certain criteria	To perform peer evaluations, prepare for accreditation or conduct clinical research

Implications and Requirements

Inaccurately Predicting the Need for Clinical Information Is Risky

If clinicians' needs for patient information are not accurately predicted in advance – and the information is not readily available as needed – there is a significant risk of patient harm.

Unavailable or Inaccessible Information	Clinical Risk to Patients
Complete test results	▪ Misdiagnosis of changes in patient condition ▪ Inaccurate assessment of clinical trends ▪ Requests for redundant, duplicate tests ▪ Delay in care
Previous medications and patient response to those meds	▪ Contradictory or incompatible prescriptions ▪ Preventable adverse drug events
Complete medical history	▪ Misdiagnosis ▪ Inappropriate treatment

Implications and Requirements

Patients Could Experience Additional Impacts If Information Is Unavailable

If information is not readily available and clinical visit time is spent looking for, gaining access to, or asking the patient to reconstruct details of past care, patients may also experience:

- Inconvenience;
- Annoyance and frustration;
- Declining confidence in the clinician's ability to deliver effective healthcare; and
- Decreased trust in the healthcare delivery organization

- in addition to delays in their care and treatment.

Implications and Requirements

Most Hospitals Allow Broad Clinician Access to Patient Information

Nearly all hospital organizations studied currently grant clinicians wide access to clinical patient records – and most portions of those records – across the organization.

- Doing otherwise could have dramatic impacts on quality of care, patient service and essential workflow process.

Implications and Requirements

Information Systems Cannot Effectively Execute the Minimum Necessary Use Requirements

Most hospital information systems cannot currently be configured to administer "minimum necessary use" requirements at the specific patient and data element level.

- Most systems use simple algorithms to grant or restrict access to:
  - Active patients only;
  - Non-restricted, non-VIP patients only; or
  - Non-restricted portions of patient records (i.e., non-mental health).
- Rarely can systems use more complicated algorithms that limit access to:
  - Only patients for whom a physician is responsible (i.e., primary care or admitting physician); or
  - Only patients, hospitalizations or visits for patients within the viewing clinician's specialty.
- Hospitals making such changes to systems would incur significant costs.

Implications and Requirements

Paper-Based Records Cannot Be Configured for Minimum Necessary Use

Paper-based information – if it has ever been in electronic format – is also subject to "minimum necessary use" requirements.

- Within the hospital environment, paper-based medical records are generally available to all clinical staff.
- Paper-based medical records remain intact and cannot readily be segregated or partitioned.
  - There is no way to physically secure one portion of a paper record; and
  - Most state licensing and professional accreditation guidelines don't allow for separate medical records.
- As a result, applying "minimum necessary use" requirements to paper records would be impractical, extremely burdensome, and costly.

Implications and Requirements

Configuring Minimum Necessary Use for Support Staff Roles Throughout a Hospital Would Be Difficult

With increased patient volumes and expanding clinical complexity, healthcare is increasingly delivered by care *teams* thus more clinical support staff are involved in patient care and information retrieval.

- These clinical support staff access past visit information, active medications, patient instructions, and other clinical information across all patient categories in order to complete tasks, such as:
  - Chart preparation;
  - Clinical visit support;
  - Referral coordination;
  - Billing; and
  - Transcription.
- Matching support staff roles to the patient records to which they require access, and configuring information systems to administer "minimum necessary use" requirements would be extremely difficult.

Implications and Requirements

Configuring Minimum Necessary Use for Other Hospital-Based Uses of Patient Information Would Be Difficult

Other non-clinical hospital functions regularly require access to some portion of patients' health records for which configuring "minimum necessary use" would be difficult.

Role/Function	Uses of Patient Information
Billing staff	Ensure claims to insurers are accurately coded and reflect all services rendered
Compliance and Risk Management	Investigate cases of non-compliance with organizational policy and identify areas of potential risk to the organization
Federal and State (including Department of Public Health)	Regulatory licensing and inspection of hospital; collect population-based clinical information for disease reporting
JCAHO	Confirm that national quality and operational standards are met for accreditation
Legal Department	Investigate components of patients' care to defend hospital against malpractice claims
Physician Credentialing and Peer Review	Sample patient records of physicians under performance review or consideration for admitting privileges
Quality Assurance and Utilization Management	Review patient records to understand major trends in healthcare utilization and spending for the purposes of improving healthcare quality and spending
Research	Identify patients meeting certain clinical characteristics who could be candidates for targeted clinical research
Tumor Registry	Track cancer patients and incidence of disease over time

Implications and Requirements

Configuring Minimum Necessary Use for Widely-Used Hospital Reports and Databases Would Be Difficult

The paper-based reports and file downloads that hospitals widely use for clinical functions would also be difficult to configure for "minimum necessary use" requirements.

Examples of Reports or Downloads	Typical Recipient
Clinical trends and utilization – summarized or detailed	Department Chair/Chief, administrative analyst
Financial trends and utilization – summarized or detailed	CFO, administrative director, financial analyst
Lists of patients meeting certain clinical criteria (i.e., with diabetes and hypertension)	Hospital-based researchers, primary care physicians managing their practices
Lists of patients with certain clinical interventions in some past period (i.e., patients immunized in past year)	State public health agencies for reporting purposes
Lists of patients meeting certain financial criteria (i.e., balance unpaid in >90 days)	CFO, billing and collection staff
Chart printouts or record summaries of random discharged patients	Peer review, accreditation or compliance staff

- One study participant identified 1,800 such reports produced and shared throughout their organization.

Likely Approach and Cost Drivers

Meeting the Minimum Necessary Use Requirements Involves an Extensive Organization-Wide Effort

In order to meet the requirements of "minimum necessary use," organizations will need to:

- Convene a steering committee to agree upon the overall organizational approach to information access;
- Designate a person or team to execute such an approach
  - Conduct a comprehensive audit of all existing sources of patient-specific information and the systems used to store and maintain such data;
  - Meet with leaders of key user departments to explain the approach and confirm specific access requirements for each department,
  - Challenge some departments to reduce or eliminate needs for system access, and
  - Configure, upgrade or replace the organization's information systems (given their current limited capabilities) to carry out and manage these access requirements;
- Train staff in appropriate uses of patient information; and
- Employ after-the-fact audit mechanisms ("audit trails") to monitor compliance with the "minimum necessary use" requirement.

Likely Approach and Cost Drivers

Current Information System Capabilities May Be Inadequate, Requiring Hospital Organizations to Incur Additional Costs

Of the five major hospital information system vendors currently in use, most cannot provide:

- User access restrictions at the level of specific data fields; nor
- User-friendly reports that comprehensively track both changes to *and* views of patient data.

As a result, many hospital organizations will be required to either:

- Install upgrade versions of software supplied by their vendor that provide the additional required capability – and for which some vendors have stated they will charge clients; or
- Replace applications that cannot and will not likely be able to provide the access and monitoring capability required for “minimum necessary use” compliance.

Likely Approach and Cost Drivers

After-the-Fact Monitoring Is a Complicated and Resource-Intensive Undertaking

After-the-fact patient access monitoring is complicated, time-consuming and resource-intensive.

- Most hospital information systems do not provide complete or user-friendly audit reporting capabilities:
  - System may capture edits or changes but not accesses or views; or
  - System may capture changes and views but doesn't provide a user-friendly, meaningful report format.
- Many organizations do not currently have sufficient resources to devote to widespread audit review of system accesses.
- More effective approaches involve random sampling or targeted monitoring of certain types of information access.
- Organizations that endeavor to employ after-the-fact monitoring of patient record accesses estimate it would require up to a full-time staff resource to accomplish effectively.

Likely Approach and Cost Drivers

Applying Minimum Necessary Use to Paper-Based Records Will Require Additional System Capabilities

- Computer-based audit trails do not capture accesses of paper-based patient information.
- In order to effectively comply with "minimum necessary use" requirements involving paper-based records, organizations will likely need to purchase and implement chart-tracking software.

Likely Approach and Cost Drivers

Additional System Requirements Will Be Extensive

In addition to configuring current information systems for "minimum necessary use" requirements and implementing chart-tracking software, organizations will also likely:

- Look to develop and implement additional system capabilities that support "minimum necessary use" requirements (such as user-friendly audit trail reporting, system warnings for sensitive or inappropriate access, time-limited access, required reason-for-access explanations, and "break the glass" capability that generally restricts access to most users but allows emergency access upon request);
- Push vendors to provide these additional capabilities; and
- Replace information systems that cannot provide increasingly advanced access and monitoring capabilities.

Summary Cost Impact Findings

Components of Costs

FCG Estimate of Five-Year Impact to Hospitals: $1.3 – 19.8 billion

- of which information technology (IT) could comprise anywhere from $862 million to $19.4 billion.

Components of Costs:

- The largest portion of these costs entails reconfiguration of IT systems.
  - Staff training (driven by total number of employees) and other components make up a smaller percentage.
- Since the specific IT requirements necessary to meet “minimum necessary use” compliance are not currently known, and the IT approach that organizations may take to achieve compliance will vary, the estimated costs for IT reconfiguration also vary widely (making up from 66 to 98% of the total cost for this component of the privacy rule).

Summary Cost Impact Findings

Contributing Factors and Variables

<table>
<tr><th rowspan="3"></th><th colspan="2">Initial Implementation Costs</th><th colspan="2">Annual Ongoing Costs</th><th colspan="2">Total 5-Year Costs</th><th rowspan="3">Major Contributing Factors and Variables</th></tr>
<tr><th>Low</th><th>High</th><th>Low</th><th>High</th><th>Low</th><th>High</th></tr>
<tr><th colspan="2">Mean</th><th colspan="2">Mean</th><th colspan="2">Mean</th></tr>
<tr><td>Training Component</td><td colspan="2">$ 81M</td><td colspan="2">$ 5M</td><td colspan="2">$ 101M</td><td>▪ Staff training is the smallest cost component of “minimum necessary use.”
▪ Number of staff employed by hospital is largest predictor of cost.
▪ Initial development and training represents 75% of five-year training costs.
▪ Annual ongoing training costs become a small incremental component of a hospital’s overall training program.</td></tr>
<tr><td>Information Technology Component</td><td>$ 862M</td><td>$19,210M</td><td>$ 0</td><td>$ 43M</td><td>$ 862M</td><td>$19,384M</td><td>▪ The estimated costs for IT reconfiguration vary widely because:
◆ The specific IT requirements necessary for compliance are not currently known;
◆ The current readiness and likely approach of IT vendors is not known; and
◆ The IT approach that organizations will take to achieve compliance will vary based on what they believe they need to do to comply.
▪ As a result, organizations may either reconfigure, upgrade and enhance, or replace current IT systems in order to comply.
▪ Several organizations could not predict their likely ongoing IT costs for compliance.</td></tr>
<tr><td>Other Components</td><td colspan="2">$ 105M</td><td colspan="2">$ 55M</td><td colspan="2">$ 325M</td><td>▪ Key implementation cost elements include initial planning and assessment, and policy and procedure development.
◆ Planning and assessment becomes more complicated for larger hospitals and health systems.
▪ Key ongoing cost element is ongoing monitoring for compliance.</td></tr>
<tr><td>TOTAL</td><td>$ 1,048M</td><td>$19,396M</td><td>$ 60M</td><td>$ 103M</td><td>$ 1,288M</td><td>$19,810M</td><td>▪ Largest overall component and contributor to variable cost consists of the IT requirements, making up from 67-98% of the total cost for “minimum necessary use.”</td></tr>
</table>

B. Business Partner Contracting

Highlights of the Requirement

Hospitals Must Hold Business Partners Accountable for Use of Information

Organizations governed by HIPAA must identify all business partners who use or access the organization's patient-identifiable information and hold such business partners accountable via a written contract for:

- Using the information appropriately;
- Reporting any inappropriate use;
- Maintaining safeguards to protect the information;
- Making available its policies, procedures and records for compliance inspection;
- Incorporating amendments and corrections to the information;
- Providing access to the information for patients; and
- Returning or destroying the information at contract termination.

Highlights of the Requirement

Patients Granted the Right To Sue Hospitals for Their Business Partners' Actions

The proposed regulation additionally makes patients third-party beneficiaries of the business partner contract, effectively giving them the right to sue covered entities and their business partners when their patient information is misused or inappropriately disclosed.

Associated Issues

The Applicability of Business Partner Provisions Has Broad Implications

The proposed business partner requirements:

- Broadly define business partners in a manner that includes all of a hospital's clinical partners and other covered entities;
- Hold covered entities liable for their business partners' actions via a legally-binding written contract; and
- Specify that covered entities may be business partners themselves and as such would be subject to both covered entity *and* business partner requirements.

Implications and Requirements

Simply Identifying a Hospital's Business Partners Will Be Challenging

Simply *identifying* all of the applicable business partner relationships in a hospital organization would be a huge undertaking.

- A broad range of hospital services is increasingly provided by specialized business partners.
- A majority of a hospital's business partners need access to patient identifiable information in order to provide their services; others need access to facilities or information systems in which patient identifiable information is stored.
- Many organizations don't currently have a comprehensive inventory of all of their business partners; they maintain business partner relationships in a decentralized manner.
- Preliminary estimates show that hospital organizations could be maintaining up to 750 business partner relationships.

Implications and Requirements

Many Types of Business Partner Relationships Currently Exist

Clinical

- Affiliated, non-owned contract physicians
  - On-call physicians
  - Locum tenens
  - Specialty services (Lithotripsy, Dialysis, Pain Clinic, Behavioral Health, Cardiology, etc)
  - Lab test reading (including Pathology)
  - Contract Medical Directors & Chiefs
- Outsourced departments
  - Emergency
  - Radiology
- Hospital partners
- Peer review
- Medical School faculty
- Research
- Other clinical professionals
  - Contract nursing
  - Contract pharmacists
  - Contract PT, OT
  - Contract profusionists

Financial

- Billing agents
- Clearinghouses
- Auditors
- Collection agents
- Credit card processing services

Regulatory and Legal

Accreditation
- Professional (AOA, ACOS, CAP)
- JCAHO
- Managed care organizations
- CARF (long-term care and rehab)

State Licensure

Legal counsel

Medical Records

- Transcription
  - On-site
  - Remote/off-site
- Release-of-Information/Copying
- Filing
- Storage/warehousing
- Shredding/Destruction

Technology

- Vendors
  - HIS & other systems
  - Medical equipment
  - Lab equipment & testing
- IT Contractors
- Consultants
- Web-hosting/ASP vendors
- Network security/intrusion detection
- Equipment maintenance (IT, copiers)

Ancillary Clinical

- Ambulance and transportation
- Outside laboratory testing
- Outside imaging
- Organ procurement agencies

Miscellaneous

- Maintenance/Building and Grounds
- Plant security/guards
- Housekeeping
- Pastoral care/clergy
- Funeral homes

Implications and Requirements

Business Partner Contracting Itself Will Be a Difficult Undertaking

The process of updating all business partner contracts with HIPAA privacy language will be a complicated undertaking.

- Identifying and effectively tracking the status of all Business Partner contracts will require contract management software.
- Not all contract updates will be straightforward:
  - Some business partner relationships will support the simple insertion of appropriate HIPAA privacy language while others will require face-to-face discussion, education and negotiation before a contract will be signed;
  - It is also likely that some business partners will demand that their own HIPAA privacy language be used in place of the covered entity’s; and
  - Some issues, such as indemnification and audit/oversight rights, will likely be contested and result in difficult negotiations, particularly with business partners who are not primarily healthcare organizations.

Implications and Requirements

Increased Business Partner Costs or Loss of Contract May Result

Because of the complexity of the contracting requirements and the unfamiliarity of some business partners with HIPAA and the healthcare marketplace, contracting:

- Will likely increase fees from some business partners who require additional resources to support new data management, administrative and security requirements and who face potential new liabilities from third parties; and
- May actually force some business partners to discontinue providing services to covered entities due to the increased contracting requirements and potential liabilities.

Implications and Requirements

Patient Record Access and Amendment Requirements Apply to Business Partners

Some of the key impacts of the business partner requirements are associated with record access and correction requests by patients.

- Organizations must be able to provide access for patients to protected health information held by business partners.
- Organizations must also work with business partners to amend or correct protected health information they may hold.
- Working with each business partner's unique systems and processes will introduce complexity for each covered entity.
- Both covered entities and patients alike will spend increased time:
  - Tracking down the original or secondary source of various patient record components when needed; and
  - Ascertaining for each business partner how to make amendments and corrections to that information.

Implications and Requirements

Business Partner Contract Variation Will Present Additional Burdens

Covered entities will be further challenged to track and monitor the various requirements set up by each business partner contract where even subtle variation exists.

- If all business partner contracts are not identical – as they are not likely to be – a hospital organization will be required to differentially handle and track patient identifiable information with each business partner.
- Setting expectations for each business partner and monitoring the compliance of each one where variation exists will complicate the contract monitoring process and further necessitate the installation and use of contract management software tools.

Implications and Requirements

Hospitals Must Monitor Business Partners for Compliance

In order to protect themselves against legal action that could result from business partner misuse of information, hospitals will be challenged to effectively monitor all of their business partner relationships for compliance.

- Comprehensive monitoring of all business partners will be extremely difficult, costly and resource-intensive.

Implications and Requirements

Hospitals Who Are Business Partners Themselves Face Additional Requirements

Business partner relationships and requirements are further complicated when hospital organizations themselves are business partners of other covered entities.

- This is particularly true for specialized services, such as:
  - Laboratory, pathology and radiology;
  - Renal dialysis;
  - Occupational/employee health (including drug testing);
  - Clinical program coverage (e.g., emergency department);
  - Physician practice management; and
  - Information technology support.
- Hospitals will thus be subjected to varying expectations for tracking and handling patient information as set forth by the covered entities with which it contracts as a business partner.

Likely Approach and Cost Drivers

Business Partner Contract Compliance Requires an Extensive Implementation and Ongoing Management

At a minimum under the business partner requirements, hospital organizations will need to:

- Identify all of the applicable business partner relationships;
- Develop contract language;
- Insert language into all applicable business partner contracts and submit to business partners for approval;
- Educate those business partners unfamiliar with the privacy requirements and renegotiate with those business partners who are unwilling to accept standard contract language;
- Track business partner contracts during renewal cycles as requirements change. (Some larger hospital organizations may require contract management software for such tracking.); and
- Monitor business partners for compliance.

Likely Approach and Cost Drivers

Business Partner Monitoring Will Be a Challenging Undertaking

To monitor their business partner relationships, hospitals will likely:

- Employ a random-sampling or annual audit approach to target certain key business partners of higher risk. Such business partners are likely to be those who:
  - Are not covered entities themselves;
  - Do not have established compliance and security programs;
  - Do not have professional IT and records management staff;
  - Are not typically doing business in healthcare;
  - Are not working on-site at the hospital organization; and
  - Are managing large quantities of sensitive data.

Summary Cost Impact Findings

Components of Costs

FCG Estimate of Five-Year Impact to Hospitals: $2.4 billion

Components of Costs:

- The largest driver of these costs is the estimated number of business partners with whom an organization will need to contract.
- Given that most organizations have yet to undertake this work, their estimates of the number of business partners vary widely, ranging from 50 to 750 per hospital.
- FCG's estimating approach for this cost component assumes a variable work effort for establishing business partner contracts reflecting the expected range of complexity across all types of business partner relationships. It does not include the potential increased cost to hospitals of those services as a result of business partners' need to comply with the requirements or any increased liability costs associated with the rule.

Summary Cost Impact Findings

Contributing Factors and Variables

Initial Implementation Costs	Annual Ongoing Costs	Total 5-Year Costs	Major Contributing Factors and Variables
Mean	Mean	Mean	
$ 724M	$ 410M	$2,364M	▪ The largest driver of these costs is the estimated number of business partners with whom an organization will need to contract. ◆ Given that most organizations have yet to undertake this work, their estimates of the number of business partners vary widely, ranging from 50 to 750 per hospital. ▪ FCG's estimating approach for this cost component assumes a variable work effort for establishing business partner contracts reflecting the expected range of complexity across all types of business partner relationships. ▪ FCG's estimating approach does *not* include the potential increased cost to hospitals of those services or their liability costs as a result of business partners' need to comply with the requirements.

C. State Law Preemption

Highlights of the Requirement

HIPAA Privacy Rules Will Not Supersede More Stringent or Conflicting State Laws

HIPAA privacy requirements will not:

- Preempt state laws that are in conflict with the proposed HIPAA privacy requirements and that provide greater privacy protections; and
- Supersede certain other state laws (relating to reporting of disease, injury child abuse, birth and death; public health surveillance, investigation or intervention; regulatory reporting; fraud and abuse; insurance regulation; health care delivery or cost reporting; or controlled substances).

Associated Issues

Complying with Multiple State Laws Will Be Complicated

Understanding the applicability of state laws, tracking those laws against HIPAA privacy requirements, and implementing policies and procedures that reflect these multiple, changing requirements will be a complicated endeavor for hospital organizations.

- Many smaller hospital organizations do not employ their own legal counsel and instead must rely on outside counsel to help interpret and implement these requirements.
- No known reliable source exists that tracks and monitors the different requirements of state laws as they pertain to patient medical information and privacy.

Implications and Requirements

Multi-State Hospitals Bear Additional Burdens

While the majority of hospital organizations are single-site or single-state entities, 27% of multi-site hospital organizations are also multi-state.*

- These organizations will bear additional burdens in comparing multiple state laws to the requirements set forth by the HIPAA privacy rule.
- This task becomes additionally burdensome as both sets of laws or rules change.

*Source: American Hospital Association

Implications and Requirements

The Applicability of State Law to Patient Information Is Unclear

In the absence of clarity regarding the applicability of state law to patient information, more complicated legal analysis will arise for those organizations that:

- Have multi-state facilities;
- Use out-of-state laboratories that generate patient information;
- Employ out-of-state transcription agencies that create electronic patient information from dictated notes; or
- Handle records from out-of-state patients, especially for telemedicine and other remote consultative mechanisms, since additional state law protections may apply to information that is created out-of-state.

Likely Approach and Cost Drivers

Monitoring and Complying with State Laws Presents an Ongoing Burden

In order to comply with the state law preemption requirements of HIPAA privacy, hospitals will need to:

- Determine and obtain the applicable state laws that pertain to the organization;
- Compare applicable state laws with the HIPAA privacy rules and determine relevant impacts;
- Revise policies and procedures that comply with differences in state law and the HIPAA privacy requirements;
- Implement and train appropriate staff for these specialized requirements; and
- Continually review all applicable state laws and HIPAA privacy rules to determine relevant changes.

Summary Cost Impact Findings

Components of Costs

FCG Estimate of Five-Year Impact to Hospitals: $351 million

Components of Costs:

- The principle driver of this cost is the legal consultation time required to analyze the varying and conflicting requirements of state law with those of the HIPAA privacy rule.
- Additional effort is required to adjust policies and procedures and train appropriate staff.

Summary Cost Impact Findings

Contributing Factors and Variables

Initial Implementation Costs	Annual Ongoing Costs	Total 5-Year Costs	Major Contributing Factors and Variables
Mean	Mean	Mean	
$ 113M	$ 59M	$ 351M	▪ More than half of the initial implementation and annual ongoing costs involves the incremental training of appropriate staff. ▪ An additional and less significant component of the cost includes revising policies and procedures to reflect changing laws. ▪ The smallest driver of costs is the legal consultation time required to analyze the varying and conflicting requirements of state law with those of the HIPAA privacy rule. ◆ Both initial implementation and annual ongoing costs for review are included.

Section III:

Critical Analysis of
Cost Impact Section of
HHS Proposed HIPAA Privacy Rule

first consulting group FCG

Summary Findings

FCG undertook a critical analysis of the assumptions and methodology that HHS' outlined in the cost impacts section of the proposed HIPAA privacy rule. Three major themes emerge in this analysis:

1. HHS has excluded certain key elements and their costs from its study.
   - By excluding from its impact analysis the most costly and burdensome provisions on providers (such as the minimum necessary use standard and the monitoring of business partners), HHS' projected 5-year total cost of $3.8 billion to all covered entities cannot be considered a comprehensive estimate.
   - Several of the provisions that HHS excludes from its analysis and for which it claims cost projections would be difficult to make (such as the privacy officer requirement and the lack of state law preemption) would actually be straightforward impacts to predict and should have been included.

Summary Findings

Continued

2. Many of HHS' specific assumptions appear inappropriate or unfounded.
   - HHS assumes an alignment of the HIPAA privacy rule with other HIPAA rules that will not likely occur – in either their timing or content overlap. In doing so, HHS inappropriately concludes that costs for some of the provisions will be marginal when in fact they will be significant.
   - While HHS assumes that some additional impact of the inspection/copying and amendment/correction requirements for patient records will likely occur, the basis for its volume projections are unfounded.
   - HHS grossly underestimates the incremental costs for developing policies, procedures, training and required information systems changes.

Summary Findings

Continued

3. Many of HHS' cost calculations are derived from dollar and percentage numbers that lack a stated or logical source.
   - HHS' cost calculations based on sweeping percentages or unit costs with no reference as to their source or foundation cannot be credibly verified or supported.
   - HHS' projections for developing policies and procedures, ensuring system compliance, notifying patients of privacy practices, providing inspection/copying and amendment/correction rights to patients, implementing revised patient authorizations and training staff are all founded on calculations for which no source or basis is provided.
   - Some of HHS' conclusions are based on sweeping statements of the cost impact to the overall industry and not an assessment of the specific operational impacts to hospital organizations.

HHS Cost Impact Analysis – Exclusions

Significant Weight Given to Two Components; Others Excluded

Two-thirds of HHS' projections for the cost of the HIPAA privacy provisions on providers stems from two components (inspection/copying and amendment/ correction) while other significant cost components are excluded altogether.

Summary of the HHS Cost Estimates of Complying with the Proposed Privacy Regulations (in millions)*			
Provision	Initial or first year costs (2000)	Annual costs after the first year	Five year costs (2000-2004)
Development of Policies and Procedures (Providers*)	$ 333.0	--	$ 333.0
Development of Policies and Procedures (Plans)	$ 62.0	--	$ 62.0
Systems Changes – All Entities	$ 90.0	--	$ 90.0
Notice of Privacy Practices: Development Costs – All Entities	$ 20.0	--	$ 30.0
Notice of Privacy Practices: Issuance Costs – Providers	$ 59.7	$ 37.2	$ 208.3
Notice of Privacy Practices: Issuance Costs – Plans	$ 46.2	$ 46.2	$ 231.0
Inspection/Copying	$ 81.0	$ 81.0	$ 405.0
Amendment/Correction	$ 407.0	$ 407.0	$2,035.0
Written Authorization	$ 54.3	$ 54.3	$ 271.5
Paperwork/Training	$ 22.0	$ 22.0	$ 110.0
Other costs	Not estimated	Not estimated	Not estimated
Total	**$1,165.2**	**$ 647.7**	**$ 3,775.8**

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

*Estimates are based on a count of 871,294 providers and 18,225 plans; provider-specific estimates are marked as such and plan-specific cost estimates have been excluded.

HHS Cost Impact Analysis – Exclusions

Significant Implementation Costs Excluded

Some of the most costly and complicated HIPAA privacy elements to implement were excluded from HHS' analysis.

General

"In some areas…there was too little data to support quantitative estimates…The areas…are: the principle of minimum necessary disclosure; the requirement that entities monitor business partners with whom they share PHI; creation of de-identified information; internal complaint process; sanctions; compliance and enforcement; the designation of a privacy official and creation of a privacy board; and additional requirements on research/optional disclosures that will be imposed by the regulation."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

- Since several of these provisions (including minimum necessary disclosure and business partner monitoring) are likely to be the most costly and complicated to implement, examining and including the impact of these provisions is essential for a complete and accurate calculation of HIPAA costs.
- Other provisions such as development of sanctions and the designation of a privacy official would appear to be relatively straightforward to project and thus should have been included in the HHS analysis.

HHS Cost Impact Analysis – Exclusions

Some Key Privacy Implementation Costs Considered

Some key one-time implementation costs appear to have been appropriately included by HHS in its analysis.

General

One-time costs include the following: “(1) analysis of the significance of the federal regulation on a covered entity operation; (2) development and documentation of policies and procedures (including new ones or modification of existing ones);(3) dissemination of such policies and procedures both inside and outside the organization; (4) changing existing records management systems or developing new systems; and (5) training personnel on the new policies and system changes.”

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

FCG agrees that these will be the areas of significant initial cost for implementation of the privacy standards. However, each of these components also has measurable ongoing implications not acknowledged in the proposed rule. For example, as state laws and the HIPAA privacy regulation change beyond the implementation date, covered entities will incur additional costs for each of the components stated above.

HHS Cost Impact Analysis – Exclusions

Significant Ongoing Costs Excluded

Several key sources of ongoing costs were also not included in HHS' impact estimates.

General

Ongoing costs "are likely to be the result of: (1) increased numbers of patient requests for access and copying of their own records; (2) the need for covered entities to obtain patient authorization for uses of protected information that had not previously required an authorization; (3) increased patient interest in limiting payer and provider access to their records; (4) dissemination and implementation both internally and externally of changes in privacy policies, procedures, and system changes; and (5) training on the changes."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

Several likely sources of ongoing costs are not included by HHS: monitoring business partners for compliance, monitoring and enforcing internal uses and disclosures of patient data, investigating claims of misuse and monitoring patient authorizations as they expire or change.

HHS Cost Impact Analysis – Exclusions

Medical Record Appeal and Review Costs Excluded

HHS inappropriately excludes the additional cost of appeals and third party reviews that may occur when patients and providers disagree about the content of medical records.

Ongoing Costs: Amendment and Correction

"We have only addressed the cost of disputing a factual statement within the patient record, and do not calculate the cost of appeals or third party review."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

Though HHS specifically excludes an appeal or third party review process from the requirements of the proposed privacy rule, establishing a process for resolving disputes between patients and providers about medical record content will be a measurable component of the economic impact and as such should be included in a cost assessment.

HHS Cost Impact Analysis - Assumptions

Overlap With Other HIPAA Administrative Simplification Elements is Minimal

HHS' assumptions regarding the overlap and timing of the release of the HIPAA privacy rule in relation to the other HIPAA Administrative Simplification components are faulty.

General

"To the extent the changes required for the privacy standards implementations can be made concurrently with the changes required for the other standards, costs for the combined implementation should be only marginally higher than for the administrative simplification standards alone."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

- With the potential staggered release of the different final rules, implementation of the HIPAA standards will most likely occur separately. While costs may decrease slightly over time as organizations develop standard processes for implementing new policies and procedures, they will not be substantially reduced at implementation.
- Since changes required by the privacy rule do not overlap with the requirements for electronic transactions, and only marginally with those in the security standards, it is inaccurate to assume only marginal increases in costs.

HHS Cost Impact Analysis - Assumptions

Overlap with HIPAA Security Unlikely

HHS' assumption that the final privacy rule will be released in conjunction with that for security – and that incremental costs due to their overlap and alignment will be significantly reduced – is faulty.

Initial Costs: Privacy Policies and Procedures

"Since the requirements for developing formal processes and documentation of procedures mirror what will already have been required under the security regulations, the additional costs [of implementing the privacy standards] should be small."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

- While the method for developing formal processes and documenting procedures would have presumably been established with the implementation of a security rule, the complexity of the privacy regulations (particularly as they relate to paper records and patient rights) suggests that additional costs may still be significant.
- If the privacy rule and the security rule are not released simultaneously (as is now likely) and as a result distinct compliance deadlines are set, organizations' compliance efforts will effectively be doubled. (It should also be noted that HHS chose not to estimate the cost of implementing the security rule.)

HHS Cost Impact Analysis - Assumptions

Adopting Generic Policies and Procedures Unlikely

HHS inappropriately assumes that most healthcare organizations will adopt generic policies and procedures for privacy developed by national and state associations.

Initial Costs: Privacy Policies and Procedures

"The expectation is that national and state associations will develop guidelines or general sets of processes and procedures and that these will generally be adopted by individual member entities. Relatively few providers or entities are expected to develop their own procedures independently or modify significantly those developed by their associations."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

- Providers have no assurance that national or state associations will be able to produce effective guidelines in a reasonable timeframe (given that some associations may not even have the additional resources to do so) and as a result will not be comfortable delaying implementation. There may also be a cost to covered entities associated with acquiring such guidelines.
- In addition, while some of the expense would be mitigated in this way, the high degree of variation among provider organizations with respect to policies, procedures and processes will increase the cost of adapting any generic guidelines.

HHS Cost Impact Analysis - Assumptions

Overlapping Security System Changes Unlikely

HHS assumes inappropriately that electronic system changes required for security will also support privacy.

Initial Costs: Systems Compliance

"With respect to revisions to electronic data systems, the specific refinements needed to fulfill the privacy obligations ought to be closely tied to the refinements needed for security obligations…If in privacy it constitutes 15 percent [presumably of the estimated $5.8 billion for administrative simplification system upgrades], then the security standard would represent about $900 million system cost. If the marginal cost of the privacy elements is another 10 percent, then the addition cost [sic] would be $90 million."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

There are elements required for privacy that are not required for security (such as the segregation of data for the "minimum necessary" provision and the applicability to paper records) that may require extensive and distinct system upgrades or replacement.

HHS Cost Impact Analysis - Assumptions

Patient Notification Burdens Considered

HHS appropriately assumes that an additional burden on organizations will result from the patient notification requirement.

Ongoing Costs: Notice of Privacy Practices

"No State laws or professional associations currently require entities to provide patients 'notice' of their privacy policies. Thus, we expect that all entities will incur costs developing and disseminating privacy policy notices."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

FCG agrees that entities will incur new costs as a result of notifying patients of their privacy policies. While many provider organizations currently inform patients of their general rights as patients, most do not include rights of information access among those. Additional costs for producing notices in multiple languages and for dealing with patients who have special needs and who may need assistance in understanding privacy policies will likely be incurred as organizations increasingly attempt to serve their diverse patient populations.

HHS Cost Impact Analysis - Assumptions

Medical Record Inspection and Copying Impacts Likely Higher Than Assumed

Absent any reliable prediction about the frequency with which patients are likely to request copies of their medical records, HHS assumes a minimal impact from the inspection and copying provisions of the proposed privacy rule.

Ongoing Costs: Inspection and Copying

"We assumed that most providers currently have procedures for allowing patients to inspect and copying [sic] their own record. Thus, we expect that the economic impact of requiring entities to allow individuals to access and copy their records should be relatively small. Copying costs, including labor, should be a fraction of a dollar per page. We expect the cost to be passed on to the consumer."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

Only so long as overall patient awareness of privacy and interest in their medical records does not dramatically increase will additional costs for patient inspection and copying of records be relatively small. Costs are likely to increase not only in the states that currently do not allow patients access to their own medical records, but in those states that do currently provide access as well (given increasing public concern about privacy). The labor costs associated with pulling records, validating their content and packaging them for patients cannot be considered insignificant.

HHS Cost Impact Analysis - Assumptions

Medical Record Amendment and Correction Impacts Included

HHS appropriately assumes a likely increase in the volume of requests for amendment and correction of patient records, though the myriad and multiple sources of patient information will serve to further complicate this task.

Ongoing Costs: Amendment and Correction

"We conclude that the principal economic effect of the proposed rule would be to expand the right to request amendment and correction to plans and providers that are not covered by state laws or codes of conduct. In addition, we expect that the proposed rule may draw additional attention to the issue of record inaccuracies and stimulate patient demand for access, amendment, and correction of medical records."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

FCG agrees that there will be increased focus by patients on the content and accuracy of their medical records. Additionally, FCG believes that unclear or conflicting information from the multiple providers, payers and business partners who maintain patients' records will undoubtedly serve to introduce some initial confusion and rework for patients and organizations about who maintains the original patient record.

HHS Cost Impact Analysis - Assumptions

Constructing History of Disclosures Grossly Underestimated

HHS' grossly underestimates the costs of changing data systems to meet requirements for re-constructing an account of the disclosures of patient information.

Ongoing Costs: Reconstructing a History of Disclosures

"…two sets of costs would exist. On electronic records, fields for disclosure reason, information recipient, and date would have to be built into the data system. The fixed cost of the designing the system [sic] to include this would be a component of the $90 million additional costs discussed earlier. The ongoing cost would be the data entry time, which should be at *de minimis* levels."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

- FCG strongly disagrees that adding several fields to every relevant data system will be simply a sub-component of $90 million in costs. Not only do dozens of vendor-based hospital information systems currently exist in the marketplace, but some leading hospital organizations have developed their own information systems and nearly all maintain many other secondary but relevant patient information systems.
- The ongoing burden to clinicians entering data in these additional fields will be significant and could adversely affect patient care.

HHS Cost Impact Analysis - Assumptions

Costs of Developing Patient Authorization Forms Included

HHS appropriately assumes that developing new authorization forms and the accompanying policies and procedures will contribute to the overall cost of complying with the proposed privacy rule.

Ongoing Costs: Authorizations

"We are assuming that all providers and plans will have to develop new procedures to conform to [authorization components of] the proposed rule."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

FCG agrees that organizations will have to develop new procedures to meet the requirements of the authorization components of the proposed rule, but believes that the development of new forms and the required maintenance and tracking of authorizations will be significant. This latter component will require organizations to track patients' special requests and expiring authorizations – and ensure their business partners are aware of these requests and expirations as well.

HHS Cost Impact Analysis - Assumptions

Additional Training Costs Underestimated

HHS inappropriately assumes that the additional costs required to train employees in sound privacy practices will be marginal.

Ongoing Costs: Training

"Because training happens as a regular business practice, and employee certification connected to this training is also the norm, we estimate that the marginal cost of paperwork and training is likely to be small."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

Although training is an ongoing business process, there will be significant upfront costs as organizations need to develop new training materials, retrain employees, and certify their participation. In some cases, organizations are planning more effective computer-based training and more robust certification systems in order to effectively ensure all staff understand the challenges of protecting patient privacy. The initial development and new systems will require increased investment. In addition, ongoing changes in training programs will be required as HIPAA regulations and state privacy laws change.

HHS Cost Impact Analysis - Sources

No Source for Unit Costs of Developing Policies and Procedures

HHS provides no source for its estimation of the base cost per provider for developing privacy policies and procedures; HHS' estimate may not also fully take into account the complexities associated with multi-hospital organizations.

Initial Costs: Privacy Policies and Procedures

$375	X	**871,294**	=	**$333 million**
Weighted average of the estimated cost to providers, derived from a range of $300 to $3,000 in "assumed costs" per provider		Number of providers		

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

- No explanation is provided for how HHS arrived at the range of costs for providers.
- HHS' per-provider range of estimated costs does not fully account for the additional operational complexities and implementation challenges of large multi-hospital organizations.

HHS Cost Impact Analysis - Sources

No Source for System Compliance Costs

HHS provides no basis for its assumptions of the costs for system compliance as a percentage of the overall costs for HIPAA.

Initial Costs: Systems Compliance

15% X **$5.8 billion** = **$900 million** X **10%** = **$90 million**

HHS assumes that security standards constitute 15% of the $5.8 billion estimated total of administrative simplification system upgrades

HHS assumes that the marginal cost for privacy is another 10%

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

No explanation is provided for any of the assumptions pertaining to how the privacy standards relate to the system upgrades required for the security standards. Basing these costs on an assumed percentage of the total system costs with no consideration of the specific system requirements or the processes they affect is flawed.

HHS Cost Impact Analysis - Sources

No Source for Patient Rights Notification

No source or basis is provided for HHS' estimation of the ongoing costs for notification to patients of their rights regarding privacy and use of information.

Ongoing Costs: Notice of Privacy Practices

"The total five year cost of providing new and subsequent copies to all provider patients and customers would be approximately $209 million."

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

HHS does not provide the calculation upon which it bases this estimate.

HHS Cost Impact Analysis - Sources

No Source for Patients Likely to Inspect and Copy Medical Records

No source is cited for the assumption HHS makes regarding how many patients will request access to inspect and copy their medical record. A small shift in this assumed percentage will greatly affect HHS' total projected costs for privacy.

Ongoing Costs: Inspection and Copying

543 million patient visits	X	**1.5%**	=	**8.1 million**	X	**$10**	=	**$81 million/year**
Estimated number of patient visits		HHS assumes that 1.5% of patients will request access to inspect and copy their record				Estimated cost of each instance of accessing and copying records		

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

Although FCG agrees with the general method of calculation used here, there is no basis for the assumption of the percentage of patients that might request access. Small changes in this percentage dramatically affect the two elements that HHS estimates constitute the largest projected costs of HIPAA privacy. For instance, if this percentage turned out to be 2%, the costs for both inspection/copying and amendment/correction increase by one-third to $109 million/year and $543 million/year respectively.

HHS Cost Impact Analysis - Sources

No Source for Patients Likely to Seek Amendment or Correction of Records

HHS provides no source for the assumed percentage of patients requesting copies of their medical records that will further request an amendment or correction.

Ongoing Costs: Amendment and Correction

8.1 million	X	**2/3**	=	**5.43 million**	X	**$75**	=	**$407 million**
Estimated number of patient requests for access to inspect and copy records		HHS assumes that two-thirds of patients who have accessed their records will request amendment or correction				Estimated cost of each instance of amendment and correction		

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

No explanation is presented for the number of patients who may request amendment or correction, nor for the cost of each instance. Since HHS projects this to be the most costly element of the privacy rule, small changes in this calculation can have a significant effect on the overall projected cost (see comments on inspection and copying).

HHS Cost Impact Analysis - Sources

No Source for Patient Authorization Costs

HHS provides no source for the assumed percentage of patient visits that will require patient authorizations to be collected nor for the cost of collecting those authorizations.

Ongoing Costs: Authorizations

543 million patient visits X **1%** = **5.43 million** X **$10** = **$54 million/year**

- 543 million patient visits: Estimated number of patient visits
- 1%: HHS assumes that 1% of patient visits will require patient authorizations to be collected
- $10: Estimated cost of each instance of collecting authorizations

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

No explanation is provided for the estimated percentage of patient visits that will require authorizations, nor for the cost of collecting such authorizations. The volume of authorizations is likely to increase given new requirements for fundraising, state hospital association data collection efforts and other non-direct-care activities. The additional cost of maintaining an authorization system does not appear to be included.

HHS Cost Impact Analysis - Sources

No Source for Ongoing Training Costs

HHS provides no source for its estimates that contribute to ongoing costs for training. These costs also appear to be grossly underestimated.

Ongoing Costs: Training

$20	X	**A**	+	**$60-100**	X	**B**	+	**$60-100**	X	**18,225**	=	**$22 million/year**
Estimated cost to provider office		Number of provider offices --not given		Estimated cost to hospitals		Number of hospitals --not given		Estimated cost to health plans		Number of health plans		

Source: Proposed HIPAA Privacy Rule (45 CFR Parts 160 through 164), November 3, 1999

FCG Comments

No explanation is provided for the estimated cost to covered entities. FCG believes that these figures dramatically underestimate the cost to providers of developing and implementing new training tools and programs.

Appendices

Appendix I:
Cost Projection Model

first consulting group FCG

Summary Findings

FCG's analysis of the likely costs of three key components of the HIPAA privacy rule on hospital organizations and a subsequent projection of those costs across the entire hospital industry reveals the following estimates:

HIPAA Privacy Cost Component	Initial Implementation Costs		Annual Ongoing Costs		Total 5-Year Costs	
	Low	High	Low	High	Low	High
	Mean		Mean		Mean	
State Law Preemption	$ 113M		$ 59M		$ 351M	
Business Partner Contracting	$ 724M		$ 410M		$2,364M	
Minimum Necessary Use: Training Component	$ 81M		$ 5M		$ 101M	
Information Systems Component	$ 862M	$19,210M	$ 0	$ 43M	$ 862M	$19,384M
Other Components	$ 105M		$ 55M		$ 325M	
TOTAL	$1,886M	$20,234M	$ 529M	$ 572M	$4,003M	$22,525M

Based on the anticipated costs of compliance for a representative sample of 19 hospitals extrapolated across all 6,050 hospitals in the industry (see Appendix for list of hospitals participating in this study). The broad range projected for the IT component of Minimum Necessary Use reflects the range of potential modification required for hospital systems. If major system revisions or replacements are not required, then the likely cost will be the lower figure projected . If, on the other hand, major revisions or replacements ***are*** *required, then the costs could reach the higher projection figure.*

Source for Hospital Industry Data: Health Forum 1999 Annual Survey of Hospitals

Source for Industry Salary benchmarks: US Department of Labor's Bureau of Labor Statistics 1998 report on National Industry Staffing Pattern Data

Key Contributing Factors and Variables

<table>
<tr><th colspan="2">HIPAA Privacy Cost Component</th><th>Major Contributing Factors and Variables</th></tr>
<tr><td rowspan="3">Minimum Necessary Use</td><td>Training Component</td><td>▪ Staff training is the smallest cost component of "minimum necessary use."
▪ Number of staff employed by hospital is largest predictor of cost.
▪ Initial development and training represents 75% of five-year costs.
▪ Annual ongoing training costs become a small incremental component of a hospital's overall training program.</td></tr>
<tr><td>Information Technology Component</td><td>▪ The estimated costs for IT reconfiguration vary widely because:
◆ The specific IT requirements necessary for compliance are not currently known;
◆ The current readiness and likely approach of IT vendors is not known; and
◆ The IT approach that organizations will take to achieve compliance will vary based on what they believe they need to do to comply.
▪ As a result, organizations may either reconfigure, upgrade and enhance, or replace current IT systems in order to comply.
▪ Several organizations could not predict their likely ongoing IT costs for compliance.</td></tr>
<tr><td>Other Components</td><td>▪ Key implementation cost elements include initial planning and assessment, and policy and procedure development.
◆ Planning and assessment becomes more complicated for larger hospitals and health systems.
▪ Key ongoing cost element is ongoing monitoring for compliance.</td></tr>
</table>

Key Contributing Factors and Variables

Continued

HIPAA Privacy Cost Component	Major Contributing Factors and Variables
Business Partner Contracting	▪ The largest driver of these costs is the estimated number of business partners with whom an organization will need to contract. ◆ Given that most organizations have yet to undertake this work, their estimates of the number of business partners varies widely, ranging from 50 to 750 per hospital. ▪ FCG's estimating approach for this cost component assumes a variable work effort for establishing business partner contracts reflecting the expected range of complexity across all types of business partner relationships. ▪ FCG's estimating approach does *not* include the potential increased cost to hospitals of those services or their liability costs as a result of business partners' need to comply with the requirements.
State Law Preemption	▪ More than half of the initial implementation and annual ongoing costs involves the incremental training of appropriate staff. ▪ An additional and less significant component of the cost includes revising policies and procedures to reflect changing laws. ▪ The smallest driver of costs is the legal consultation time required to analyze the varying and conflicting requirements of state law with those of the HIPAA privacy rule. ◆ Both initial implementation and annual ongoing costs for review are included.
Overall	▪ Largest overall component and contributor to variable cost consists of the IT requirements, making up from 66-98% of the total cost for "minimum necessary use."

Hospital Attributes Affecting the Overall Cost Projection

Certain hospital attributes affected some of the components of the privacy rule costs more than others:

- *Hospital system vs. standalone* – Though organizational costs were considerably higher for multi-hospital systems, their per-hospital costs were on average lower than that for stand-alone hospitals.
- *Number of employees* – Hospital size as measured by its number of employees dictated the scope of the training effort required for compliance.
- *Teaching component* – Those hospitals with a medical teaching component appeared to experience slightly more organizational complexity in addressing changes as they relate to compliance.
- *Information technology (IT) complexity* – The number and complexity of a hospital's information systems dictate quite directly the associated costs for compliance.

Hospital Attributes *Not* Affecting the Overall Cost Projection

Other hospital attributes appeared to have no bearing on the component costs of the privacy rule:

- *Urban vs. rural* – The organizational challenges for compliance did not seem to vary between urban and rural hospitals.
- *Bed size* – Bed size *per se* had no direct bearing on the overall cost impact for compliance, except as it is related to the number of staff and the number and complexity of its information systems.

Methodology and General Approach

In order to reach its conclusions, FCG:

- Solicited detailed input from nineteen diverse hospital organizations through a series of focus groups and telephone calls to ascertain the likely impacts of three components of the privacy rule;
- Determined the essential compliance tasks that a hospital is likely to undertake to achieve compliance;
- Built a financial model that projected the privacy rule components' expected cost impact on six organizations (based on the series of tasks identified above);
- Determined the predictable and variable cost factors across all organizations; and
- Projected costs for the entire hospital industry based on the factors above.

Basis for Industry Cost Projection

The following formulas for projecting industry costs were applied to each of the cost components of the privacy rule studied:

Privacy Component		Calculation								
Minimum Necessary Use	IT component	Lowest and highest calculated IT costs per hospital	X	Total number of hospitals in industry					=	Range of lowest and highest projected IT costs for industry
	Staff training component	Average calculated training cost per employee	X	Number of calculated employees per bed	X	Average number of beds per hospital in industry (broken out by bed size in 100-bed increments)*	X	Number of hospitals in industry (for each 100-bed increment)	=	Average projected staff training cost for industry
	All other cost components	Average calculated cost per hospital	X	Total number of hospitals in industry					=	Average projected cost for industry
State Law Preemption	All components	Average calculated cost per hospital	X	Total number of hospitals in industry					=	Average projected cost for industry
Business Partner Contracting	All components	Average calculated cost per hospital	X	Total number of hospitals in industry					=	Average projected cost for industry

** Since the average number of employees per bed varies, increasing as hospital bed size increases*

Basis for Industry Cost Projection

The following table shows the formulas populated with actual figures and results:

Privacy Component		Initial Implementation Costs						
Minimum Necessary Use	IT component	Calculated Cost per Hospital				Total # Hospitals	Calculation	
		Low	$142,452			6050	$861,834,600	
		High	$3,175,232			6050	$19,210,153,600	
	Staff training component	Calculated Average Training Cost Per Employee	Bedsize Category	Average # Employees Per Bed	Average # Beds Per Hospital	Total # Hospitals	Calculation	Subtotal
		$15.79	*0-99 Beds*	4.54	52	2887	$10,761,879	$81,471,718
			100-199 Beds	4.80	142	1488	$16,014,546	
			200-299 Beds	5.23	243	731	$14,669,235	
			300-399 Beds	5.38	346	426	$12,521,320	
			400-499 Beds	5.48	444	193	$7,414,860	
			500+ Beds	5.46	717	325	$20,089,878	
	All other cost components	Calculated Average Cost per Hospital				Total # Hospitals	Calculation	
		$17,395				6050	$105,239,750	
State Law Preemption	All components	Calculated Average Cost per Hospital				Total # Hospitals	Calculation	
		$18,705				6050	$113,165,250	
Business Partner Contracting	All components	Calculated Average Cost per Hospital				Total # Hospitals	Calculation	
		$119,658				6050	$723,930,900	

Privacy Component		Annual Ongoing Costs						
Minimum Necessary Use	IT component	Calculated Cost per Hospital				Total # Hospitals	Calculation	
		Low	$0			6050	$0	
		High	$7,167			6050	$43,360,350	
	Staff training component	Calculated Average Training Cost Per Employee	Bedsize Category	Average # Employees Per Bed	Average # Beds Per Hospital	Total # Hospitals	Calculation	Subtotal
		$0.94	*0-99 Beds*	4.54	52	2887	$640,669	$4,850,121
			100-199 Beds	4.80	142	1488	$953,368	
			200-299 Beds	5.23	243	731	$873,279	
			300-399 Beds	5.38	346	426	$745,411	
			400-499 Beds	5.48	444	193	$441,417	
			500+ Beds	5.46	717	325	$1,195,978	
	All other cost components	Calculated Average Cost per Hospital				Total # Hospitals	Calculation	
		$9,073				6050	$54,891,650	
State Law Preemption	All components	Calculated Average Cost per Hospital				Total # Hospitals	Calculation	
		$9,818				6050	$59,398,900	
Business Partner Contracting	All components	Calculated Average Cost per Hospital				Total # Hospitals	Calculation	
		$67,792				6050	$410,141,600	

Methodology and Approach

Information Technology Assumptions and Approaches Vary Widely

The general approach that each organization proposed to take and the assumptions they made about what they would need to do to comply was largely consistent except for their approach to information technology (IT):

- One organization assumed that its key hospital information system (HIS) would need to be replaced to comply;
- Four of the organizations assumed that system functionality critical for compliance would be delivered by their vendors, requiring an effort to upgrade each application; and
- One organization assumed that it would be able to make all of the necessary HIS configuration changes on its own in order to comply.

Because the assumptions that participating hospital organizations made and the IT approaches they planned to take varied so widely in projecting their privacy costs, FCG established the low and high ends of expected IT compliance costs for "minimum necessary use" that then generated the range of IT costs for the hospital industry as a whole.

Profile of Participating Hospital Organizations

Org. #	Number of Hospitals			Multi-State	Average Number of Beds per Hospital						Total Number of Employees		
	1	2-9	10+		<100	100-199	200-299	300-399	400-499	500+	<1000	1000-10,000	>10,000
1	✓				✓						✓		
2	✓									✓		✓	
3	✓								✓			✓	
4			✓					✓					✓
5			✓	✓		✓							✓
6		✓		✓			✓					✓	
7	✓					✓					✓		
8	✓				✓						✓		
9	✓					✓					✓		
10		✓					✓					✓	
11		✓				✓						✓	
12	✓							✓				✓	
13		✓					✓					✓	
14			✓	✓	✓								✓
15		✓					✓						✓
16		✓				✓						✓	
17	✓								✓				
18		✓				✓						*Not Provided*	
19			✓			✓							

Key Assumptions and Sources

General Industry

- Total number of hospitals in the industry (6050) obtained from the AHA 1999 Annual Survey of Hospitals.
- Average number of employees per bed per hospital bed size category and average number of beds per hospital bed size category were calculated by AHA from AHA 1999 Annual Survey of Hospitals.
- No inflationary factors were included in projecting ongoing five year costs.

Business Partner Contracting

- Business partner cost projections do not include the potential increased costs to hospitals of those services as a result of business partners' need to comply with the requirements, or any increased liability costs associated with the rule.
- Business partner contract renewal cycles range from one to three years.
- Business partner contracts were assumed to be of varying complexity, requiring varying amounts of effort to achieve compliance:
    - *Least difficult* includes clinical partner, ancillary clinical, maintenance and housekeeping contracts, each requiring two hours of effort for inserting new contract language, mailing revised contract and logging signed contract on its return.
    - *Moderately difficult* includes outside research organization, accrediting body and medical records contracts, each requiring four hours of effort as above plus educating the business partner in the HIPAA requirements and reviewing the contract in more detail.
    - *Most difficult* includes information technology vendor, financial services provider, transcription and consulting contracts, each requiring twelve hours of effort as above plus renegotiating the terms and details of the contract.

  The mix of business partner contract difficulty was assumed to be split in equal thirds.

State Law Preemption

- State law preemption includes consideration of laws for the state(s) in which the hospital operates, not for all of the states in which protected information may have been created for out-of-state patients that are seen in each hospital system.

Key Assumptions and Sources

Continued

General Staffing costs

- Model assumes all staffing resources are internal to the organization and does not include the additional cost of hiring outside consulting services.
- Salary benchmark data obtained from the US Department of Labor's Bureau of Labor Statistics 1998 report on National Industry Staffing Pattern Data.
- Some salaries reflect the blended rate of two job categories.
- Employee fringe benefit rate of 30% obtained from the US Department of Labor's Bureau of Labor Statistics March 2000 report on Employer Costs for Employee Compensation.
- Annual staff turnover rate assumed at 10%.
- Model calculates training costs based on *employees,* not *FTE's*, since each staff person must participate in training.
- Staff training costs were assumed to be the *additional* (incremental) time required to train staff on each component of the privacy rule, assuming that organizations already train all new incoming staff and retrain current staff as needed on an annual basis.

Information Technology (IT) costs

- "Major" information systems include: core hospital information system, laboratory, radiology, pharmacy, registration/scheduling and practice management/billing.
- "Minor" or secondary information systems include all other hospital systems that potentially capture and store patient identifiable information. These systems were counted at the rate of 3:1 in terms of complexity and effort required to upgrade or replace, relative to the equivalent effort for a "major" system.
- Model does not consider the variation in cost to upgrade or replace "home-grown" IT systems as compared to vendor applications.

Detailed Cost Projection Worksheets

The following pages contain the detailed cost projection worksheets for each of the three components of the privacy rule that were estimated for the six participating hospital organizations.

Organizational Profile #1: Small standalone hospital										
Minimum Necessary Use - Key Action Steps	**Implementation Costs**									
	Hours	**FTE**	**Hr Rate or Salary**	**Volume or Frequency**	**Salary Cost**	**Benefits Percentage**	**Benefits Cost**	**Capital Costs**	**Total Cost**	**Notes and Sources for Assumptions**
Access Review										
Steering Committee meetings	4		$36	10	$1,427	30%	$428		$1,855	4hrs meeting time for 10 committee executives
Departmental reviews	2		$27	50	$2,729	30%	$819		$3,548	2 hours per department - 50 depts
Research & compilation	160		$23		$3,747	30%	$1,124		$4,871	Analyst
Monitoring										
Develop approach and strategy	30		$36		$1,080	30%	$324		$1,404	20% analyst, 80% executive
Ongoing audit trail and review					$0		$0		$0	
SUBTOTAL POLICY REVIEW/MONITORING									$11,678	
IT Assessment	20		$21		$425	30%	$128		$553	IT Staff
IT Implementation										
Configure current systems	160		$21		$3,402	30%	$1,020		$4,422	IT Staff
Vendor Upgrades/Implementations										
IT Department staff	1,200		$21	12	$306,144	30%	$91,843		$397,987	IT Staff for average of 12 systems
Department staff	1,000		$27	12	$327,480	30%			$327,480	Manager time
Application (user) training	2		$16	900	$29,574	30%	$8,872		$38,446	Average 2 hours per user, 900 users
Paper Charts										
Select chart tracking software	40		$21		$850	30%	$255		$1,106	
Install chart tracking software	40		$21		$850	30%	$255		$1,106	IS Time
Train users on chart tracking software	2		$11	7	$154	30%	$46		$200	2 hours per mr employee (7)
SUBTOTAL IT									$771,299	
Policy Implementation										
Training development	160		$18		$2,909	30%	$873		$3,781	
Policy and procedure training	0.50		$16	900	$7,394	30%	$2,218		$9,612	.5 hours per employee, 900 employees
SUBTOTAL TRAINING									$13,393	
			GRAND TOTALS		$688,165		$108,205	$0	$796,370	

Organizational Profile #1: Small standalone hospital										
Minimum Necessary Use - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Access Review										
Steering Committee meetings	1		$36	10	$357	30%	$107		$464	1 hr for each of 10 executives
Departmental reviews					$0		$0		$0	
Research & compilation					$0		$0		$0	
Monitoring										
Develop approach and strategy										
Ongoing audit trail and review	8		$27	30	$6,550	30%	$1,965		$8,514	
SUBTOTAL POLICY REVIEW/MONITORING									$8,978	
IT Assessment					$0		$0		$0	
IT Implementation										
Configure current systems					$0		$0		$0	
Vendor Upgrades/Implementations										
IT Department staff					$0		$0		$0	
Department staff					$0		$0		$0	
Application (user) training										
Paper Charts										
Select chart tracking software					$0		$0		$0	
Install chart tracking software					$0		$0		$0	
Train users on chart tracking software					$0		$0		$0	
SUBTOTAL IT									$0	
Policy Implementation										
Training development					$0		$0		$0	
Policy and procedure training	0.5		$16	90	$739	30%	$222		$961	.5 hours per new employee, 90 per year assuming 10% turnover
SUBTOTAL TRAINING									$961	
			GRAND TOTALS		$7,646		$2,294	$0	$9,939	

Organizational Profile #1: Small standalone hospital

State Law Preemption - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research	8		$29		$234	30%	$70		$304	Assuming 1 state
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs	24		$29		$702	30%	$211		$912	Assumes only 1 state
Adjust Policies and Procedures										
Adjust policies and procedures	40		$11		$439	30%	$132		$571	
Gain department head input	2		$27	50	$2,729	30%	$819		$3,548	2 hours per department - 50 depts
Obtain approval for new/modified policies and procedures	1		$36	15	$535.05	30%	$161		$696	10-15 executives involved
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	160		$18		$2,909	30%	$873		$3,781	
Train and implement	1		$11	7	$77	30%	$23		$100	Train med rec staff (7 on avg)
Train staff on modified policies and procedures	0.25		$16	900	$3,697	30%	$1,109		$4,806	15 minutes per emp avg, 900 emps
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws					$0		$0		$0	
			GRAND TOTALS		$11,321		$3,396	$0	$14,718	

Organizational Profile #1: Small standalone hospital

State Law Preemption - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research					$0		$0		$0	
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs					$0		$0		$0	
Adjust Policies and Procedures										
Adjust policies and procedures	10		$11		$110	30%	$33		$143	
Gain department head input	0.5		$27	50	$682	30%	$205		$887	
Obtain approval for new/modified policies and procedures	1		$36	15	$535	30%	$161		$696	
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	20		$18		$364	30%	$109		$473	
Train and implement	1		$11	7	$77	30%	$23		$100	
Train staff on modified policies and procedures	0.25		$16	900	$3,697	30%	$1,109		$4,806	
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws	8		$29	1	$234	30%	$70		$304	1 day per year for monitoring
			GRAND TOTALS		$5,698		$1,709	$0	$7,408	

Organizational Profile #1: Small standalone hospital

Business Partner - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation	16		$29		$468	30%	$140		$608	Attorney time
Potential partner Identification - compl staff	30		$29		$877	30%	$263		$1,140	Analyst - assumes 1 state
Partner identification with department heads	1		$27	50	$1,365	30%	$409		$1,774	1 hour per dept - 50 depts
Develop initial partner master list - compliance staff	10		$23		$234	30%	$70		$304	
Develop Contract Language										
Develop draft contract language	8		$29		$234	30%	$70		$304	Attorney time
Review										
Review contracts for covered entities acting as bus partners	1		$23	7	$164	30%	$49		$213	
Review contracts periodically										
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult	2		$12	209	$4,975	30%	$1,492		$6,467	Hours per contract
Category 2: Moderately Difficult	4		$23	208	$19,485	30%	$5,846		$25,331	Hours per contract
Category 3: Most Difficult	12		$26	209	$66,259	30%	$19,878		$86,137	Hours per contract
	Total Contracts	**Total Contracts**								
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping	167	250								
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records	166	250								
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants	167	250								
TOTAL CONTRACTS	500	750								
Select and Implement Contract Management Software										
Evaluate contract management software needs	40		$27		$1,092	30%	$327		$1,419	
Select contract management software	40		$21		$850	30%	$255		$1,106	
Licensure and maintaining upgrades					$0		$0	$100,000	$100,000	
Install contract management software	20		$21		$425	30%	$128		$553	IS Department
Train users on software	10		$21		$213	30%	$64		$276	
Periodically update new or renewed contracts					$0		$0		$0	
Implement/load existing contracts	2		$21	625	$26,575	30%	$7,973		$34,548	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)	25		$31		$787	30%	$236		$1,023	50% Exec/50% Mgr
Monitoring Contracts:										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners					$0		$0		$0	
			GRAND TOTALS		$124,003		$37,201	$100,000	$261,204	

Organizational Profile #1: Small standalone hospital

Business Partner - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation					$0		$0		$0	
Potential partner Identification - compl staff					$0		$0		$0	
Partner identification with department heads										
Develop initial partner master list - compliance staff					$0		$0		$0	
Develop Contract Language										
Develop draft contract language					$0		$0		$0	
Review										
Review contracts for covered entities acting as bus partners										
Review contracts periodically	8		$29		$234	30%	$70		$304	
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping										
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records										
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants										
TOTAL CONTRACTS										
Select and Implement Contract Management Software										
Evaluate contract management software needs					$0		$0		$0	
Select contract management software					$0		$0		$0	
Licensure and maintaining upgrades	8		$21		$170	30%	$51			
Install contract management software					$0		$0		$0	
Train users on software					$0		$0		$0	
Periodically update new or renewed contracts	1		$23	625	$14,638	30%	$4,391		$19,029	
Implement/load existing contracts					$0		$0		$0	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)					$0		$0		$0	
Monitoring Contracts:	2,080	1.00	$23	1	$48,714	30%	$14,614		$63,328	
Category 1: Least Difficult	1		$12	565	$6,740	30%	$2,022		$8,763	Assume 90% renewals easy
Category 2: Moderately Difficult	2		$23	60	$2,810	30%	$843		$3,654	Assume 10% renewals moderate
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners	50		$36		$1,784	30%	$535		$2,319	50 hours annually
			GRAND TOTALS		$75,089		$22,527	$0	$97,395	

Organizational Profile #2: Large standalone hospital										Appendix I: Cost Projection Model Page 110-2A: Implementation
Minimum Necessary Use - Key Action Steps	**Implementation Costs**									
	Hours	**FTE**	**Hr Rate or Salary**	**Volume or Frequency**	**Salary Cost**	**Benefits Percentage**	**Benefits Cost**	**Capital Costs**	**Total Cost**	**Notes and Sources for Assumptions**
Access Review										
Steering Committee meetings	16		$36	12	$6,849	30%	$2,055		$8,903	Executive time
Departmental reviews	2		$27	40	$2,183	30%	$655		$2,838	2 hours per department - 40 depts
Research	80		$23		$1,874	30%	$562		$2,436	Analyst
Monitoring										
Develop approach and strategy	30		$36		$1,080		$0		$1,080	20% analyst, 80% executive
Ongoing audit trail and review					$0		$0		$0	
SUBTOTAL POLICY REVIEW/MONITORING									$15,257	
IT Assessment	20		$21		$425	30%	$128		$553	IT Staff
IT Implementation										
Configure current systems	160		$21		$3,402	30%	$1,020		$4,422	IT Staff
Vendor Upgrades/Implementations										
IT Department staff	1,200		$21	42	$1,071,504	30%	$321,451		$1,392,955	IT Staff for average of 42 systems
Department staff	1,000		$27	42	$1,146,180	30%	$343,854		$1,490,034	Manager time
Application (user) training	2		$16	3,400	$111,724	30%	$33,517		$145,241	Average 2 hours per user, 3400 users
Policy Implementation										
Training development	160		$18		$2,909	30%	$873		$3,781	
Policy and procedure training	0.50		$16	3,400	$27,931	30%	$8,379		$36,310	.5 hours per employee, 3400 employees
Paper Charts										
Select chart tracking software	40		$21		$850	30%	$255		$1,106	
Licensure and maintaining upgrades					$0		$0	$100,000	$100,000	
Install chart tracking software	20		$21		$425	30%	$128		$553	IS Department
Train users on software	10		$21		$213	30%	$64		$276	
SUBTOTAL IT									$3,175,232	
Policy Implementation										
Training development	160		$18		$2,909	30%	$873		$3,781	
Policy and procedure training	0.50		$16	3,400	$27,931	30%	$8,379		$36,310	.5 hours per employee, 3400 employees
SUBTOTAL TRAINING									$40,092	
			GRAND TOTALS		$2,408,388		$722,192	$100,000	$3,230,580	

Organizational Profile #2: Large standalone hospital										
Minimum Necessary Use - Key Action Steps	**Annual Operating Costs**									
	Hours	**FTE**	**Hr Rate or Salary**	**Volume or Frequency**	**Salary Cost**	**Benefits Percentage**	**Benefits Cost**	**Capital Cost**	**Total Cost**	**Notes and Sources for Assumptions**
Access Review										
Steering Committee meetings	4		$36	12	$1,712	30%	$514		$2,226	
Departmental reviews					$0		$0		$0	
Research					$0		$0		$0	
Monitoring										
Develop approach and strategy					$0		$0		$0	
Ongoing audit trail and review	8		$27	30	$6,550	30%	$1,965		$8,514	
SUBTOTAL POLICY REVIEW/MONITORING									$10,740	
IT Assessment					$0		$0		$0	
IT Implementation										
Configure current systems					$0		$0		$0	
Vendor Upgrades/Implementations										
IT Department staff					$0		$0		$0	
Department staff					$0		$0		$0	
Application (user) training	0.5		$16	340	$2,793	30%	$838		$3,631	.5 hours per employee, 10% turnover per year
Policy Implementation										
Training development					$0		$0		$0	
Policy and procedure training	0.50		$16	340	$2,720	30%	$816		$3,536	
Paper Charts										
Select chart tracking software					$0		$0		$0	
Licensure and maintaining upgrades					$0		$0		$0	
Install chart tracking software					$0		$0		$0	
Train users on software					$0		$0		$0	
SUBTOTAL IT									$7,167	
Policy Implementation										
Training development					$0		$0		$0	
Policy and procedure training	0.50		$16	340	$2,720	30%	$816		$3,536	
SUBTOTAL TRAINING									$3,536	
			GRAND TOTALS		$16,495		$4,948	$0	$21,443	

Organizational Profile #2: Large standalone hospital

State Law Preemption - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research	40		$29		$1,170	30%	$351		$1,520	Assuming 1 state
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs	40		$29		$1,170	30%	$351		$1,520	Assumes only 1 state
Adjust Policies and Procedures										
Adjust policies and procedures	160		$27		$4,366	30%	$1,310		$5,676	
Gain department head input	2		$27	40	$2,183	30%	$655		$2,838	2 hours per department - 40 depts
Obtain approval for new/modified policies and procedures	1		$36	15	$535.05	30%	$161		$696	10-15 executives involved
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	160		$18		$2,909	30%	$873		$3,781	
Train and implement	1		$11	21	$231	30%	$69		$300	Train med rec staff (21)
Train staff on modified policies and procedures	0.50		$16	3,400	$27,931	30%	$8,379		$36,310	15 minutes per emp avg, 3400 emps
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws					$0		$0		$0	
			GRAND TOTALS		$40,494		$12,148	$0	$52,642	

Organizational Profile #2: Large standalone hospital

State Law Preemption - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research					$0		$0		$0	
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs					$0		$0		$0	
Adjust Policies and Procedures										
Adjust policies and procedures	40		$27		$1,091.60	30%	$327		$1,419	
Gain department head input	0.50		$27	40	$546	30%	$164		$710	
Obtain approval for new/modified policies and procedures	1		$36	15	$535.05	30%	$161		$696	10-15 executives involved
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	20		$18		$364	30%	$109		$473	
Train and implement	0.25		$11	21	$58	30%	$17		$75	Train med rec staff (21)
Train staff on modified policies and procedures	0.25		$16	3,400	$13,966	30%	$4,190		$18,155	15 minutes per emp avg, 3400 emps
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws	8		$29	1	$234	30%	$70		$304	1 day per year for monitoring, assuming no regulatory changes
			GRAND TOTALS		$16,793		$5,038	$0	$21,831	

Organizational Profile #2: Large standalone hospital

Business Partner - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation	8		$29		$234	30%	$70		$304	Attorney time
Potential partner Identification - compl staff	120		$29		$3,509	30%	$1,053		$4,561	Analyst - assumes 1 state
Partner identification with department heads	1		$27	40	$1,092	30%	$327		$1,419	1 hour per dept - 40 depts
Develop initial partner master list - compliance staff	16		$23		$375	30%	$112		$487	
Develop Contract Language										
Develop draft contract language	40		$29		$1,170	30%	$351		$1,520	Attorney time
Review										
Review contracts for covered entities acting as bus partners	1		$23	7	$164	30%	$49		$213	
Review contracts periodically										
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult	2		$12	80	$1,909	30%	$573		$2,481	Hours per contract
Category 2: Moderately Difficult	3		$23	280	$19,673	30%	$5,902		$25,575	Hours per contract
Category 3: Most Difficult	4		$26	40	$4,237	30%	$1,271		$5,508	Hours per contract
	Total Contracts	**Total Contracts**								
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping	60	100								
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records	210	350								
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants	30	50								
TOTAL CONTRACTS	300	500								
Select and Implement Contract Management Software										
Evaluate contract management software needs	40		$27		$1,092	30%	$327		$1,419	
Select contract management software	40		$21		$850	30%	$255		$1,106	
Licensure and maintaining upgrades					$0		$0	$100,000	$100,000	
Install contract management software	20		$21		$425	30%	$128		$553	IS Department
Train users on software	10		$21		$213	30%	$64		$276	
Periodically update new or renewed contracts					$0		$0		$0	
Implement/load existing contracts	2		$21	400	$17,008	30%	$5,102		$22,110	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)	25				$0		$0		$0	50% Exec/50% Mgr
Monitoring Contracts:										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Monitoring internal data generation and flow to partners	4	1.00	$27.29	12	$1,310	30%	$393		$1,703	
Providing feedback/taking corrective actions with partners					$0		$0		$0	
			GRAND TOTALS		$53,259		$15,978	$100,000	$169,237	

Organizational Profile #2: Large standalone hospital										Appendix I: Cost Projection Model Page 110-2C: Annual Operating
Business Partner - Key Action Steps	**Annual Operating Costs**									
	Hours	**FTE**	**Hr Rate or Salary**	**Volume or Frequency**	**Salary Cost**	**Benefits Percentage**	**Benefits Cost**	**Capital Cost**	**Total Cost**	**Notes and Sources for Assumptions**
Identify Partners										
Legal professional/paraprofessional consultation					$0		$0		$0	
Potential partner Identification - compl staff					$0		$0		$0	
Partner identification with department heads										
Develop initial partner master list - compliance staff					$0		$0		$0	
Develop Contract Language										
Develop draft contract language					$0		$0		$0	
Review										
Review contracts for covered entities acting as bus partners										
Review contracts periodically	1		$29	400	$11,696	30%	$3,509		$15,205	
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping										
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records										
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants										
TOTAL CONTRACTS										
Select and Implement Contract Management Software										
Evaluate contract management software needs					$0		$0		$0	
Select contract management software					$0		$0		$0	
Licensure and maintaining upgrades	8		$21		$170	30%	$51		$221	
Install contract management software					$0		$0		$0	
Train users on software					$0		$0		$0	
Periodically update new or renewed contracts	1		$23	400	$9,368	30%	$2,810		$12,178	
Implement/load existing contracts					$0		$0		$0	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)					$0		$0		$0	
Monitoring Contracts:	2,080		$27		$56,763	30%	$17,029		$73,792	
Category 1: Least Difficult	1		$12	360	$4,295	30%	$1,288		$5,583	
Category 2: Moderately Difficult	2		$23	40	$1,874	30%	$562		$2,436	
Category 3: Most Difficult					$0		$0		$0	
Monitoring internal data generation and flow to partners	2,080		$23		$48,714	30%	$14,614		$63,328	
Providing feedback/taking corrective actions with partners	50		$36		$1,784	30%	$535		$2,319	50 hours annually
			GRAND TOTALS		$134,663		$40,399	$0	$175,062	

Organizational Profile #3: Multi-hospital system

Minimum Necessary Use - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Access Review										
Steering Committee meetings	24		$27	10	$6,550	30%	$1,965		$8,514	8 hrs initial mtg + 2 hrs Q2wks x 16 weeks for 10 comm. Members
Departmental reviews	1		$27	300	$8,187	30%	$2,456		$10,643	1 hour per department x 300 depts
Research	32		$23	3	$2,248	30%	$674		$2,923	Analyst
Plan reports approach	192		$27		$5,240	30%	$1,572		$6,812	8 mgr-level committee members mtg 4hrs/month x1 year
Review & assess reports	1		$25	5,000	$126,775	30%	$38,033		$164,808	1/2 hour analyst time + dept. mgr. time to review & discuss each of 5,000 estimated reports
Monitoring										
Develop approach and strategy	540		$23		$12,647	30%	$3,794		$16,441	3 analysts x4wks plus 6 hrs each of 10-person committee
Ongoing audit trail and review					$0		$0		$0	
SUBTOTAL POLICY REVIEW/MONITORING									$210,140	
							Per hospital cost:		$42,028	
IT Assessment - included in Implementation below	0		$21		$0	30%	$0		$0	IT Staff
IT Implementation										
Configure current systems (including reports)	480		$21	16	$163,277	30%	$48,983		$212,260	IT Staff to assess & configure 16 systems
Vendor Upgrades/Implementations										
IT Department staff	0		$21	0	$0	30%	$0		$0	IT Staff for average of 12 systems
Department staff	0		$27	0	$0	30%			$0	Manager time
Application (user) training	0		$16	0	$0	30%	$0		$0	Average 2 hours per user, 8000 users
IT Contingency	0		$0	0	$0	0%	$0	$500,000	$500,000	Contingency for IT vendor upgrade charges + implementation resource reqmts
Paper Charts										
Select chart tracking software	0		$21		$0	30%	$0		$0	
Install chart tracking software	0		$21		$0	30%	$0		$0	
Train users on chart tracking software	0		$11	7	$0	30%	$0		$0	
SUBTOTAL IT									$712,260	
							Per hospital cost:		$142,452	
Policy Implementation										
Training development	160		$18		$2,909	30%	$873		$3,781	
Policy and procedure training	1		$16	8,000	$65,720	30%	$19,716		$85,436	1/2 hr per employee x 8,000 employees
SUBTOTAL TRAINING									$89,217	
			GRAND TOTALS		$393,552		$118,066	$500,000	$1,011,618	

Organizational Profile #3: Multi-hospital system

Appendix I: Cost Projection Model   Page 110-3A: Annual Operating

Minimum Necessary Use - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Access Review										
Steering Committee meetings	2		$27	10	$546	30%	$164		$710	
Departmental reviews					$0		$0		$0	
Research					$0		$0		$0	
Plan reports approach										
Review & assess reports										
Monitoring										
Develop approach and strategy	6		$23	10	$1,405	30%	$422		$1,827	
Ongoing audit trail and review	2,080	1.00	$21	1	$44,221	30%	$13,266		$57,487	1.0 IT FTE/year total
SUBTOTAL POLICY REVIEW/MONITORING									$60,023	
							Per hospital cost:		$12,005	
IT Assessment - included in Implementation below					$0		$0		$0	
IT Implementation										
Configure current systems (including reports)					$0		$0		$0	
Vendor Upgrades/Implementations										
IT Department staff					$0		$0		$0	
Department staff					$0		$0		$0	
Application (user) training										
IT Contingency										
Paper Charts										
Select chart tracking software					$0		$0		$0	
Install chart tracking software					$0		$0		$0	
Train users on chart tracking software					$0		$0		$0	
SUBTOTAL IT									$0	
							Per hospital cost:		$0	
Policy Implementation										
Training development					$0		$0		$0	
Policy and procedure training	0.5		$16	800	$6,572	30%	$1,972		$8,544	.5 hours per employee, 800 per year assuming 10% turnover
SUBTOTAL TRAINING									$8,544	
			GRAND TOTALS		$52,744		$15,823	$0	$68,567	

Organizational Profile #3: Multi-hospital system

State Law Preemption - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research	20		$29		$585	30%	$175		$760	3 states, lawyers are very familiar
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	Included in above
Legal professional/paraprofessional analysis to HIPAA regs	0		$29		$0	30%	$0		$0	
Adjust Policies and Procedures										
Adjust policies and procedures	80		$11		$878	30%	$264		$1,142	
Gain department head input	1		$27	150	$4,094	30%	$1,228		$5,322	1 hour per each HIM/ER department - 150 depts
Obtain approval for new/modified policies and procedures	0		$36	0	$0.00					Included in other committee work
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	40		$18		$727	30%	$218		$945	
Train and implement	1		$16	100	$1,643	30%	$493		$2,136	Train 100 HIM/ER staff
Train staff on modified policies and procedures	0.25		$16	8,000	$32,860	30%	$9,858		$42,718	All staff training
Monitoring										
Develop monitoring strategy					$0		$0		$0	Included in other monitoring activities
Monitoring of relevant state laws					$0		$0		$0	
			GRAND TOTALS		$40,787		$12,236	$0	$53,023	
							Per hospital cost:		$10,605	

Organizational Profile #3: Multi-hospital system

State Law Preemption - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research					$0		$0		$0	
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs					$0		$0		$0	
Adjust Policies and Procedures										
Adjust policies and procedures	20		$11		$220	30%	$66		$285	
Gain department head input	0.5		$27	150	$2,047	30%	$614		$2,661	
Obtain approval for new/modified policies and procedures										
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	10		$18		$182	30%	$55		$236	
Train and implement	1		$16	100	$1,643	30%	$493		$2,136	Annual re-training
Train staff on modified policies and procedures	0.25		$16	8,000	$32,860	30%	$9,858		$42,718	Annual re-training
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws	20		$29		$585	30%	$175		$760	Annual monitoring
			GRAND TOTALS		$37,536		$11,261	$0	$48,797	
							Per hospital cost:		$9,759	

Organizational Profile #3: Multi-hospital system

Business Partner - Key Action Steps	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
	Implementation Costs									
Identify Partners										
Legal professional/paraprofessional consultation	16		$29		$468	30%	$140		$608	Attorney time
Potential partner Identification - compl staff	320		$23	5	$37,472	30%	$11,242		$48,714	5 regional staff 2 months of work
Partner identification with department heads	1		$27	300	$8,187	30%	$2,456		$10,643	1 hour per dept - 300 depts
Develop initial partner master list - compliance staff	10		$23		$234	30%	$70		$304	
Develop Contract Language										
Develop draft contract language	8		$29		$234	30%	$70		$304	Attorney time
Review										
Review contracts for covered entities acting as bus partners	0		$29	12	$0	30%	$0		$0	???unable to estimate
Review contracts periodically										8 hrs/month legal review time
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult	2		$12	833	$19,875		$0		$19,875	2 hours per contract for Secty
Category 2: Moderately Difficult	4		$18	833	$58,893		$0		$58,893	4 hours per contract for 50%secty + 50%analyst
Category 3: Most Difficult	12		$26	833	$264,719		$0		$264,719	8 hours per contract for analyst + 4 hours per contract for Exec.
	Total Contracts	**Total Contracts**								
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping	833	833								
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records	833	833								
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants	833	833								
TOTAL CONTRACTS	2,499	2,499								
Select and Implement Contract Management Software										
Evaluate contract management software needs					$0	30%	$0		$0	
Select contract management software					$0	30%	$0		$0	
Licensure and maintaining upgrades					$0		$0		$0	
Install contract management software (Build MS Access DB)	160		$21		$3,402	30%	$1,020		$4,422	4 wks IT analyst
Train users on software	4		$22	5	$89	30%	$27		$116	2 hrs each for 5 regional analysts and IT trainer
Periodically update new or renewed contracts					$0		$0		$0	
Implement/load existing contracts	40		$21	5	$4,252	30%	$1,276		$5,528	1 wk per analyst x 5 regions
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)	4		$27	10	$1,092	30%	$327		$1,419	10 committee members x 4 hours each
Monitoring Contracts:										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners					$0		$0		$0	

Organizational Profile #3: Multi-hospital system

Business Partner - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation					$0		$0		$0	
Potential partner Identification - compl staff					$0		$0		$0	
Partner identification with department heads										
Develop initial partner master list - compliance staff					$0		$0		$0	
Develop Contract Language										
Develop draft contract language					$0		$0		$0	
Review										
Review contracts for covered entities acting as bus partners										
Review contracts periodically	8		$29		$234	30%	$70		$304	8hrs/month ongoing Attorney review time
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping										
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records										
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants										
TOTAL CONTRACTS										
Select and Implement Contract Management Software										
Evaluate contract management software needs					$0		$0		$0	
Select contract management software					$0		$0		$0	
Licensure and maintaining upgrades	8		$21		$170	30%	$51			
Install contract management software (Build MS Access DB)					$0		$0		$0	
Train users on software					$0		$0		$0	
Periodically update new or renewed contracts	1		$23	5	$117	30%	$35		$152	
Implement/load existing contracts					$0		$0		$0	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)					$0		$0		$0	
Monitoring Contracts:	2,080	1.25	$23		$60,892	30%	$18,268		$79,160	.25FTE ongoing x 5 regions
Category 1: Least Difficult	1		$12	2,250	$26,843	30%	$8,053		$34,895	Assumes 90% renewals easy
Category 2: Moderately Difficult	2		$18	250	$8,838	30%	$2,651		$11,489	Assumes 10% renewals moderate
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners	52		$36		$1,855	30%	$556		$2,411	1 Exec. hr/week annually
			GRAND TOTALS		$98,948		$29,684	$0	$128,411	
							Per hospital cost:		$25,682	

Organizational Profile #4: Small multi-hospital system										Appendix I: Cost Projection Model Page 110-4A: Implementation
State Law Preemption - Key Action Steps	**Annual Operating Costs**									
	Hours	**FTE**	**Hr Rate or Salary**	**Volume or Frequency**	**Salary Cost**	**Benefits Percentage**	**Benefits Cost**	**Capital Cost**	**Total Cost**	**Notes and Sources for Assumptions**
Access Review										
Steering Committee meetings	10		$36	3	$1,070	30%	$321		$1,391	Executive time
Departmental reviews					$0		$0		$0	
Research					$0		$0		$0	
Monitoring										
Develop approach and strategy	100	0.00	$27	6	$16,200	30%	$4,860		$21,060	100 hrs for 6 managers
Ongoing audit trail and review					$0		$0		$0	
SUBTOTAL POLICY REVIEW/MONITORING									$22,451	
							Per hospital cost:		$7,484	
IT Assessment					$0		$0		$0	
IT Implementation										
Configure current systems					$0		$0		$0	
Vendor Upgrades/Implementations										
IT Department staff					$0		$0		$0	
Department staff					$0		$0		$0	
Application (user) training	0.5		$16	246	$2,021	30%	$606		$2,627	.5 hours per employee, 10% turnover per year
Paper Charts										
Select chart tracking software					$0		$0		$0	
Install chart tracking software					$0		$0		$0	
Train users on chart tracking software					$0		$0		$0	
SUBTOTAL IT									$2,627	
							Per hospital cost:		$876	
Policy Implementation										
Training development					$0		$0		$0	
Policy and procedure training					$0		$0		$0	
SUBTOTAL TRAINING									$0	
			GRAND TOTALS		$19,291		$5,787	$0	$25,078	

Organizational Profile #4: Small multi-hospital system										
State Law Preemption - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Access Review										
Steering Committee meetings	40		$36	3	$4,280	30%	$1,284		$5,565	Executive time
Departmental reviews	2		$27	60	$3,275	30%	$982		$4,257	2 hours per department - 60 depts
Research	160		$23		$3,747	30%	$1,124		$4,871	Analyst
Monitoring										
Develop approach and strategy	30		$36	3	$3,240	30%	$972		$4,212	3 executives
Ongoing audit trail and review					$0		$0		$0	
SUBTOTAL POLICY REVIEW/MONITORING									$18,905	
							Per hospital cost		$6,302	
IT Assessment	20		$21	31	$13,181	30%	$3,954		$17,136	IT Staff to assess 31 systems
IT Implementation										
Configure current systems	160		$21	29	$98,646	30%	$29,594		$128,240	IT Staff
Vendor Upgrades/Implementations										
IT Department staff	450		$21	29	$277,443	30%	$83,233		$360,676	IT Staff for average of 29 systems
Department staff	250		$27	29	$197,853	30%	$59,356		$257,208	Manager time
Application (user) training	2		$16	2,457	$80,737	30%	$24,221		$104,958	Average 2 hours per user, 2457 users
Paper Charts										
Select chart tracking software	40		$21		$850	30%	$255		$1,106	
Install chart tracking software	40		$21		$850	30%	$255		$1,106	IS Time
Train users on chart tracking software	2		$16	1302	$41,664	30%	$12,499		$54,163	2 hours for 1302 employees
SUBTOTAL IT									$924,592	
							Per hospital cost		$308,197	
Policy Implementation										
Training development	20		$18		$364	30%	$109		$473	
Policy and procedure training	0.50		$16	2,457	$20,184	30%	$6,055		$26,240	.5 hours per employee, 2457 employees
SUBTOTAL TRAINING									$26,712	
			GRAND TOTALS		$746,315		$223,895	$0	$970,210	

Organizational Profile #4: Small multi-hospital system

Appendix I: Cost Projection Model Page 110-4B: Implementation

State Law Preemption - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research	8		$29		$234	30%	$70		$304	Assuming 1 state
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs	24		$29		$702	30%	$211		$912	Assumes only 1 state
Adjust Policies and Procedures										
Adjust policies and procedures	40		$36	3	$4,320	30%	$1,296		$5,616	40 hrs for 3 executives
Gain department head input	2		$27	60	$3,275	30%	$982		$4,257	2 hours per department - 60 depts
Obtain approval for new/modified policies and procedures	8		$36	3	$856.08	30%	$257		$1,113	8 hrs for 3 executives
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	40		$18		$727	30%	$218		$945	
Train and implement	1		$11	18	$198	30%	$59		$257	1 hr training for med rec staff - 18 staff
Train staff on modified policies and procedures	0.25		$16	2,457	$10,092	30%	$3,028		$13,120	15 minutes per emp avg, 2,457 emps
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws					$0		$0		$0	
			GRAND TOTALS		$20,404		$6,121	$0	$26,525	
							Per hospital cost:		$8,842	

Organizational Profile #4: Small multi-hospital system

Appendix I: Cost Projection Model Page 110-4B: Annual Operating

State Law Preemption - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research					$0		$0		$0	
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs					$0		$0		$0	
Adjust Policies and Procedures										
Adjust policies and procedures	10		$36	3	$1,080	30%	$324		$1,404	10 hrs/year for 3 executives
Gain department head input	0.50		$27	60	$819	30%	$246		$1,064	Half hour per year per department - 60 depts
Obtain approval for new/modified policies and procedures	2		$36	3	$214.02	30%	$64		$278	2 hrs per year for 3 executives
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	10		$18		$182	30%	$55		$236	
Train and implement	0.25		$11	18	$49	30%	$15		$64	1 hr training for med rec staff - 18 staff
Train staff on modified policies and procedures	0.25		$16	2,457	$10,092	30%	$3,028		$13,120	15 minutes per emp avg, 2,457 emps
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws	16			1	$29		$0		$29	2 day per year for monitoring
			GRAND TOTALS		$12,465		$3,731	$0	$16,196	
							Per hospital cost:		$5,399	

Organizational Profile #4: Small multi-hospital system

Business Partner - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation	16		$29		$468	30%	$140		$608	Attorney time
Potential partner Identification - compl staff	30		$29		$877	30%	$263		$1,140	Analyst - assumes 1 state
Partner identification with department heads	1		$27	60	$1,637	30%	$491		$2,129	1 hour per dept - 60 depts
Develop initial partner master list - compliance staff	10		$23		$234	30%	$70		$304	
Develop Contract Language										
Develop draft contract language	8		$29		$234	30%	$70		$304	Attorney time
Review										
Review contracts for covered entities acting as bus partners	1		$23	12	$281	30%	$84		$365	
Review contracts periodically										
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult	2		$12	24	$573	30%	$172		$744	2 hrs per contract of admin staff
Category 2: Moderately Difficult	4		$23	24	$2,248	30%	$674		$2,923	4 hrs per contract of mgr/exec staff (3:1 ratio)
Category 3: Most Difficult	12		$26	63	$20,021	30%	$6,006		$26,027	12 hrs per contract of mgr/exec staff (4:1 ratio)
	Total Contracts	**Total Contracts**								
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping	24									
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records	24									
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants	63									
TOTAL CONTRACTS	111	0								
Select and Implement Contract Management Software										
Evaluate contract management software needs	0		$0		$0	30%	$0		$0	
Select contract management software	0		$0		$0	30%	$0		$0	
Licensure and maintaining upgrades	0		0		$0		$0	$0	$0	
Install contract management software	0		$0		$0	30%	$0		$0	IS Department
Train users on software	0		$0		$0	30%	$0		$0	
Periodically update new or renewed contracts	0		0		$0		$0		$0	
Implement/load existing contracts	0		$0	0	$0	30%	$0		$0	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)	25		$31		$787	30%	$236		$1,023	50% Exec/50% Mgr
Monitoring Contracts:										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners					$0		$0		$0	
			GRAND TOTALS		$27,360		$8,208	$0	$35,568	
							Per hospital cost:		$11,856	

Organizational Profile #4: Small multi-hospital system

Business Partner - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation					$0		$0		$0	
Potential partner Identification - compl staff					$0		$0		$0	
Partner identification with department heads										
Develop initial partner master list - compliance staff					$0		$0		$0	
Develop Contract Language										
Develop draft contract language					$0		$0		$0	
Review										
Review contracts for covered entities acting as bus partners										
Review contracts periodically	8		$29		$234	30%	$70		$304	
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping										
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records										
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants										
TOTAL CONTRACTS										
Select and Implement Contract Management Software										
Evaluate contract management software needs					$0		$0		$0	
Select contract management software					$0		$0		$0	
Licensure and maintaining upgrades					$0		$0			
Install contract management software					$0		$0		$0	
Train users on software					$0		$0		$0	
Periodically update new or renewed contracts					$0		$0		$0	
Implement/load existing contracts					$0		$0		$0	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)					$0		$0		$0	
Monitoring Contracts:	520		$23		$12,178	30%	$3,654		$15,832	
Category 1: Least Difficult	1		$12	100	$1,193		$0		$1,193	
Category 2: Moderately Difficult	2		$23	11	$515		$0		$515	
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners	50		$36		$1,784	30%	$535		$2,319	50 hours annually
			GRAND TOTALS		$15,904		$4,259	$0	$20,163	
							Per hospital cost:		$6,721	

Organizational Profile #5: Multi-hospital system

Minimum Necessary Use - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Access Review										
Steering Committee meetings	24		$27	25	$16,374	30%	$4,912		$21,286	2 hrs/month x1yr for 25 committee members
Departmental reviews	6		$27	75	$12,281	30%	$3,684		$15,965	Three 2-hr department meetings for 75 depts
Research	1,040	0.50	$23		$24,357	30%	$7,307		$31,664	0.5 FTE for one year
Monitoring										
Develop approach and strategy	6		$27	25	$4,094	30%	$1,228		$5,322	6 hours of meeting time for 25 staff
Audit trail and review					$0		$0		$0	
SUBTOTAL POLICY REVIEW/MONITORING									$74,236	
							Per hospital cost:		$18,559	
IT Assessment	750		$21		$15,945	30%	$4,784		$20,729	750 hours of IT Staff time
IT Implementation										
Configure current systems	0		$21		$0	30%	$0		$0	IT Staff
Vendor Upgrades/Implementations										
Major systems - total effort	3,000		$21	6	$382,680	30%	$114,804		$497,484	
Medium systems - total effort	1,000		$27	12	$327,480	30%	$98,244		$425,724	
Small systems - total effort	500		$16	18	$147,870	30%	$44,361		$192,231	
Paper Charts										
Select chart tracking software	0		$21		$0	30%	$0		$0	
Install chart tracking software	0		$21		$0	30%	$0	$125,000	$125,000	Estimated cost for wider rollout
Train users on chart tracking software	2		$16	120	$3,943	30%	$1,183		$5,126	2 hours of training for 120 staff
SUBTOTAL IT									$1,266,294	
							Per hospital cost:		$316,573	
Policy Implementation										
Training development	160		$18	3	$8,726	30%	$2,618		$11,344	3 FTE's over 4wks
Policy and procedure training	1.00		$16	9,000	$147,870	30%	$44,361		$192,231	.5 hours per employee, 9000 employees
SUBTOTAL TRAINING									$203,575	
			GRAND TOTALS		$1,091,619		$327,486	$125,000	$1,544,105	

Organizational Profile #5: Multi-hospital system

Minimum Necessary Use - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Access Review										
Steering Committee meetings	2		$27	25	$1,365	30%	$409		$1,774	
Departmental reviews					$0		$0		$0	
Research					$0		$0		$0	
Monitoring										
Develop approach and strategy					$0		$0		$0	
Audit trail and review	2,080	1.00	$21		$44,221	30%	$13,266		$57,487	1.0 FTE ongoing
SUBTOTAL POLICY REVIEW/MONITORING									$59,261	
							Per hospital cost:		$14,815	
IT Assessment					$0		$0		$0	
IT Implementation										
Configure current systems					$0		$0		$0	
Vendor Upgrades/Implementations										
Major systems - total effort					$0		$0		$0	
Medium systems - total effort					$0		$0		$0	
Small systems - total effort										
Paper Charts										
Select chart tracking software					$0		$0		$0	
Install chart tracking software					$0		$0		$0	
Train users on chart tracking software					$0		$0		$0	
SUBTOTAL IT									$0	
							Per hospital cost:		$0	
Policy Implementation										
Training development					$0		$0		$0	
Policy and procedure training	0.5		$16	900	$7,394	30%	$2,218		$9,612	.5 hours per employee, 900 per year assuming 10% turnover
SUBTOTAL TRAINING									$9,612	
			GRAND TOTALS		$52,979		$15,894	$0	$68,872	

Organizational Profile #5: Multi-hospital system

Appendix I: Cost Projection Model   Page 110-5B: Implementation

State Law Preemption - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research	24		$29		$702	30%	$211		$912	Assuming 1 state
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs	48		$29		$1,404	30%	$421		$1,825	Assumes only 1 state
Adjust Policies and Procedures										
Adjust policies and procedures	40		$11		$439	30%	$132		$571	
Gain department head input	2		$27	75	$4,094	30%	$1,228		$5,322	2 hours per department - 50 depts
Obtain approval for new/modified policies and procedures	1		$36	15	$535.05	30%	$161		$696	10-15 executives involved
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	160		$18		$2,909	30%	$873		$3,781	
Train and implement	1		$11	120	$1,318	30%	$395		$1,713	Train med rec staff (7 on avg)
Train staff on modified policies and procedures	0.25		$16	9,000	$36,968	30%	$11,090		$48,058	15 minutes per emp avg, 1000 emps
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws					$0		$0		$0	
			GRAND TOTALS		$48,367		$14,510	$0	$62,877	
							Per hospital cost:		$15,719	

Organizational Profile #5: Multi-hospital system

Appendix I: Cost Projection Model   Page 110-5B: Annual Operating

State Law Preemption - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research					$0		$0		$0	
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs					$0		$0		$0	
Adjust Policies and Procedures										
Adjust policies and procedures	10		$11		$110	30%	$33		$143	
Gain department head input	0.50		$27	75	$1,023	30%	$307		$1,330	
Obtain approval for new/modified policies and procedures	2		$36	15	$1,070	30%	$321		$1,391	
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials					$0		$0		$0	
Train and implement					$0		$0		$0	
Train staff on modified policies and procedures	0.25		$16	9,000	$36,968	30%	$11,090		$48,058	
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws	24		$29	1	$702	30%	$211		$912	1 day per year for monitoring
			GRAND TOTALS		$39,873		$11,962	$0	$51,834	
							Per hospital cost:		$12,959	

Business Partner - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation	32		$29		$936	30%	$281		$1,216	Attorney time
Potential partner Identification - compl staff	60		$29		$1,754	30%	$526		$2,281	Analyst - assumes 1 state
Partner identification with department heads	5		$27	75	$10,234	30%	$3,070		$13,304	1 hour per dept - 50 depts
Develop initial partner master list - compliance staff	240		$23		$5,621	30%	$1,686		$7,307	
Develop Contract Language										
Develop draft contract language	40		$29		$1,170	30%	$351		$1,520	Attorney time
Review										
Review contracts for covered entities acting as bus partners	520		$23		$12,178	30%	$3,654		$15,832	
Review contracts periodically										
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult	2		$12	334	$7,969	30%	$2,391		$10,360	Hours per contract
Category 2: Moderately Difficult	4		$23	333	$31,195	30%	$9,359		$40,554	Hours per contract
Category 3: Most Difficult	12		$26	333	$105,824	30%	$31,747		$137,571	Hours per contract
	Total Contracts	**Total Contracts**								
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping	334									
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records	333									
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants	333									
TOTAL CONTRACTS	1,000									
Select and Implement Contract Management Software										
Evaluate contract management software needs			$27		$0	30%	$0		$0	
Select contract management software			$21		$0	30%	$0		$0	
Licensure and maintaining upgrades					$0		$0	$0	$0	
Install contract management software	200		$21		$4,252	30%	$1,276		$5,528	IS Department
Train users on software	2		$21	75	$3,189	30%	$957		$4,146	Train 75 departments
Periodically update new or renewed contracts					$0		$0		$0	
Implement/load existing contracts					$0		$0		$0	Included in above
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)	25		$31		$787	30%	$236		$1,023	50% Exec/50% Mgr
Monitoring Contracts:										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners					$0		$0		$0	
			GRAND TOTALS		$185,109		$55,533	$0	$240,642	
							Per hospital cost:		$60,161	

Organizational Profile #5: Multi-hospital system

Business Partner - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation					$0		$0		$0	
Potential partner Identification - compl staff					$0		$0		$0	
Partner identification with department heads										
Develop initial partner master list - compliance staff					$0		$0		$0	
Develop Contract Language										
Develop draft contract language					$0		$0		$0	
Review										
Review contracts for covered entities acting as bus partners										
Review contracts periodically	520		$23		$12,178	30%	$3,654		$15,832	
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping										
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records										
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants										
TOTAL CONTRACTS										
Select and Implement Contract Management Software										
Evaluate contract management software needs					$0		$0		$0	
Select contract management software					$0		$0		$0	
Licensure and maintaining upgrades					$0		$0		$0	
Install contract management software	40		$21		$850	30%	$255		$1,106	enhancements
Train users on software					$0		$0		$0	
Periodically update new or renewed contracts					$0		$0		$0	
Implement/load existing contracts					$0		$0		$0	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)					$0		$0		$0	
Monitoring Contracts:	2,080		$23		$48,714	30%	$14,614		$63,328	
Category 1: Least Difficult	2		$12	900	$21,474	30%	$6,442		$27,916	
Category 2: Moderately Difficult	4		$23	100	$9,368	30%	$2,810		$12,178	
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners	50		$36		$1,784	30%	$535		$2,319	50 hours annually
			GRAND TOTALS		$94,368		$28,310	$0	$122,678	
							Per hospital cost:		$30,670	

Organizational Profile #6: Small standalone hospital

Minimum Necessary Use - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Access Review										
Steering Committee meetings	40		$36	10	$1,427	30%	$428		$1,855	Executive time
Departmental reviews	2		$27	23	$1,255	30%	$377		$1,632	2 hours per department - 23 depts
Research	160		$23		$3,747	30%	$1,124		$4,871	Analyst
IT Assessment	40		$21		$850	30%	$255		$1,106	IT Staff
Monitoring										
Develop approach and strategy	30		$36		$1,080		$0		$1,080	20% analyst, 80% executive
Ongoing audit trail and review					$0		$0		$0	
SUBTOTAL POLICY REVIEW/MONITORING									$10,544	
IT Implementation										
Configure current systems	160		$21		$3,402	30%	$1,020		$4,422	IT Staff
Vendor Upgrades/Implementations										
IT Department staff	1,200		$21	2	$51,024	30%	$15,307		$66,331	IT Staff for average of 12 systems
Department staff	1,000		$27	2	$54,580	30%	$16,374		$70,954	Manager time
Application (user) training	2		$16	640	$21,030	30%	$6,309		$27,340	Average 2 hours per user per system, 320 users
Research and selection	40		$21		$850	30%	$255		$1,106	select new system
Install new system	24		$21	12	$6,123	30%	$1,837	$680,000	$687,960	
Application (user) training	2		$16	320	$10,515	30%	$3,155		$13,670	
Paper Charts										
Select chart tracking software	40		$21		$850	30%	$255		$1,106	
Install chart tracking software	40		$21		$850	30%	$255		$1,106	IS Time
Train users on chart tracking software	2		$11	7	$154	30%	$46		$200	2 hours per mr employee (7)
SUBTOTAL IT									$874,193	
Policy Implementation										
Training development	160		$18		$2,909	30%	$873		$3,781	
Policy and procedure training	0.50		$16	320	$2,629	30%	$789		$3,417	.5 hours per employee, 320 employees
SUBTOTAL TRAINING									$7,199	
			GRAND TOTALS		$163,276		$48,659	$680,000	$891,935	

Organizational Profile #6: Small standalone hospital										
Minimum Necessary Use - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Access Review										
Steering Committee meetings	1		$36	10	$36	30%	$11		$46	
Departmental reviews					$0		$0		$0	
Research					$0		$0		$0	
IT Assessment					$0		$0		$0	
Monitoring										
Develop approach and strategy					$0		$0		$0	
Ongoing audit trail and review	8		$36	10	$285	30%	$86		$371	
SUBTOTAL POLICY REVIEW/MONITORING									$417	
IT Implementation										
Configure current systems					$0		$0		$0	
Vendor Upgrades/Implementations										
IT Department staff					$0		$0		$0	
Department staff					$0		$0		$0	
Application (user) training	0.5		$16	32	$263	30%	$79		$342	.5 hours per employee, 10% tunover per year
Research and selection										
Install new system	2080		$21		$44,221	30%	$13,266		$57,487	
Application (user) training										
Paper Charts										
Select chart tracking software					$0		$0		$0	
Install chart tracking software					$0		$0		$0	
Train users on chart tracking software					$0		$0		$0	
SUBTOTAL IT									$57,829	
Policy Implementation										
Training development					$0		$0		$0	
Policy and procedure training					$0		$0		$0	
SUBTOTAL TRAINING									$0	
			GRAND TOTALS		$44,805		$13,441	$0	$58,246	

Organizational Profile #6: Small standalone hospital											Appendix I: Cost Projection Model Page 110-6B: Implementation
State Law Preemption - Key Action Steps	Implementation Costs										
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research	8		$29		$234	30%	$70		$304	Assuming 1 state
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs	24		$29		$702	30%	$211		$912	Assumes only 1 state
Adjust Policies and Procedures										
Adjust policies and procedures	40		$11		$439	30%	$132		$571	
Gain department head input	2		$27	23	$1,255	30%	$377		$1,632	2 hours per department -23 depts
Obtain approval for new/modified policies and procedures	1		$36	15	$535.05	30%	$161		$696	10-15 executives involved
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	160		$18		$2,909	30%	$873		$3,781	
Train and implement	1		$11	7	$77	30%	$23		$100	Train med rec staff (7 on avg)
Train staff on modified policies and procedures	0.25		$16	320	$1,314	30%	$394		$1,709	15 minutes per emp avg, 320 emps
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws					$0		$0		$0	
			GRAND TOTALS		$7,465		$2,240	$0	$9,705	

Organizational Profile #6: Small standalone hospital											Appendix I: Cost Projection Model Page 110-6B: Annual Operating
State Law Preemption - Key Action Steps	Annual Operating Costs										
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Research Potential Overlap										
Legal professional/paraprofessional research					$0		$0		$0	
Develop initial list of applicable State Regs - legal professional					$0		$0		$0	
Review Legal Implications										
Legal professional/paraprofessional review					$0		$0		$0	
Legal professional/paraprofessional analysis to HIPAA regs					$0		$0		$0	
Adjust Policies and Procedures										
Adjust policies and procedures	10		$11		$110	30%	$33		$143	
Gain department head input	0.50		$27	23	$314	30%	$94		$408	
Obtain approval for new/modified policies and procedures	1		$36	15	$535	30%	$161		$696	
Train Staff on State Laws and New/Modified Policies and Procedures										
Develop training materials	20				$0		$0		$0	
Train and implement	1				$0		$0		$0	
Train staff on modified policies and procedures					$0		$0		$0	
Monitoring										
Develop monitoring strategy					$0		$0		$0	
Monitoring of relevant state laws	8		$29		$234	30%	$70		$304	1 day per year for monitoring
			GRAND TOTALS		$1,193		$358	$0	$1,550	

Organizational Profile #6: Small standalone hospital

Business Partner - Key Action Steps	Implementation Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Costs	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation	16		$29		$468	30%	$140		$608	Attorney time
Potential partner Identification - compl staff	30		$29		$877	30%	$263		$1,140	Analyst - assumes 1 state
Partner identification with department heads	1		$27	23	$628	30%	$188		$816	1 hour per dept - 23 depts
Develop initial partner master list - compliance staff	10		$23		$234	30%	$70		$304	
Develop Contract Language										
Develop draft contract language	8		$29		$234	30%	$70		$304	Attorney time
Review										
Review contracts for covered entities acting as bus partners	1		$23	7	$164	30%	$49		$213	
Review contracts periodically										
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult	2		$12	33	$787	30%	$236		$1,024	Hours per contract
Category 2: Moderately Difficult	4		$23	33	$3,091	30%	$927		$4,019	Hours per contract
Category 3: Most Difficult	12		$26	34	$10,805	30%	$3,241		$14,046	Hours per contract
	Total Contracts	**Total Contracts**								
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping	33									
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records	33									
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants	34									
TOTAL CONTRACTS	100									
Select and Implement Contract Management Software										
Evaluate contract management software needs	40		$27		$1,092	30%	$327		$1,419	
Select contract management software	40		$21		$850	30%	$255		$1,106	
Licensure and maintaining upgrades					$0		$0	$100,000	$100,000	
Install contract management software	20		$21		$425	30%	$128		$553	IS Department
Train users on software	10		$21		$213	30%	$64		$276	
Periodically update new or renewed contracts					$0		$0		$0	
Implement/load existing contracts	2		$21	100	$4,252	30%	$1,276		$5,528	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)	25		$31		$787	30%	$236		$1,023	50% Exec/50% Mgr
Monitoring Contracts:										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners					$0		$0		$0	
			GRAND TOTALS		$24,907		$7,472	$100,000	$132,379	

Organizational Profile #6: Small standalone hospital

Business Partner - Key Action Steps	Annual Operating Costs									
	Hours	FTE	Hr Rate or Salary	Volume or Frequency	Salary Cost	Benefits Percentage	Benefits Cost	Capital Cost	Total Cost	Notes and Sources for Assumptions
Identify Partners										
Legal professional/paraprofessional consultation					$0		$0		$0	
Potential partner Identification - compl staff					$0		$0		$0	
Partner identification with department heads										
Develop initial partner master list - compliance staff					$0		$0		$0	
Develop Contract Language										
Develop draft contract language					$0		$0		$0	
Review										
Review contracts for covered entities acting as bus partners										
Review contracts periodically	8		$29		$234	30%	$70		$304	
Amend/Renegotiate Existing Contracts										
Category 1: Least Difficult					$0		$0		$0	
Category 2: Moderately Difficult					$0		$0		$0	
Category 3: Most Difficult					$0		$0		$0	
Category 1: Least Difficult Contracts include: clinical partners (physicians, outsourced departments contract clinicians, etc.), ancillary clinical, housekeeping										
Category 2: Moderately Difficult Contracts include: outside research organizations, accrediting bodies, medical records										
Category 3: Most Difficult Contracts include: IT vendors, financial service providers, transcriptionists, consultants										
TOTAL CONTRACTS										
Select and Implement Contract Management Software										
Evaluate contract management software needs					$0		$0		$0	
Select contract management software					$0		$0		$0	
Licensure and maintaining upgrades	8		$21		$170	30%	$51		$221	
Install contract management software					$0		$0		$0	
Train users on software					$0		$0		$0	
Periodically update new or renewed contracts	1		$23	100	$2,342	30%	$703		$3,045	
Implement/load existing contracts					$0		$0		$0	
Monitoring Business Partner Contracts										
Develop monitoring strategy (mode, frequency, etc.)					$0		$0		$0	
Monitoring Contracts:	2,080		$23		$48,714	30%	$14,614		$63,328	
Category 1: Least Difficult	1		$12	90	$1,074	30%	$322		$1,396	
Category 2: Moderately Difficult	2		$23	10	$468	30%	$141		$609	
Category 3: Most Difficult					$0		$0		$0	
Providing feedback/taking corrective actions with partners	50		$36		$1,784	30%	$535		$2,319	50 hours annually
			GRAND TOTALS		$54,785		$16,436	$0	$71,221	

Appendix II:
Study Participants & Contributors

first consulting group FCG

Participating Hospital Organizations

FCG gratefully acknowledges the following hospital organizations and individuals that participated in this study, without whom it could not have taken place:

- **Boston Medical Center, MA** – *Marty Geisler*
- **Cambridge Health Alliance, MA** – *Marcia Davitt, Marc Milstein*
- **Christus Health, AR/LA/OK/TX** – *Evelyn Briggs, Ann Dennis, Margaret O'Donnell*
- **Emerson Hospital, MA** – *Pamela Muccilli*
- **HealthPartners, MN/WI** – *Ellyn Hosch*
- **Lake Region Healthcare, MN** – *Glenn Ahrens, Ed Strand*
- **Medical Center at the University of Arizona, AZ** – *Patti Redding*
- **MidMichigan Health, MI** – *Harlan Goodrich*
- **New York Presbyterian Health System, NY** – *Semitra Sengupta*
- **Northern Arizona Healthcare, AZ** – *Rick Holsclaw*
- **Partners HealthCare System, MA** – *Karen Grant*
- **Peace Health, AK/OR/WA** – *Carol Barnett*
- **Rockford Health System, IL** – *Dennis L'Heureux, Mike Ruano*
- **Shelby County Health System, IA** – *Steve Goeser*
- **Sparrow Health System, MI** – *Angela Knauf*
- **Spectrum Health, MI** – *Gary Lacher, Patrick O'Hare*
- **St. Peter's Hospital, MT** – Doug Melton, Rick Mohnk, Steve Mosby, *John Solheim*
- **Sutter Health, CA** – *Carol Mitchell*
- **WellStar Health System, GA** – *Pamela Warnock*

Many thanks to Shelli Williamson, FCG, for her work in organizing the participation of the Scottsdale Institute members among those represented above.

FCG Participants

The following FCG staff contributed to this study and final report:

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- Erica Drazen,[2] VP and Managing Director, Emerging Practices
- Rick LaForge,[3] Director, Revenue Cycle Management
- Glen Lutz, Director and HIPAA Practice Leader, Health Delivery
- Keith MacDonald,[4] Sr. Manager, Emerging Practices
- Jane Metzger, VP, Emerging Practices
- Debra Silva, Product Specialist
- Debra Slye, MN, RN, Director, Health Delivery/Quality Performance
- Shelli Williamson, Executive Director, Scottsdale Institute

FCG also wishes to acknowledge Alan C. Brown, Partner in the law firm of McKenna & Cuneo, LLP, Washington, DC, for his contribution to this study and final report.

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[2] *Project executive*
[3] *Author, financial projection model*
[4] *Project lead and principle author of final report*

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AHA Participants

The following AHA staff contributed to this study and final report:

- George Argus — Senior Director, Health Data, Information, and Trends Analysis
- Scott Bates — Project Manager, Policy Development
- Carmela Coyle — Senior Vice President, Policy Development
- Mindy Hattan — Vice President and Chief Legal Counsel
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- Alicia Mitchell — Director of Media Relations
- ★ Roslyne Schulman — Senior Associate Director, Policy Development
- Kristin Welsh — Senior Associate Director, Policy Development

★ *= Principle project lead*

Appendix III:

Excerpts from
HIPAA Privacy NPRM

Minimum Necessary

HHS provides the following descriptions of *minimum necessary use and disclosure* [§164.605(b)]:

"A covered entity must make all reasonable efforts not to use or disclose more than the minimum amount of protected health information necessary to accomplish the intended purpose of the use or disclosure, taking into consideration practical and technological limitations"

Source: Federal Register, Department of HHS, Standards for Privacy of Individually Identifiable Health Information, Proposed Rule, November 3, 1999

Minimum Necessary

Continued

"In determining what a reasonable effort is under this section, covered entities should take into consideration:

- The amount of information that would be used or disclosed
- The extent to which the use or disclosure would extend the number of individuals or entities with access to the protected health information
- The importance of the use or disclosure
- The likelihood that further uses or disclosures of the protected health information could occur
- The potential to achieve substantially the same purpose with de-identified information
- The technology available to limit the amount of protected health information that is used or disclosed
- The cost of limiting the use or disclosure, and
- Any other factors that the covered entity believes are relevant to the determination"

Source: Federal Register, Department of HHS, Standards for Privacy of Individually Identifiable Health Information, Proposed Rule, November 3, 1999

Minimum Necessary

Continued

HHS also provides the following detailed clarifications:

“For electronic information covered by the proposed rules, the ‘minimum necessary’ requirement would mean reviewing, forwarding, or printing out only those fields and records relevant to the user’s need for information

“Where reasonable…covered entities would configure their record systems to allow selective access to different portions of the record…using the access control technology discussed in the electronic security regulation”

Source: Federal Register, Department of HHS, Standards for Privacy of Individually Identifiable Health Information, Proposed Rule, November 3, 1999

Minimum Necessary

Continued

"For non-electronic information covered by the proposed rules, 'minimum necessary' would mean the selective copying of relevant parts of protected health information or the use of 'order forms' to convey the relevant information

This rule would require…that each covered entity document the administrative policies and procedures that it will use to meet the requirements of this section…Such procedures would have to describe:

- The process or processes by which the covered entity will make minimum necessary determinations, and
- The process in place to periodically review routine uses and disclosures in light of new technologies or other relevant changes"

Source: Federal Register, Department of HHS, Standards for Privacy of Individually Identifiable Health Information, Proposed Rule, November 3, 1999

Minimum Necessary

Continued

"The procedures would provide that the covered entity will review each request for disclosure individually on its own merits…Covered entities should not have general policies of approving all requests (or all requests of a particular type) for disclosures or uses without carefully considering the factors identified above as well as other information specific to the request that the entity finds important to the decision."

Source: Federal Register, Department of HHS, Standards for Privacy of Individually Identifiable Health Information, Proposed Rule, November 3, 1999

Business Partners

HHS provides the following descriptions of the *Application to business partners* [§164.605(e)]:

"Business partners[1] would not be permitted to use or disclose protected health information in ways that would not be permitted of the covered entity itself under these rules.

"The covered entity may have business relationships with organizations that would not be considered to be business partners because protected health information is not shared or because services are not provided to the covered entity."

1For definition of business partner see Appendix IV – Glossary of Terms

Source: Federal Register, Department of HHS, Standards for Privacy of Individually Identifiable Health Information, Proposed Rule, November 3, 1999

Business Partners

Continued

"The written contract between a covered entity and a business partner would be required to:

- Prohibit the business partner from further using or disclosing the protected health information for any purpose other than the purpose stated in the contract
- Prohibit the business partner from further using or disclosing the protected health information in a manner that would violate the requirements of this proposed rule if it were done by the covered entity
- Require the business partner to maintain safeguards as necessary to ensure that the protected health information is not used or disclosed except as provided by the contract
- Require the business partner to report to the covered entity any use or disclosure of the protected health information of which the business partner becomes aware that is not provided for in the contract
- Require the business partner to ensure that any subcontractors or agents to whom it provides protected health information received from the covered entity will agree to the same restrictions and conditions that apply to the business partner with respect to such information."

Source: Federal Register, Department of HHS, Standards for Privacy of Individually Identifiable Health Information, Proposed Rule, November 3, 1999

Business Partners

Continued

- "Establish how the covered entity would provide access to protected health information to the subject of that information …when the business partner has made any material alteration in the information
- Require the business partner to make available its internal practices, books and records relating to the use and disclosure of protected health information received from the covered entity to HHS or its agents for the purposes of enforcing the provisions of this rule
- Establish how the covered entity would provide access to protected health information to the subject of that information…in circumstances where the business partner will hold the protected health information and the covered entity will not
- Require the business partner to incorporate any amendments or corrections to protected health information when notified by the covered entity that the information is inaccurate or incomplete

Business Partners

Continued

- At termination of the contract, require the business partner to return or destroy all protected health information received from the covered entity that the business partner still maintains in any form to the covered entity and prohibit the business partner from retaining such protected health information in any form
- State that individuals who are the subject of the protected health information disclosed are intended to be third party beneficiaries of the contract
- Authorize the covered entity to terminate the contract, if the covered entity determines that the business partner has repeatedly violated a term of the contract…"

State Law Preemption

HHS provides the following descriptions of *Preemption*:

- "The HIPAA provides that the rule…may not preempt State laws that are in conflict with the regulatory requirements and that provide greater privacy protections.
- The HIPAA also provides that standards…will not supercede certain other State laws including [those] relating to:
  - Reporting of disease or injury, child abuse, birth or death, public health surveillance, or public health investigation or intervention
  - State regulatory reporting
  - State laws…to prevent fraud and abuse, to ensure appropriate State regulation of insurance, for State reporting on health care delivery or costs, or for other purposes, or
  - State laws which…address controlled substances."

Source: Federal Register, Department of HHS, Standards for Privacy of Individually Identifiable Health Information, Proposed Rule, November 3, 1999

Appendix IV:

Glossary of Terms

Glossary of Key Terms

Business Partner — A term used in the proposed HIPAA privacy rule to mean "a person to whom a covered entity discloses protected health information so that the person can carry out, assist with the performance of, or perform on behalf of, a function or activity for the covered entity"

Covered Entity — Health plans, health care clearinghouses, and health care providers who transmit any health information in electronic form in connection with a covered transaction; this includes providers who use another entity to transmit electronic transactions on their behalf

HHS — Health and Human Services; the Federal agency responsible for issuing the proposed and final HIPAA rules

HIPAA — The Health Insurance Portability and Accountability Act; A federal law passed in 1996 intended to:

- Support the increased portability of health insurance
- Facilitate increased electronic processing of certain administrative transactions in healthcare
- Protect the confidentiality, security and privacy of patient-identifiable health information

Glossary of Key Terms

Healthcare Provider A provider of medical or other healthcare services or supplies; includes hospitals, skilled nursing facilities, home health agencies, nursing homes, clinics, health centers, clinical laboratories, pharmacies, durable medical equipment vendors, physicians and other licensed/certified health care practitioners

Health Information As defined by HHS: any information – whether oral or recorded in any form or medium – that is created or received by a health care provider or other entity; and that relates to the past, present, or future physical or mental health or condition of an individual, the provision of healthcare to an individual, or the past, present, or future payment for the provision of healthcare to an individual

Individually Identifiable Health Information – the subset of health information that can specifically identify an individual person (HHS additionally defines the 19 elements it considers to so identify an individual)

Protected Health Information – the subset of health information that is used or disclosed by the entities covered under HIPAA