

State of Hawaii

DEPARTMENT OF HUMAN SERVICES

**REPORT REGARDING COMPLIANCE TO THE HEALTH
INSURANCE PORTABILITY AND ACCOUNTABILITY ACT
(HIPAA)**

**IN ACCORD WITH THE PROVISIONS OF ACT 177, PART III,
SECTION 42.1**

**SUBMITTED TO THE TWENTY-SECOND
HAWAII STATE LEGISLATURE 2003**

**DEPARTMENT OF HUMAN SERVICES
REPORT TO THE LEGISLATURE
ACT 177, PART III, SECTION 42.1, SLH 2002
December 24, 2002**

I. INTRODUCTION

This document is a report to the Twenty-Second Legislature, 2003, State of Hawaii, made pursuant to Act 177, Part III, Section 42.1, Session Laws of Hawaii 2002. This report discusses the progress made in complying with the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) mandates, all outstanding tasks, and contains an expenditure report (five months actual and seven months projected) of all HIPAA related activities performed by the Department of Human Services (“DHS”).

II. PROGRESS TOWARDS HIPAA COMPLIANCE

HIPAA is a federal law that focuses on protecting health insurance coverage for workers and their families when they change or lose their jobs (portability), and protecting health information and data integrity, confidentiality, and availability (accountability). HIPAA rules affect the DHS in three ways: 1) Transaction and Code Set requirements; 2) Privacy of individually identifiable health information; and 3) Security of individually identifiable health information kept in hard copy as well as electronically. The DHS is required to determine how HIPAA applies to each specific entity within the DHS. Once that is accomplished, the DHS must develop and implement plans for compliance to the HIPAA standards.

In September 2002 the DHS designated itself a Hybrid Entity with its covered components being: the Med-QUEST Division (“MQD”), the Medicaid Waiver programs of the Social Services Division (“SSD”), the Director’s office, and the Office of Information Technology.

DHS has made consistent and timely efforts to comply with HIPAA Transactions and Code Sets requirements. The deadline for compliance with those requirements is October 2003, and that

deadline is expected to be met. The Transactions and Code Set work currently in progress involves documenting and mapping MQD's and SSD's business requirements to the HIPAA mandated transactions (enrollment, premium payment, eligibility inquiry/response, claims, remittance, claims status inquiry/response and medical authorization requests). These requirements will then be used by the Hawaii Prepaid Medical Management – Information System (HPMMIS), the Medicaid claims system development team to remediate the system for HIPAA compliance. MQD has developed HIPAA compliant forms, policies and procedures, created a HIPAA staff newsletter, is doing outreach with a provider newsletter, and has identified MQD physical security and record retention/destruction cost requirements.

The DHS has diligently taken the necessary steps to reach compliance with HIPAA Privacy and Security Rules by the requisite deadlines. Each Division and Staff Office identified standing committees to look into HIPAA related issues and look into the changes that would need to occur to become compliant. In July 2002, the DHS hired a HIPAA Project Director pursuant to Act 177. It also entered into a contract with the FourThoughtGroup of Arizona to conduct a comprehensive HIPAA Privacy and Security assessment of all DHS entities, and to provide the DHS with: recommendations for options and changes needed to meet compliance objectives; advice as to consequences, positive and negative, of accepting each particular option; analysis of cost/risk of compliance and possible non-compliance; a workable timeline and plan for attaining goals of compliance with HIPAA; advice on sharing information within the DHS and between other state agencies; and HIPAA Awareness and Policies and Procedures training. The FourThoughtGroup will complete its Privacy and Security gap analysis in December 2002, and will give the DHS the information and tools to implement the recommended changes, which include creating new policies and procedures, providing the requisite staff training on those policies and procedures, and making appropriate physical privacy and security changes.

Prior to its contract with FourThoughtGroup, DHS created the HIPAA Operational Committee made up of staff from the standing committees of the Staff Offices and Divisions who are working with HIPAA. Members of this committee have facilitated FourThoughtGroup's investigation of our data processes. DHS also

created the HIPAA Executive Committee which has meetings on a monthly basis in order to make high level decisions based on FourThoughtGroup's findings and recommendations, with legal advice from the Attorney General's office. DHS will implement department-wide HIPAA Policies for all of its covered components with the assistance of FourThoughtGroup. It will also issue department-wide HIPAA forms and implement consistent HIPAA compliant contract language, much of which has already been drafted by staff in SSD and MQD and is with the AG's office for approval. DHS's Staff Development offices are already arranging for locations on Oahu and the neighbor islands for the HIPAA training programs. SSD, MQD, and the HIPAA Project Director are continuously presenting HIPAA outreach training to community service providers (including private non-profit agencies). DHS also participates in the national HIPAAGives listserv and conference calls, and locally in the Hawaii Health Information Corporation's HIPAA Readiness Collaborative along with other state departments and most of Hawaii's hospitals and other private medical providers.

The deadline for compliance with the Privacy Rules is April 14, 2003. The deadline for compliance with the Security Rules (which have yet to be finalized) is no sooner than October 2004. DHS is making good faith efforts to meet those deadlines.

III. EXPENDITURE REPORT

In July 2002, the DHS entered into a contract with FourThoughtGroup from Arizona for consultation on the HIPAA Privacy and Security Rules, through August 2003. That contract is for \$1,595,481.00, with 75% Federal Medicaid funding. So far, the HIPAA Project Director has approved a total of \$366,979 in deliverables.

In September 2002 DHS entered into a one year contract with FourThoughtGroup through the Arizona Healthcare Cost Containment System ("AHCCS") for consultation on Transactions and Code Sets. That contract is for \$650,000, with 90% Federal Medicaid funding over one year. To date \$200,000 has been paid on that contract.

Although the DHS expects to know exactly what has to be done by the deadlines, to date it has no budget to implement the changes for

privacy and security that require significant funding, such as modifications to its facilities and computer systems. For example, it has been projected that the Med-QUEST division will have initial cost requirements of \$85,695 for equipment, \$78,000 for additional space for the Eligibility Branch, \$6,000 for records destruction, and administrative costs of \$86,900. This estimate does not include annual recurring costs for record destruction and administrative requirements, or a budget for electronic systems privacy and security upgrades.