

Rural Policy Brief

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Rural Hospital HIPAA Readiness and Resource Needs

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How do rural hospitals approach complying with regulations that require extensive changes in how they manage information? Do actions vary with the size of hospital and whether or not it is part of rural health network? We address these questions in the context of the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The HIPAA requirements most likely to pose challenges for rural hospitals have been those related to privacy, implemented in April 2003.

This *Brief* presents results of completed returns from a survey of 906 rural hospitals (381 returned) in August 2002 regarding the extent of their

preparation for HIPAA requirements and the likelihood of their need for outside and internal resources to implement HIPAA requirements.

This *Brief* also reports on rural hospitals' perception of the level of financial and staff commitment needed to comply with HIPAA requirements.

Principal Finding: Rural hospitals with fewer than 50 beds were most in need of assistance and resources to prepare for HIPAA, indicating that the Small Hospital Improvement Program chose well in making HIPAA readiness one of three purposes for grants to those hospitals.

Full Policy Implications on Page 8 (back cover)

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We provide data for hospitals in three groups—fewer than 50 beds, 50-99 beds, and 100 or more beds.

The need for actions by rural hospitals to meet HIPAA requirements will continue, including adhering to privacy requirements when renovating hospitals, monitoring compliance with HIPAA, signing agreements with contractors, and assuring that any new information systems are HIPAA-compliant. Hospitals will also need to comply with new security requirements by April 2005. Rural hospitals under 50 beds have access to federal dollars through the Small Rural Hospital Improvement Program that can be used for HIPAA compliance. The findings in this *Brief* help identify areas for potential investment.

Readiness

We examined the extent of action taken by rural hospitals in regard to 12 steps commonly associated with preparing to achieve HIPAA readiness (see **Tables 1 and 2**). A large majority of rural hospitals of all types had already undertaken some HIPAA readiness actions:

- Creating a team to guide the HIPAA development plan
- Designating an individual responsible for HIPAA compliance plan

A majority of all types of rural hospitals had not yet formulated an action plan to develop a public relations/communications strategy for the community, and nearly 10% had no intention of doing so.

Rural hospitals with fewer than 50 beds were more likely *not* to have formulated an action plan or reply that they did *not* intend to develop a plan, in all steps, with statistically significant differences in the following activities:

- Conduct an analysis to determine gaps
- Create a team to guide the HIPAA development plan
- Develop a PR/communications strategy for the community
- Engage legal counsel on compliance issues
- Discuss existing contractual agreements with business partners
- Engage information system consultation on changes needed

A similar pattern is evident in responses among hospitals affiliated with networks and those not affiliated, although there are fewer statistically significant differences. Hospitals affiliated with networks were more likely to:

- Designate an individual responsible for HIPAA compliance plan
- Engage legal counsel on compliance issues
- Engage an information system consultant on changes needed

For the most part, rural hospitals were progressing towards HIPAA compliance in August, 2002. However, hospitals under 50 beds were inactive (either nothing planned, or not intending action) regarding some critical action steps:

• Conduct an analysis to determine gaps	14.9% without plan	1.5% not intending action
• Discuss the implications of the HIPAA regulations with the Board	15.4%	2.9%
• Conduct HIPAA education for employees	21.8%	0.0%
• Develop a public relations/communications strategy for the community	57.4%	9.6%
• Engage legal counsel on compliance issues	26.4%	11.2%
• Discuss transaction standards with payers	23.2%	2.2%
• Engage information system consultant on changes needed	19.5%	19.9%
• Initiate modifications of existing information system to comply with HIPAA policy	21.9%	3.0%
• Develop HIPAA organizational policies, procedures or forms	15.6%	0.0%

Table 1. Relationship Between the Extent of Action Taken and Hospital Size (Number of Beds)

HIPAA Action Steps and Hospital Size (Number of Beds)	Extent of Action Taken											
	Have Already Taken Action		Plan Action Within 6 Months		Action Plan Not Yet Formulated		Do Not Intend Action		Don't Know		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Conduct an analysis to determine gaps												
<50	120	44.6%	105	39.0%	40	14.9%	1	0.4%	3	1.1%	269	100.0%
>=50	69	63.9%	33	30.6%	3	2.8%	2	1.9%	1	0.9%	108	100.0%
Create a team to guide the HIPAA development plan												
<50	196	72.1%	47	17.3%	28	10.3%	0	0.0%	1	0.4%	272	100.0%
>=50	91	85.0%	14	13.1%	1	0.9%	0	0.0%	1	0.9%	107	100.0%
Designate an individual responsible for HIPAA compliance plan												
<50	224	82.4%	32	11.8%	15	5.5%	1	0.4%	0	0.0%	272	100.0%
>=50	94	87.0%	13	12.0%	0	0.0%	0	0.0%	1	0.9%	108	100.0%
Discuss the implications of the HIPAA regulations with board												
<50	129	47.4%	93	34.2%	42	15.4%	0	0.0%	8	2.9%	272	100.0%
>=50	58	53.7%	37	34.3%	9	8.3%	0	0.0%	4	3.7%	108	100.0%
Conduct HIPAA education for employees												
<50	81	29.9%	131	48.3%	59	21.8%	0	0.0%	0	0.0%	271	100.0%
>=50	36	33.3%	57	52.8%	14	13.0%	0	0.0%	1	0.9%	108	100.0%
Develop a PR/communications strategy for community												
<50	11	4.0%	79	29.0%	156	57.4%	18	6.6%	8	2.9%	272	100.0%
>=50	9	8.4%	38	35.5%	45	42.1%	7	6.5%	8	7.5%	107	100.0%
Engage legal counsel on compliance issues												
<50	102	37.9%	66	24.5%	71	26.4%	23	8.6%	7	2.6%	269	100.0%
>=50	62	57.4%	25	23.1%	9	8.3%	8	7.4%	4	3.7%	108	100.0%
Discuss existing contractual agreements with business partners												
<50	46	17.0%	143	52.8%	79	29.2%	1	0.4%	2	0.7%	271	100.0%
>=50	20	18.5%	64	59.3%	21	19.4%	0	0.0%	3	2.8%	108	100.0%
Discuss transaction standards with payers												
<50	90	33.2%	112	41.3%	63	23.2%	2	0.7%	4	1.5%	271	100.0%
>=50	55	50.9%	42	38.9%	7	6.5%	0	0.0%	4	3.7%	108	100.0%
Engage IS consultant on changes needed												
<50	103	37.9%	62	22.8%	53	19.5%	46	16.9%	8	2.9%	272	100.0%
>=50	54	50.9%	14	13.2%	11	10.4%	21	19.8%	6	5.7%	106	100.0%
Initiate modifications of existing IS to comply with HIPAA policy												
<50	96	35.6%	107	39.6%	59	21.9%	6	2.2%	2	0.7%	270	100.0%
>=50	47	43.9%	42	39.3%	15	14.0%	0	0.0%	3	2.8%	107	100.0%
Develop HIPAA organizational policies, procedures or forms												
<50	78	29.0%	149	55.4%	42	15.6%	0	0.0%	0	0.0%	269	100.0%
>=50	41	38.3%	57	53.3%	8	7.5%	0	0.0%	1	0.9%	107	100.0%

Table 2. Relationship Between the Extent of Action Taken and Whether the Rural Hospital is Part of a Network

HIPAA Action Steps	Rural Health Network*	Extent of Action Taken										Total	
		Have Already Taken Action		Plan Action Within 6 Months		Action Plan Not Yet Formulated		Do Not Intend Action		Don't Know			
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Conduct an analysis to determine gaps	Yes	136	52.3%	90	34.6%	29	11.2%	2	0.8%	3	1.2%	260	100.0%
	No	46	44.2%	44	42.3%	12	11.5%	1	1.0%	1	1.0%	104	100.0%
Create a team to guide the HIPAA development plan	Yes	203	77.5%	41	15.6%	16	6.1%	0	0.0%	2	0.8%	262	100.0%
	No	77	74.0%	15	14.4%	12	11.5%	0	0.0%	0	0.0%	104	100.0%
Designate an individual responsible for HIPAA compliance plan	Yes	228	86.7%	25	9.5%	8	3.0%	1	0.4%	1	0.4%	263	100.0%
	No	79	76.0%	19	18.3%	6	5.8%	0	0.0%	0	0.0%	104	100.0%
Discuss the implications of the HIPAA regulations with board	Yes	134	51.0%	88	33.5%	32	12.2%	0	0.0%	9	3.4%	263	100.0%
	No	48	46.2%	36	34.6%	17	16.3%	0	0.0%	3	2.9%	104	100.0%
Conduct HIPAA education for employees	Yes	79	30.2%	138	52.7%	44	16.8%	0	0.0%	1	0.4%	262	100.0%
	No	34	32.7%	47	45.2%	23	22.1%	0	0.0%	0	0.0%	104	100.0%
Develop a PR/communications strategy for community	Yes	14	5.3%	78	29.8%	150	57.3%	11	4.2%	9	3.4%	262	100.0%
	No	6	5.8%	36	34.6%	45	43.3%	11	10.6%	6	5.8%	104	100.0%
Engage legal counsel on compliance issues	Yes	121	46.5%	68	26.2%	46	17.7%	18	6.9%	7	2.7%	260	100.0%
	No	37	35.6%	21	20.2%	31	29.8%	11	10.6%	4	3.8%	104	100.0%
Discuss existing contractual agreements with business partners	Yes	51	19.4%	145	55.1%	64	24.3%	1	0.4%	2	0.8%	263	100.0%
	No	14	13.6%	56	54.4%	30	29.1%	0	0.0%	3	2.9%	103	100.0%
Discuss transaction standards with payers	Yes	104	39.7%	105	40.1%	47	17.9%	1	0.4%	5	1.9%	262	100.0%
	No	37	35.6%	43	41.3%	20	19.2%	1	1.0%	3	2.9%	104	100.0%
Engage IS consultant on changes needed	Yes	115	43.9%	59	22.5%	41	15.6%	40	15.3%	7	2.7%	262	100.0%
	No	39	37.9%	16	15.5%	19	18.4%	23	22.3%	6	5.8%	103	100.0%
Initiate modifications of existing IS to comply with HIPAA policy	Yes	93	35.5%	113	43.1%	50	19.1%	3	1.1%	3	1.1%	262	100.0%
	No	48	46.6%	31	30.1%	19	18.4%	3	2.9%	2	1.9%	103	100.0%
Develop HIPAA organizational policies, procedures or forms	Yes	84	32.3%	141	54.2%	34	13.1%	0	0.0%	1	0.4%	260	100.0%
	No	31	30.1%	58	56.3%	14	13.6%	0	0.0%	0	0.0%	103	100.0%

*Rural Health Network refers to part of a group of hospitals such as a rural health network, hospital system, or other form of alliance that is working together on achieving HIPAA compliance.

Resource Needs

We also examined the likelihood of rural hospitals' needs for outside resources to address seven key HIPAA implementation issues (see **Tables 3 and 4**). In only three of seven categories did less than a majority of all hospitals indicate they were likely to need outside resources:

- Implementing the information system aspects of HIPAA (43% were very likely or likely to need outside resources)
- Providing education for employees, staff, and board (33% were very likely or likely to need outside resources)
- Providing education or PR to address community understanding (25% were very likely or likely to need outside resources)

However, in no instance did a majority of hospitals indicate they were not likely or not very likely to need outside resources (the highest response was for providing education or PR to address community understanding—46%). The differences between hospitals based on size, reported in Table 3, were all statistically significant. *Small rural hospitals (less than 50 beds) were consistently more likely to need outside resources, with the greatest needs being in the following areas:*

- Implementing the legal aspects of HIPAA (67%)
- Conducting a GAP analysis (64%)
- Developing organizational policies, procedures, and forms (64%)
- Understanding the HIPAA requirements (54%)

There is a pattern to responses comparing hospitals that are members of networks to those that are not (see **Table 4**), but the differences are not statistically significant. The reason appears to be that hospitals who are members of networks are more certain that they either need outside resources, or they do not. Conversely, hospitals not in networks seem less certain (the neutral category in the table) of their needs.

Financial and Staff Commitment

A majority of all responding hospitals believed HIPAA compliance would require a moderate financial commitment in terms of overall cost. Among the various size hospitals, only those with 100 or more beds deviated from the pattern; 19.5% of them saw the commitment as minor and only 46% as moderate (see **Table 5**). Hospitals not affiliated with a network, as compared with those who were, were slightly more likely to believe a major commitment would be required (46.1% vs. 35.9%; see **Table 6**). When asked what percent of their next annual budget they anticipated spending on HIPAA compliance, the mean response for all hospitals was 5.4%.

A majority of each type of hospital (by size and by network affiliation) believed HIPAA compliance would require a major staff commitment in terms of time demand (see **Tables 7 and 8**). Very few believed only a minor staff commitment would be required. Of course, the commitment was defined as time spent, and since HIPAA requires time (at least some) by everyone on staff, a response of major commitment might be expected.

Methodological Note: The final response rate for this survey was 42% (381 of 906). A stratified random sample was used in an effort to achieve representation by hospital size and region of the country. Additional follow-up surveying was done in an effort to “fill” any cell that was under-represented. A comparison of respondents to nonrespondents shows no difference in most categories of interest to this *Policy Brief*. Distribution was not significantly different across hospital size—under 50 beds (72% of returns, 61% of nonrespondents), 50-99 beds (18%, 23%), and 100 or more beds (11%, 15%). There were no statistically significant differences between the respondents and nonrespondents in types of hospital by payment classification (sole community, referral center, critical access, pps) within each size category. In examining the distribution of different sizes of hospitals across four major census regions there are not statistically significant differences, although the difference across regions for hospitals with 50 or more beds approaches significance ($p = .0798$). There is some under-representation of the South Atlantic region (45% of nonrespondents, 31% of respondents) and over-representation of the North Atlantic region (23% of nonrespondents, 32% of respondents). There may be a minimal effect on statements concerning hospital resources if one assumes that hospitals in the South Atlantic are generally not as financially sound.

Table 3. Relationship Between the Likelihood of the Need for Outside Resources and Hospital Size (Number of Beds)

Key Implementation Issues and Hospital Size (Number of Beds)	Likely		Neutral		Not likely		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Understanding the HIPAA requirements								
<50	147	54.2%	45	16.6%	79	29.2%	271	100.0%
>=50	42	38.9%	23	21.3%	43	39.8%	108	100.0%
Conducting a GAP analysis								
<50	173	64.3%	43	16.0%	53	19.7%	269	100.0%
>=50	53	49.1%	27	25.0%	28	25.9%	108	100.0%
Implementing the legal aspects of HIPAA								
<50	181	67.0%	37	13.7%	52	19.3%	270	100.0%
>=50	56	52.3%	19	17.8%	32	29.9%	107	100.0%
Implementing the information System aspects of HIPAA								
<50	128	47.2%	70	25.8%	73	26.9%	271	100.0%
>=50	35	32.4%	22	20.4%	51	47.2%	108	100.0%
Developing organizational policies, procedures, and forms								
<50	174	64.0%	43	15.8%	55	20.2%	272	100.0%
>=50	55	51.4%	16	15.0%	36	33.6%	107	100.0%
Providing education for employees, staff, and board								
<50	96	35.4%	79	29.2%	96	35.4%	271	100.0%
>=50	29	26.9%	21	19.4%	58	53.7%	108	100.0%
Providing education or PR to address community understanding								
<50	81	29.8%	82	30.1%	109	40.1%	272	100.0%
>=50	16	14.8%	26	24.1%	66	61.1%	108	100.0%

Table 4. Relationship Between the Likelihood of the Need for Outside Resources and Whether the Rural Hospital is Part of a Network

Key Implementation Issues and Rural Health Network*	Likely		Neutral		Not likely		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Understanding the HIPAA requirements								
Yes	140	53.2%	43	16.3%	80	30.4%	263	100.0%
No	43	41.7%	23	22.3%	37	35.9%	103	100.0%
Conducting a GAP analysis								
Yes	158	60.5%	46	17.6%	57	21.8%	261	100.0%
No	62	60.2%	20	19.4%	21	20.4%	103	100.0%
Implementing the legal aspects of HIPAA								
Yes	165	63.2%	39	14.9%	57	21.8%	261	100.0%
No	64	62.1%	15	14.6%	24	23.3%	103	100.0%
Implementing the information System aspects of HIPAA								
Yes	116	44.3%	62	23.7%	84	32.1%	262	100.0%
No	44	42.3%	25	24.0%	35	33.7%	104	100.0%
Developing organizational policies, procedures, and forms								
Yes	159	60.5%	39	14.8%	65	24.7%	263	100.0%
No	61	59.2%	18	17.5%	24	23.3%	103	100.0%
Providing education for employees, staff, and board								
Yes	89	34.0%	66	25.2%	107	40.8%	262	100.0%
No	32	30.8%	32	30.8%	40	38.5%	104	100.0%
Providing education or PR to address community understanding								
Yes	71	27.0%	69	26.2%	123	46.8%	263	100.0%
No	23	22.1%	37	35.6%	44	42.3%	104	100.0%

*Rural Health Network refers to part of a group of hospitals such as a rural health network, hospital system, or other form of alliance that is working together on achieving HIPAA compliance.

Table 5. Estimated Level of Financial Commitment to Achieve HIPAA Compliance, by Hospital Size (Number of Beds)

	Hospital Size					
	<50 Beds		50-99 Beds		100+ Beds	
Financial Commitment*	Number	Percent	Number	Percent	Number	Percent
a minor commitment	22	8.2%	6	9.1%	8	19.5%
a moderate commitment	139	51.9%	33	50.0%	19	46.3%
a major commitment	107	39.9%	27	40.9%	14	34.2%
Total	268	100.0%	66	100.0%	41	100.0%

*Financial commitment in terms of overall cost

Table 6. Relationship Between Financial Commitment and Whether the Rural Hospital is Part of a Network, as Percentage of Financial Commitment

	Rural Health Network*			
	Yes		No	
Financial Commitment	Number	Percent	Number	Percent
a minor commitment	27	10.3%	7	6.9%
a moderate commitment	141	53.8%	48	47.1%
a major commitment	94	35.9%	47	46.1%
Total	262	100.0%	102	100.0%

*Rural Health Network refers to part of a group of hospitals such as a rural health network, hospital system, or other form of alliance that is working together on achieving HIPAA compliance.

Table 7. Estimated Level of Staff Commitment to Achieve HIPAA Compliance, by Hospital Size (Number of Beds)

	Hospital Size					
	<50 Beds		50-99 Beds		100+ Beds	
Staff Commitment*	Number	Percent	Number	Percent	Number	Percent
a minor commitment	9	3.4%	2	3.0%	2	4.9%
a moderate commitment	101	37.6%	25	37.9%	16	39.0%
a major commitment	159	59.1%	39	59.1%	23	56.1%
Total	269	100.0%	66	100.0%	41	100.0%

*Staff commitment in terms of estimated time demand

Table 8. Relationship Between Staff Commitment and Whether the Rural Hospital is Part of a Network, as Percentage of Staff Commitment

Staff Commitment	Rural Health Network*			
	Yes		No	
	Number	Percent	Number	Percent
a minor commitment	10	3.8%	3	2.9%
a moderate commitment	102	38.9%	36	35.0%
a major commitment	150	57.3%	64	62.1%
Total	262	100.0%	103	100.0%

*Rural Health Network refers to part of a group of hospitals such as a rural health network, hospital system, or other form of alliance that is working together on achieving HIPAA compliance.

Policy Implications

At the time of the original survey (spring and summer of 2002), concern about complying with the privacy rule of HIPAA was building, given the deadline of April 2003. With compliance deadlines still some months away, not all hospitals could be expected to be at full readiness, or at the same stage in their preparation to comply with the new regulations. Since nearly all hospital administrators would be aware of HIPAA and have a general sense of how to prepare (as evident in the low numbers of “don’t know” in response to questions about actions taken in Tables 1 and 2), the survey was well timed. This was a time period during which hospital administrators were recognizing the work that would need to be completed in the ensuing months to be compliant with HIPAA privacy regulations in April 2003. The survey results help policy makers understand how to target public and other resources to hospitals who need them most when confronted with new, sweeping regulatory requirements. As indicated on the first page of this *Brief*, an important implication is that the focus on HIPAA readiness in the Small Rural Hospital Improvement Program was well advised, and continues to be appropriate. More specific implications follow:

1. *Small rural hospitals (less than 50 beds) were less likely to prepare well in advance for HIPAA compliance, making them appropriate targets for publicly supported technical assistance to help them make necessary decisions quickly and as cost-effectively as possible.*
2. *There were two reasons for the different pace of readiness among small rural hospitals—either they were simply slower to take action, or they were planning not to take action. The latter group poses a challenge for policy intended to be universal.*
3. *Membership in rural health networks did not have much influence on a hospital’s readiness for HIPAA, and no influence on a hospital’s need for outside resources. Hospitals needing assistance must be approached individually, in addition to any efforts to use networks.*
4. *The need for outside resources is much more apparent for small rural hospitals (under 50 beds), suggesting targeting public resources to meet this need.*
5. *The level of commitment needed to comply with HIPAA is no different across size of hospital or as a function of being in a network. This finding indicates a need for targeting public resources to those institutions who recognize the importance of a major commitment but who lack the resources to be make that commitment in an informed, deliberative manner.*