

**Federal Health Insurance Portability and Accountability Act FY2005 Request: \$592,000**  
**Compliance – Phase 2 Reference No: 35721**

**AP/AL:** Appropriation **Project Type:** Transitional  
**Category:** Health/Human Services **Contact:** Larry Streuber  
**Location:** Statewide **Contact Phone:** (907)465-1870  
**House District:** Statewide (HD 1-40)  
**Estimated Project Dates:** 07/01/2004 - 06/30/2009

**Brief Summary and Statement of Need:**

The HIPAA project is essential to provide a superior level of confidentiality and security of individual's private health care information. The Health Insurance Portability and Accountability Act (HIPAA) was enacted by the Federal government in 1996. Deadlines for compliance with regulations concerning electronic transmission, privacy and security of patient and health care information will be set over the next several years. Substantial monetary and civil penalties can be imposed as a result of non-compliance. The Department is compelled to implement in-depth impact analysis and requirements assessments for its health care programs, operations, computer systems and policies and procedures.

<b>Funding:</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>Total</b>
Fed Rcpts	\$296,000						\$296,000
G/F Match	\$296,000						\$296,000
<b>Total:</b>	<b>\$592,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$592,000</b>

<input checked="" type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input checked="" type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
50% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Project Development:	364,000	3
Ongoing Operating:	0	0
One-Time Startup:	0	
<b>Totals:</b>	<b>364,000</b>	<b>3</b>

**Additional Information / Prior Funding History:**

CH1/SSSLA02/P40/L22 - \$438.8 GF & \$438.8 Federal  
 CH82/SLA03/P28/L27 - \$640.7 GF and \$640.7 Federal

**Project Description/Justification:**

**Federal Health Insurance Portability & Accountability Act FY2005 Request**  
**Compliance - Phase 3**

**Brief Summary and Statement of Need:**

The Health Insurance Portability and Accountability Act (HIPAA) was enacted by the Federal government in 1996. Deadlines for compliance with regulations concerning electronic transmission, privacy and security of patient and health care information occur between April 2003 and April 2005. Substantial monetary and civil penalties can be imposed as a result of non-compliance. The Department is compelled to implement in-depth impact analysis and requirements assessments for its health care programs, operations, computer systems and policies and procedures. It is anticipated that both small and large-scale modifications to systems, operations, policies and procedures will be required.

**Project Description/Justification:**

The scope and needs of the Health Insurance Portability and Accountability Act (HIPAA) project has changed to some degree from FY2004 due to reduced funding in FY2003 and FY2004. The incorporation of two large programs from the Department of Administration (Division of Senior Services and Pioneer's Homes) into DHSS has added a priority need to perform privacy assessment and implement appropriate changes to meet regulatory requirements. We must incorporate the electronic security assessment and implementation needs of these new programs into the project as well. The handling of ongoing privacy issues consumes more resources than previously estimated and there is a need for enhanced tracking and management of privacy issues, as well as an ongoing need for legal assistance.

FY2005 funding is necessary to complete the privacy requirements for the new programs and to complete and implement the security requirements for all DHSS programs, as well as to provide improved management and auditing of privacy and security issues.

**Summary:**

The Federal government enacted HIPAA in 1996. Deadlines for compliance with regulations concerning the electronic transmission and the privacy and security of patient and health care information occur between 2003 and 2005. Substantial monetary and civil penalties can be imposed as a result of non-compliance or wrongful disclosure of information after deadline dates.

In FY 2003 and FY2004 DHSS initiated and completed in-depth transactional and privacy impact analysis and requirements assessments for its health care programs, operations, computer systems and policies and procedures. Completion of privacy policy and procedure is nearly complete. Privacy training software and employee training has also been implemented. Implementation of compliant business contracts, privacy tracking and auditing software and the ongoing need for legal advice about current and future privacy issues will continue well into 2005. Additionally, privacy assessment and training must be completed for the new agencies incorporated into the Department during the FY2004 DHSS reorganization (Senior Services and Pioneer's Homes). Security assessments and implementation of appropriate security measures must be completed for the entire department during 2004-2005 to meet the HIPAA security regulatory requirements by April 2005.

The project will procure the services of one or more consulting firms to assist with in-depth security impact and needs assessment. The project may additionally purchase or fund the development and implementation of auditing, tracking and management systems for ongoing privacy and security needs.

**Detail:**

HIPAA was enacted in 1996 as part of a broad Congressional attempt at incremental healthcare reform. Some portions of the law took effect immediately, providing access to health care coverage and guaranteeing patient rights under employer plans. Other regulations, pertaining to administrative simplification, privacy and security of patient and health information were recently finalized and are being enforced over the 2003-2005 time frame.

The regulations impact all health plans, health care providers, health care payers, health care business associates, health care clearinghouses, government medical assistance programs and other organizations involved with directly providing health care, the provision of health care, health care financial transactions, or the handling of health care information. The regulations protect the health information that 1) identifies an individual, and 2) is maintained or exchanged electronically, in paper, or oral format. The regulations also provide basic rights for individuals with respect to their protected health information.

HIPAA is an enterprise-wide issue with impacts beyond the information technology arena. There are legal, regulatory, process, security and technology aspects to each rule that must be carefully evaluated before implementation plans can begin. Additionally, HIPAA mandates will continue to impose major changes to current business practices and data handling procedures, requiring extensive retraining of personnel and retooling of business environments.

The HIPAA regulations that DHSS is required to focus on are these:

Electronic Transactions and Code Sets: The new transaction regulations are an effort to reduce paperwork and increase efficiency and accuracy through the use of standardized financial and administrative transactions and data sets. Some common affected transactions include claims, eligibility and enrollment verification, diagnoses and patient services, procedures, and physician services. The compliance date for transactions is October 2003.

Privacy: This regulation specifies how health care entities and business partners of health care entities transfer, receive, handle, protect and disclose protected health information (PHI). The regulation applies to all forms of PHI, whether paper or electronic.

Health care entities are required to create privacy-conscious business practices and data systems, including the requirement that the minimum amount of health information necessary to conduct business is used or disclosed. Health care entities must:

1. Ensure the internal protection of individual health information and implement physical and administrative safeguards.
2. Implement procedures that limit the use and disclosure of PHI to meet the "minimum necessary" standards.
3. Develop mechanisms for the accounting and auditing of all disclosures made for purposes other than treatment, payment or operations.
4. Establish policies and procedures to allow individuals to inspect, copy or correct their health information.
5. Establish contracts and agreements with business associates that ensure the protection of PHI that is shared or traded.
6. Provide privacy training to members of its work force who have access to PHI.
7. Establish policies and procedures to allow individuals to log complaints about the entity's information practices.
8. Designate a privacy official.
9. Create and make available documentation regarding compliance with all requirements of the regulation.

The compliance date for the Privacy Regulation was April 2003. The Department continues to be engaged in the processes required to ensure ongoing compliance in information privacy issues. Additionally, the Department is actively engaged in the assessment and implementation of privacy requirements for the Senior Services and Pioneer's Home programs that were recently incorporated into the Department.

Security: This rule applies to the administrative procedures, technical and physical safeguards to ensure the integrity, confidentiality and availability of protected health information. The security standard is divided into four categories:

1. Administrative procedures: These are documented, formal procedures for selecting and executing information security measures. The procedures also address staff responsibilities for protecting data.
2. Physical Safeguards: These safeguards protect physical computer systems and related buildings and equipment from fire and other environmental hazards as well as intrusion. It addresses the use of devices and administrative measures to control access to computer systems and facilities.
3. Technical data security services: These include the processes used to protect, control and monitor information access.
4. Technical security mechanisms: These include processes used to prevent unauthorized access to data transmitted over a communications network.

As with the Privacy Rule, the Security Rule requires assessments, analysis and documentation regarding compliance with all security requirements. The compliance date for the recently finalized security regulations is April 2005.

Unique Identifiers: This rule mandates the use of unique standard identifiers for providers, health plans, employers and perhaps individuals as well. Only the employer identifier has been finalized. Compliance for the others is expected sometime after 2005.

It is anticipated that funding will be utilized to purchase and implement electronic hardware and software to enhance the current security of our electronic health information systems and to provide for increased privacy and security auditing requirements.

**FY05 HIPAA Expenditure Projections**

Administration and Management		232,000
<b>PRIVACY</b>		
<b>Contractual</b>		
	Legal Support for ongoing Privacy Issues	50,000
<b>Software</b>		
	Purchase or develop software system(s) to handle required tracking and auditing of privacy mandates including accounting of disclosures, complaints, business contracts and data releases	50,000
 <b>SECURITY</b>		
<b>Contractual</b>		
	Security/Vulnerability Assessments & intrusion testing and accreditation	50,000
	Evaluation of vulnerability of access to protected health information in email system	5,000
<b>Software</b>		
	Purchase and/or development of systems to perform and manage auditing and intrusion detections requirements	35,000
	Purchase and Upgrade of Intrusion and Access Control	50,000
	Maintenance and improvements to Email Encryption	120,000
	Total Request	592,000

Department's Mission: *To promote and protect the health and well being of Alaskans.* This project supports the Department's mission by ensuring information for all clients requiring health-related services are kept secure and confidential.