

Health Insurance Portability and Accountability Act of 1996 (HIPAA)

Reasons For Implementing HIPAA

April, 2002

This document was developed to assist the state agencies of Ohio in understanding the obligations imposed by the Health Insurance Portability and Accountability Act (HIPAA). The State of Ohio provides no guarantee of accuracy or warranties of any kind. Utilization of this information is at the sole risk of the user. As with any matter of law, independent legal counsel should be consulted regarding compliance with the requirements of the HIPAA.

Reasons For Implementing HIPAA

- C HIPAA is a federal law and it establishes requirements for health plans, health care clearinghouses and providers that transmit certain health information electronically. Non-compliance may result in sanctions, legal liability, public scrutiny, and barriers to doing business with Trading Partners.
- C It was the intent of Congress that the regulations under HIPAA would help reduce the waste, fraud, and abuses found in health insurance and health care delivery. The Administration Simplification provisions of HIPAA (HIPAA standards) establish federal standards and regulations for the electronic exchange and maintenance of certain health information. The result will be a national framework for privacy, security and transmission standards that builds on efforts by states, health systems, individual organizations, and individuals.

Reasons For Implementing Standardization of Health Care Data Exchanges

- C The required standard transactions will make data processing in the health care industry more efficient allowing providers and payers to refocus their administrative resources.
- C The uniform standards will allow for the generation of more comparable national health care data leading to better health care analysis and research. This, in turn, may result in the public becoming more knowledgeable of health care issues.
- C The standardization of transactions for health care data processing will in the long term result in the development of more “off the shelf” software products creating more efficiency in systems renovations for state governmental programs and others.
- C The standardization will increase the speed and accuracy by which transactions are exchanged with other insurers, for example, facilitating third party collections between insurers.
- C HHS estimated net savings from the standardization of electronic transactions to be over \$9 billion annually for implementation for the entire U.S. healthcare system. The savings will come from consistent codes and data elements for claims, enrollment and eligibility systems. To facilitate payment, a health plan or clearinghouse acting is required to implement the standard transactions with the electronic exchange of data to avoid the chance that they will inadvertently refuse or delay transactions.
- C The penalty, with certain limitations, associated with violating the standards for electronic transmission of health care data is \$100 fine per each violation, up to \$25,000 per standard, per calendar year.

Reasons For Implementing HIPAA

April 2002

Page 2

Reasons For Privacy and Security Best Practices

- C HIPAA requirements around privacy and security are based on industry best practices and can result in improved protection of an individual's personal health information.
- C The standards set by the Privacy and Security rules will lead to a consistent public expectation and understanding regarding how the health care industry manages personal health information.
- C It's good business to protect consumers' healthcare information.
- C Failure to secure Protected Health Information (PHI) may result in significant penalties. Organizations can face risks ranging from poor customer service, bad publicity or litigation.
- C The penalties associated with violating the Privacy Standard requirements are listed below:
 - For wrongful disclosure of Protected Health Information (PHI): a fine of not more than \$50,000, or a prison term of not more than one year, or both.
 - If disclosure is under false pretenses: a fine of not more than \$100,000, or a prison term of not more than five years, or both.
 - If the offense is committed with intent to sell, transfer or use the PHI for commercial advantage, personal gain or malicious intent: a fine of not more than \$250,000, a prison term of not more than ten years, or both.

Reasons For Business Practice Opportunities

- C Implementing HIPAA provides an opportunity to analyze business practices and identify ways in which they can be made more effective by utilizing the capabilities embedded in the standard transactions for data processing.