Into (and out of) the breach: Cyber insurance to the rescue?

Tips on how to mind your profit margins

How to improve your hospital’s health with IT investments

Etiquette study points to bottom-line problems
Into (and out of) the breach: Cyber insurance to the rescue?

The risks of data breaches are at the forefront of many hospitals’ concerns, due to the increased reliance on digital data and the potentially costly fines for violations of the HIPAA Privacy, Security and Breach Notification Rules and the HITECH Act. Increasingly, facilities are seeking to protect their bottom lines with data breach insurance. Before purchasing a policy, though, a hospital needs to weigh several considerations.

A risky environment
Major retailers Target and Neiman Marcus both made national headlines when the companies suffered major data breaches that led to the theft of consumer data. But it turns out that the health care industry is the sector most vulnerable to data breaches. The move toward digitization, the growing reliance on cloud services and the jump in the use of mobile devices have all created a less stable environment for data. Perhaps as a result, 44% of the 614 data breaches recorded in 2013 by the Identity Theft Resource Center (ITRC), a nonprofit organization that tracks data theft, occurred in the health care sector.

The Ponemon Institute’s Third Annual Benchmark Study on Patient Privacy & Data Security backs up this figure. It found that 94% of health care organizations surveyed had suffered at least one data breach over the previous two years, and 45% reported having had more than five incidents in that time. Such breaches can come with a huge price tag. Ponemon estimates that the average cost of data breaches for the health care organizations surveyed was $2.4 million over a two-year period.

The ITRC noted that a possible reason for the health care industry’s high incident numbers is that the sector is subject to mandatory breach reporting to the Department of Health and Human Services (HHS) for all incidents above 500 records. HHS’s final HIPAA omnibus rule also strengthened the government’s enforcement powers, amplifying the risk to hospitals from data breaches.

Breach insurance considerations
Not surprisingly, interest in data breach insurance (also known as cyber liability or cyber risk insurance) has climbed among health care organizations. The insurance commonly offers three main areas of coverage: regulatory fines and penalties, lawsuits, and response costs (for example, forensic analysis, notification and public relations). While the general coverage areas are similar across policies, facilities must be mindful of some significant differences.

For example, different policies may have different approaches to the use of vendors in the response process. Hospitals need to know in advance if the insurer will provide the necessary services itself or dictate the vendors that a hospital uses to respond to
a breach — or whether the facility can use its own vendors or internal resources.

Understanding the specifics of a policy’s response coverage is critical. Will the policy cover all response costs or only certain costs? A standard policy, for example, might include coverage for credit monitoring, while identity theft monitoring may be more appropriate for the health care arena.

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Of course, securing the desired response coverage will affect premiums and sublimits. It’s important that hospitals negotiate sublimits for each coverage area, rather than just an overall limit. In addition to the limits and sublimits, an insured’s existing security and privacy controls and its revenues (which usually correlate with the number of medical records) will affect premium rates.

Deductibles warrant consideration, too. A facility that suffers several small breaches every year might not ever reach a $2 million deductible, meaning all of the related costs would be paid out of pocket (and on top of the premiums).

**Not just for the big guys**

Data breach insurance isn’t only advisable for larger health care organizations. Smaller hospitals can have vast numbers of records and may actually be easier targets for hackers. Your financial advisor can help you determine the right coverage for you.

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**How do breaches occur?**

The Ponemon Institute’s *Third Annual Benchmark Study on Patient Privacy & Data Security* looked into the root cause of health care organizations’ data breaches. It found that the primary source of breaches was a lost or stolen computing device (46%), which is often attributed to employee carelessness. Although desktops were the most often compromised or stolen device, this figure has declined (from 43% in 2011 to 38% in 2012), while the numbers of compromised or stolen smartphones and tablets have increased.

Employee mistakes or unintentional actions (42%) and third-party snafus (42%) were also behind many breaches. Criminal attacks increased from 20% in 2010 to 33% in 2012.

Among other suggestions, Ponemon recommends that health care organizations conduct annual privacy and security risk assessments to identify the practices that put them at risk (such as storing large amounts of confidential data or failing to institute appropriate safeguards to limit access to personal health information).
Today, many hospitals are struggling to keep their heads above water, what with new mandates under the Affordable Care Act and the ongoing slashes in Medicare payments and state Medicaid cuts. If your facility is just treading water, you need to employ strategies that can help you stay solvent. Here are some tips that can assist you.

**Readmission rates**
When a hospital patient is readmitted for treatment, additional potentially unreimbursed costs are incurred. In addition, it can draw the attention of private and public payers and make the patients unhappy. To reduce readmissions, target patients who are at a high risk — for example, those with cardiology conditions, the elderly and those with few financial resources.

Your facility should also offer individualized patient education and medication reconciliation, schedule follow-up appointments with community physicians and provide postdischarge check-in for high-risk patients. Early care management and discharge planning are also critical. And, perhaps most important, require frequent communication across the care team.

**Populations at risk**
Implementing a population health management (PHM) program can help your hospital identify populations at risk for both medical and psychosocial issues. The program should engage patients in a variety of strategies that will enable them to take charge of their health.

After analyzing the population and the segments in its service area, apply a tailored PHM program that focuses on lifestyle, demand for care, disease, catastrophic care and disability to meet the specific needs of each group. This will help you optimize resource allocation and clinical outcomes.

**From one hand to another**
Traditionally, the operating room (OR) makes money while the emergency room (ER) loses it. But there’s profit to be made by upgrading the functioning in both areas. A formal program can help match roughly three-quarters of uninsured patients entering the ER with a publicly funded payer. This should be a priority because, once enrolled, patients may be more willing to seek preventive care.

New technologies make possible a new generation of smart ORs. State-of-the-art equipment is digitally integrated so that a patient’s information is at the surgeon’s fingertips. He or she has access to diagnostic equipment found in interventional radiology suites and cath labs. Such arrangements can help your facility validate procedures before the case is completed. Moreover, you’ll have shorter procedure timeframes that will allow greater efficiency and less stress. And most important, there will be greater patient satisfaction with the reduced likelihood of follow-up surgeries.

**Tend to your service lines**
Adding new service lines can not only increase your hospital’s market share, but also increase profits. But you must research your facility’s demographics to determine which service lines are in short supply, what the offerings are.
With revenues dropping and expenses climbing, some facilities may resist the idea of making costly investments in IT. But such short-term vision can have negative consequences in today’s competitive market. In fact, smart IT investments can prove critical to a hospital’s long-term survival.

Benefits of health care IT
Health care reform forces are clearly pushing toward the automation and standardization of health care data. When it comes to how to accomplish these objectives, facilities have a choice between doing the bare minimum required for compliance and investing in best-practice IT. While the upfront costs can seem daunting, hospitals must recognize the many benefits to be gained over the long run.

Monitor the costs of supplies
Supply costs usually are the second largest expense item in a hospital’s budget. To keep them under control, you must involve the suppliers and be assertive with vendors. By doing so, you’ll likely enjoy both price discounts and better contract terms.

If the facility’s purchase volume is large enough, most vendors will be open to negotiating for supplies. At the other end of the supply chain, encourage physicians who recommend and use the supplies to be more price-sensitive. And hospital management and physicians should create a formal supply plan for every department.

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Be aggressive with outsourcing
Most facilities contract with third parties to perform services such as laundry operations, housekeeping, facility maintenance, and some clinical and biomedical functions. Other areas that you should consider outsourcing are medical coding, IT operations and even some ER activities.

The benefits include access to more sophisticated technology and professional management of the outsourced activities. Plus, you’ll minimize capital expenditures. But there are potential problems, such as faulty communications between the hospital and the contractors, and delayed response to changes in demand for the outsourced services. So closely monitor any hospital-contractor relationship you establish.

Going forward
If you want your hospital to thrive financially, it’s essential that you mind your profit margins. Because this article just skimmed the surface, make sure you work with a qualified financial advisor. He or she can help you determine whether your profit margins are healthy.
Technology platforms can lower operating costs by:

- Minimizing the amount of paperwork (and related storage costs),
- Reducing the number of unnecessary or duplicative (and possibly unreimbursable) treatments,
- Slashing the risk of adverse drug events and medical errors, and
- Facilitating better health outcomes while simultaneously cutting waste and administrative costs.

Health care IT also helps a facility optimize its use of labor, thereby reducing costs, and improve revenue cycle management.

**Tips for smart IT investments**

To make the most of an IT investment, consider the following:

**Interoperability.** It’s easy to get sucked in by the bells and whistles of a new population management system or disease registry, but a hospital is unlikely to achieve the expected gains if the new system isn’t interoperable with existing systems. Don’t take a vendor’s word for it when it comes to system integration — insist on a demonstration.

**Data ownership.** Many facilities are turning to third parties to warehouse their data, but that can backfire when a hospital decides to use a different vendor or bring data storage in-house. The facility could end up on the hook for a large payment to get back its own data. Data storage contracts, therefore, should make clear that the hospital owns the data and can recover it anytime (with reasonable notice) at no charge.

**Planning.** A new IT project is no small undertaking. Advance planning is essential and must address a range of considerations, from clinical workflows and medical practices and guidelines to IT architecture and standards.

Proper planning requires input from all affected parties, including senior administrators, physicians and other clinicians. The latter parties will likely need to change their behavior after implementation, and involving them from the beginning can help ensure buy-in. These individuals can also take on the role of process “champions” to improve the odds of acceptance and adoption by the physician community.

Phased-in implementation. Most of the IT implementation horror stories involve contemporaneous rollouts of multiple components. A better solution is to take a phased-in approach that allows project leaders to leverage lessons learned as they go along. A slower, systematic rollout is almost always preferable to releasing an all-or-nothing juggernaut. Just ask the developers behind the federal health insurance exchange.

**Use it or lose it**

Even an ostensibly successful IT implementation won’t make the most of an investment if a hospital doesn’t make the most of the available data. It’s critical that the data be used both on a real-time basis in clinical environments and for mining purposes to refine operations and medical practices.
As outcome-based reimbursement becomes more prevalent, patient satisfaction will have a greater effect on a hospital’s finances. However, a recent study points to potential patient dissatisfaction based on doctors’ lack of etiquette practices.

**Interns fall down on the job**
A study published in the *Journal of Hospital Medicine* looked at 29 internal medicine interns at Johns Hopkins Hospital and the University of Maryland Medical Center for three weeks. Researchers witnessed 732 in-patient encounters and recorded whether the interns employed five strategies known as “etiquette-based communication.” Those strategies are introducing themselves, explaining their role in the patients’ care, touching the patients (whether by physical exam, handshake or gentle, caring touch), asking open-ended questions (for example, “How are you feeling today?”) and sitting down with the patients.

Interns touched their patients during 65% of visits and asked open-ended questions 75% of the time. Yet they introduced themselves only 40% of the time and were only slightly more likely to introduce themselves to patients during their first encounter than a later one. The interns explained their role only 37% of the time and sat down during only 9% of visits. Interns performed all five of the recommended behaviors during just 4% of the patient encounters.

Interestingly, the interns’ self-assessments of their performance were way off the mark. In a follow-up study six months after the observational research, nine of the 10 Johns Hopkins doctors were asked how often they believe they used the five behaviors. The interns estimated that they introduced themselves and explained their role 80% of the time and that they sat down with patients 58% of the time.

**Consequences of poor etiquette**
One of the lead researchers noted that follow-up care can suffer due to the lack of good physician-patient communications. Without establishing personal rapport with a patient, a physician risks readmission because the patient failed to follow treatment advice.

Moreover, many parts of the ongoing health care reform efforts require better communication with patients. For example, the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) measures the quality of physician-patient interactions and plays a role in reimbursement. Patient relations are also part of the Hospital Readmissions Reduction Program and are essential to successful accountable care organizations. And, in an environment where patients are often responsible for a greater portion of their costs, positive patient relations can build loyalty and lead to repeat visits and prompt payment.

**There’s hope**
The researchers suggest hospitals can improve communications (and, in turn, patient satisfaction) by taking simple steps such as providing chairs and photos of the care team in patient rooms and including lessons on etiquette-based communication in the curriculum. They also stress the importance of senior doctors modeling the desired behaviors for interns.