



Welcome to Berry, Dunn, McNeil & Parker's Public Sector Consulting newsletter. The articles in this edition address important topics including:

- An update on the Health Insurance Portability and Accountability Act (HIPAA)
- A timely article on Business Continuity Planning
- Trends and a short case study on Geographic Information Systems (GIS)

Successful managers, whether in private enterprise or the public sector, need to understand current trends and issues. Public sector organizations must seek to enhance the return on taxpayer funding for business and IT initiatives more than ever before given the current fiscal environment.

In our role as advisors, we bring technology, business, and industry expertise to bear. Our goal is to provide objective and independent consulting services to help our clients achieve their business objectives. The articles in this newsletter have been written by the staff in our Consulting Group. We believe the information is relevant and timely. I encourage you to contact us with any questions. We would be pleased to discuss these and other technology and management matters you may have.

Tim Masse, Principal
Berry, Dunn, McNeil & Parker
Public Sector Practice Leader

HIPAA COMPLIANT-NOW WHAT? By: Eduardo Daranyi

This is the first installment of a two-part article discussing the implications of HIPAA (Health Insurance Portability and Accountability Act) and its implementation. In the next issue we look at sanctions for non-compliance.

Organizations that handle Protected Health Information (PHI) know about the potential financial and criminal penalties for non-compliance with the Health Insurance Portability and Accountability Act's (HIPAA) three major rules: Transactions and Code Sets, Privacy, and Security. Whether or not these organizations are in or out of compliance, they may be questioning the HIPAA process to date:

- What are the benefits so far from this Act intended to provide "administrative simplification"?
- How many have been penalized for non-compliance?
- Now that HIPAA policies and procedures are implemented, what happens next?

DID ORGANIZATIONS BENEFIT FROM HIPAA?

The impetus for HIPAA was administrative simplification; HIPAA set out to standardize electronic health-related transaction data sets, thus making health information more "portable". Increased portability also translated into new strict and costly privacy and security rules.

1 According to an April 2005 report by the BCBSA, which represents 40 independent plans, collectively providing healthcare coverage for 91,000,000 members (nearly 1 in every 3 Americans).

2 National Committee on Vital Health Statistics (NCVHS), Administrative Simplification in Healthcare: January 2004 - April 2005, Seventh Annual Report to Congress on the Implementation of the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act (September 8, 2005).

The Blue Cross Blue Shield Association (BCBSA) reported that its HIPAA compliance costs were 10 times higher than original U.S. Department of Health and Human Services estimates. On average, HIPAA compliance cost each of their plans \$10 million,¹ or \$400 million total to implement HIPAA. Additionally, it reported that provider costs were three times higher than the original estimate.

On top of that, both BCBSA and the National Committee on Vital Health Statistics (NCVHS) believe that there will be a real return on investment only when "providers engage in the full suite of HIPAA transactions."² Transaction compliance has focused mainly on claims (835 transaction code sets), which will not be sufficient to meet the forecasted efficiencies. Thus, at the present moment, it appears that the benefit from compliance is not increased efficiency (and financial return), but rather an avoidance of monetary sanctions for non-compliance.

In the next issue of the Berry Dunn Public Sector Advisor, we will look at non-compliance research and recommended steps for improvement.

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UPDATED YOUR BUSINESS CONTINUITY PLAN LATELY?

By: Laurel Harris



Much of what you know about business continuity planning is unchanged, but it is likely your recovery strategy needs to be updated in order to take advantage of more cost effective recovery products and services.

What is unchanged:

1. The goal of business continuity planning is to protect critical business processes and minimize unplanned downtime.

2. Two key factors should drive your recovery strategy:

Recovery Time Objective (RTO):

How long can you afford to be without a business process?

Recovery Point Objective (RPO):

How much work can you afford to recreate (i.e., work that was lost and cannot be recovered) once the process has been reinitiated?

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Business Continuity Plan, Cont'd.

3. The shorter your RTO and the smaller your RPO, the more expensive a recovery solution is likely to be.

What has changed is the number, variety and cost of recovery products and services and the way companies are approaching their recovery strategies.

In preparing for Y2K, many companies adopted a one-size-fits-all approach to developing their recovery strategy. They selected a single solution to satisfy their shortest recovery time and recovery point objectives. While this approach addressed the time constraints imposed by the calendar, it does not currently represent the most cost effective strategy to protect critical business processes.

Selecting the appropriate strategy involves balancing the cost of a solution against the business impact of a disruption to a critical business function or process. In other words, the cost of the recovery solution should not be greater than the loss sustained in the event of a disaster. One size, one technology or one method of recovery doesn't fit all processes. The best approach leverages a variety of recovery solutions in order to optimize availability at the lowest possible cost.

To begin refining your recovery strategy, complete a business impact analysis (BIA). This process analyzes all business functions and the effect that a specific disaster may have upon them. This is done by estimating the type or scope of difficulty caused to an organization should a disruption to a business function or process actually occur. The BIA should quantify, where possible, the loss impact from both a business interruption (number of days) and a financial standpoint.

This analysis will likely uncover that the recovery time and point objectives for your business processes fall into different timeframes. For example, some processes and applications will be more tolerant to outage than others. There may also be those for which tolerance is extremely low and ensuring high availability is mandated. This is especially true for government services where health and safety are at risk. The cost of maintaining high availability will be significantly higher than the cost of recovering processes that can tolerate a longer outage.

The tiered approach is a standardized approach within the business continuity industry. An approach to recovery is often described as falling into one of eight tiers numbered from 0 to 7. For example, a "Tier 0" approach assumes no pre-planning or preparation. It involves no backup hardware, no off-site storage of data and no contingency plan. This approach costs nothing, but the length of recovery time in this instance is unpredictable. In fact, it may not be possible to recover at all. By contrast, "Tier 7" includes characteristics and components of lower tiers with the additional integration of automation. Recovery of the applications is

automated, allowing for restoration of systems and applications much more quickly and reliably than would be possible through manual disaster recovery procedures.

In summary, as you review your recovery strategy with an eye to update it, consider a tiered approach that identifies the most cost effective solution for each critical function in your operation.

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PUTTING THINGS IN PERSPECTIVE: ENTERPRISE GIS (PART 1 OF A 2 PART ARTICLE)

By: David Houle



GIS (Geographic Information Systems) has evolved from an ancillary digital mapping tool to an application, which can now be integrated with other data sources to create a baseline of spatial information across the spectrum of local government services. Often called "mapping software," GIS links attributes and characteristics of an area to its geographic location. It is used in a variety of applications, including exploration, demographics, dispatching, tracking and map making. Using satellites and aerial photography, the U.S. Geological Survey and other organizations have developed digital maps of most of the world. Unlike paper maps, digital maps can be combined with layers of information to help solve business problems. Much of the work being done today by leaders in the field is migrating towards enterprise GIS applications that help an organization make daily business decisions.

The technology has long been held in high esteem by government planning departments big and small, but until recently aggregating and distributing data in a manner that could be used in a web-based environment by non-technical users was not feasible. The technical challenges of making GIS available to users across the enterprise have been addressed by new technologies that provide access to GIS systems over the Internet or an organization's Intranet site.

Key challenges arise as GIS becomes more utilized. For example, if your organization shares data across multiple departments, who owns that data? Do you want Public Works to have access to your data if you are in Economic Development? In the end, like any other project, in order to make enterprise GIS work you need clearly defined goals, executive sponsorship, proper

governance, and established data ownership models. The following example illustrates the present and the future potential of embracing an enterprise GIS strategy.

MUNICIPAL GIS IMPLEMENTATION

The City of Saco, Maine first embraced GIS in preparation for new Governmental Accounting Standards Board (GASB 34) requirements that change the way local governments manage their infrastructure, assets and facilities. Saco implemented GASB 34 requirements for the fiscal year ended June 30, 2001 in its Comprehensive Annual Financial Report (CAFR). The City implemented GASB 34 a year ahead of the first required deadline. Saco was one of only 200 state and local governments to have fully implemented the requirements of GASB 34 at the time.

Since this initial implementation about five years ago, Saco has seen expanded usage across government operations. The City began planning for compliance early, not only to improve the city's financial position, but also to forge better relationships among departments and build the foundation for citywide GIS, thereby increasing operational efficiency and improving service delivery. Saco used a GIS-based asset management system to emphasize long-term operations and maintenance goals. Before the city could proceed with its GIS plans, it needed permission for the project. Finance and public works staff met several times with city council members to educate them about the new mandate and explain the potential benefits (e.g., maps, increased efficiencies, and improved bond ratings).

THE PAYOFF

Shortly after its GASB 34 implementation, two national agencies upgraded Saco's bond rating. This change was made in part due to the city's proactive fiscal management demonstrated by its early implementation. The bond upgrades saved Saco 20 basis points when the city issued a school improvement bond, amounting to about \$2 million in savings to its citizens over 20 years. Saco's efforts laid the foundation for a citywide GIS approach, supported a new partnership between the finance and public works departments, and provided leverage for a successful federal grant application. Many municipal, state, and quasi-government agencies are looking to find ways that their own GIS initiatives can pay off in a similar fashion.

In our next issue of the Public Sector Advisor, Part 2 of this article highlights a second case study, demonstrating successful use of GIS.

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