Vendor Security Framework and Contract Considerations

Item 6 – Group Insurance Board

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Informational Item Only

- No Board action is required.

Background

- Requirement for SOC-2, Type II issued by Board in November 2023.
- Further review of Board contracts and other ETF programs raised questions and additional considerations.
- November motion suspended in May 2024, pending alternatives.

Privacy and Information Protection

State Level Requirements

- Wis. Stat. § 40.07: Individual Personal Information (IPI / PII), and Medical Record information
- Wis. Stat. § 134.98: Notice of Unauthorized Acquisition of Personal Information (Non-HIPAA breaches)

Federal Level

- Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule: Protected Health Information

(Ref. GIB | 08.14.24 | 6, page 2-3)

HIPAA-Covered Board Programs

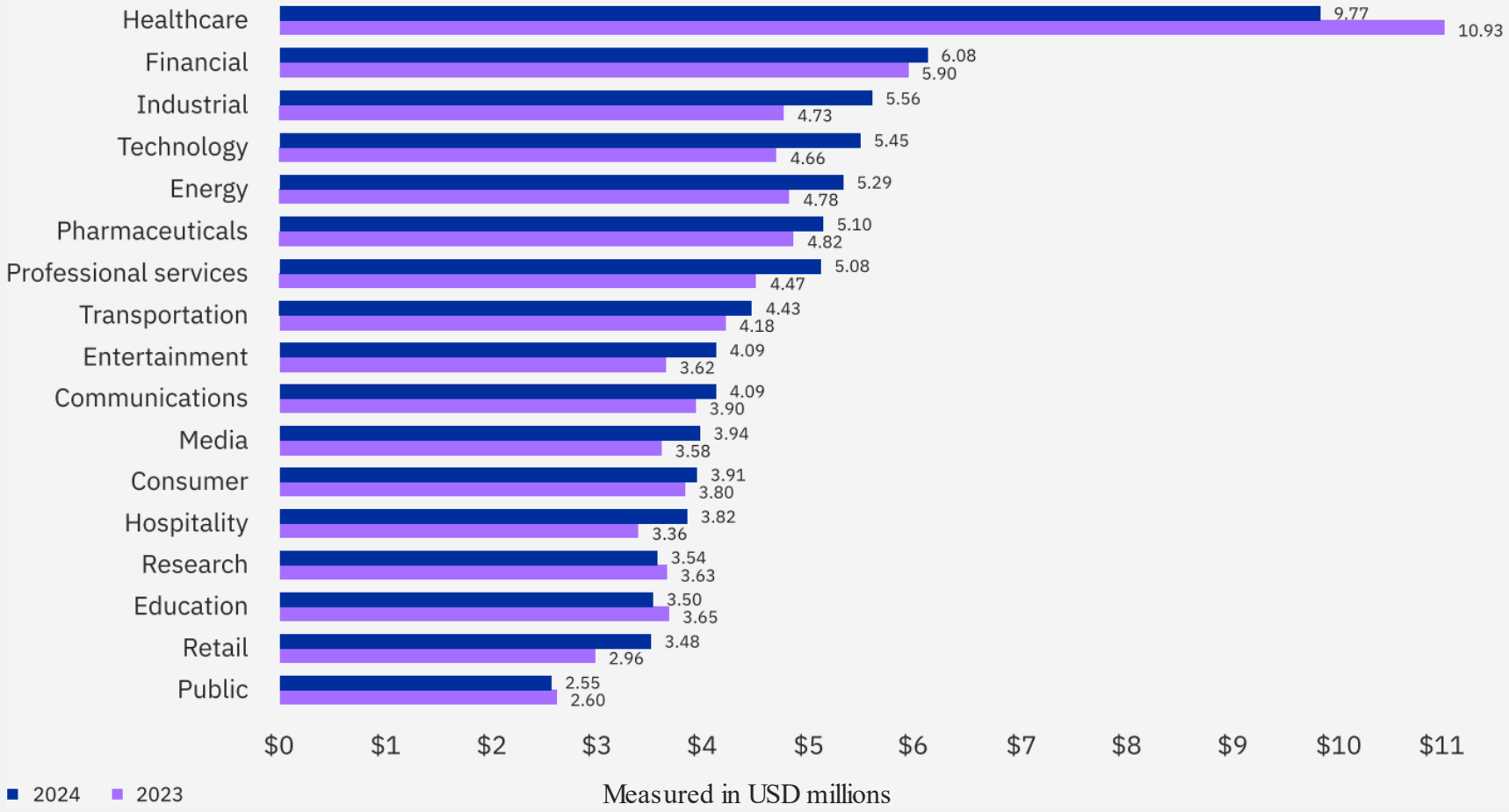
GIB Benefit Program/Area	HIPAA-Covered
State/Local Group Health Insurance Plan	Yes
Pharmacy Benefits	Yes
Wellness Program	Yes
Dental Insurance (Self-Insured)	Yes
Health Savings Accounts	Yes
Health Reimbursement Accounts/FSA	Yes
DAISI Data Warehouse	Yes
Long Term Care Insurance (Employee Pay-All)	Yes*

GIB Benefit Program/Area	HIPAA-Covered
Vision Insurance (Employee Pay-All)	Yes*
Dental (Employee Pay-All)	Yes*
Board Actuaries	Yes
Accident Insurance (Employee Pay-All)	No
Long Term Disability Insurance	No
Income Continuation Insurance	No
Group Life Insurance	No

* ETF provides no PHI, but administrator itself is regulated by HIPAA

(Ref. GIB | 08.14.24 | 6, page 3-4)

Cost of Breaches by Industry



"Healthcare topped industry costs, again. The average breach cost for healthcare fell 10.6%, to USD 9.77 million. But that factor wasn't enough to remove it from the top costliest industry for breaches—a spot it's held since 2011. Healthcare remains a target for attackers since the industry often suffers from existing technologies and is highly vulnerable to disruption, which can put patient safety at stake."

Source: *IBM Cost of Data Breach Annual Report.* (July 2024).

Vendor Risk Management Framework

ETF assessment built on National Institute of Standards and Technology (NIST) standards.

Framework assesses risk profile of a vendor across cyber security functions.

Vendors will provide a report to demonstrate control effectiveness.

In some cases, SOC-2, Type II may meet the highest level of control reporting.

Other reports approved on a case-by-case basis.

(Ref. GIB | 08.14.24 | 6, page 4)

Post-Framework Risk Scoring

ETF will provide a risk-based score based on the provided report.

Three risk levels: low, medium, and high

Risk levels of existing Board vendors will be shared each November.

Risk levels of new/potential vendors will be shared when recommendations are made to the Board.

(Ref. GIB | 08.14.24 | 6, page 4-5)

Vendors Unable to Report

If a vendor cannot provide a report, ETF will attempt to negotiate alternatives.

If unable to negotiate alternatives, ETF will bring the Board options, considering:

- Necessity of contracting with the specific vendor
- Financial risks to the program with/without vendor
- Reputational risks with/without vendor
- Options to mitigate risks

(Ref. GIB | 08.14.24 | 6, page 5)

Vendors with Medium/High Risk Scores

- ETF will report to Board each November on all vendors.
- Medium or High-risk scores due to findings will require a corrective action plan.
- ETF will report on corrective action plans periodically as appropriate, depending upon progress.

(Ref. GIB | 08.14.24 | 6, page 5)

Application of Framework

- Framework applied to all vendors, not just those affiliated with GIB.
- All vendors will be reviewed versus framework by December 2025.
- ETF will negotiate any needed reporting changes at next contract renewal.
- For in-progress procurements:
  - Comprehensive SOC-2, Type II will typically meet the reporting required.
  - Addendum issued to allow “alternative independent service auditor reports,” which will be evaluated for sufficiency versus the framework.

(Ref. GIB | 08.14.24 | 6, page 5)

Questions?