According to sociologists, government regulation should lead to organizational uniformity across an industry. The U.S. health care system is highly regulated (and increasingly so) but also highly variable in organization, delivery, and outcomes. Regulation is typically mandatory, but so-called voluntary regulation is also increasing. A major focus of recent regulation in health care is the privacy of electronic health information. The two Health Insurance Portability and Accountability Act (HIPAA) information rules—the mandatory Privacy Rule and the voluntary (in 2003) Security Rule—triggered hospitals to make changes in technology as well as in organizational structures and strategies.

We analyzed data from the 2003 Health Information and Management System Society Analytics Database on 3,321 nonfederal (i.e., not Veterans Administration hospitals), acute-care (i.e., not rehabilitation or long-term care facilities) hospitals with 50 or more beds regarding their compliance (100% compliance or not) with the HIPAA Privacy and Security Rules. We conducted cross-sectional logistic regression analyses to predict the likelihood of compliance with each rule by hospital strategies, profit status, market conditions, and institutional factors. We also looked at the interaction of profit status with two organizational strategies: dedicated compliance officer and external consultants.

**KEY FINDINGS**

- Hospitals were much more likely to be in compliance with the mandatory HIPAA Privacy Rule in 2003 than the voluntary Security Rule.
- Nearly half of hospitals appointed a dedicated compliance officer, which was associated with increased Privacy Rule compliance, but decreased Security Rule compliance.
- Though about one third of both for-profit and nonprofit hospitals pursued the strategy of hiring external consultants, the consultants increased compliance with the Privacy Rule in for-profit hospitals only; they decreased Privacy Rule compliance in nonprofit hospitals.
- Compliance at peer hospitals in a local market increased the likelihood of a given hospital’s compliance with the HIPAA Privacy and Security Rules.