HIPAA

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The Basics of HIPAA for Clinicians, Healthcare Executives and Trustees, Compliance Officers, Privacy Officers and Legal Counsel

HIPAA

- Introduction to HIPAA
- Primer on Electronic Commerce (EC)
- Primer on Financial EC
- Healthcare EC & HIPAA
- Security
- Privacy
- Transaction Sets
- Your Ecommerce Strategy

What is H I P A A About?

- HIPAA is all about Standards!

- Standards for automating the business process of Claims Administration

- Standards for the security and confidentiality of Health Information

Administrative Simplification

Healthcare Insurance Portability and Accountability Act

Privacy   Security

Administrative Simplification

• New England Journal of Medicine article claims 19-24% of US Healthcare Costs are Administrative.

• Private Sector Response - the Bush Administration and WEDI.

1993 WEDI Recommendations

• **To automate the claims process will require:**

- **Standards for key Employer-Health Plan data exchanges.**
- **Standards for key Payer-Provider data exchanges.**
- **Uniform Code Sets**
- **National Identifiers**
    - **Patient**
    - **Provider**
    - **Payer**
    - **Employer**

1993 WEDI Recommendations

- **National Guidelines to preempt state standards**
  - Signatures
  - Security

- **The Clinton Reform Initiative incorporated many of the WEDI recommendations with some embellishments.**

- **Support for Administrative Simplification survived the death of the Clinton Healthcare Reform Initiative**

Privacy

The "leak" of the HIV Positive Diagnosis led to an alarmed public and a series of hearings on Privacy.

• Bipartisan consensus on administrative simplification found its expression in HIPAA legislation of 1996. WEDI recommendations were incorporated with additional requirements related to Privacy.

Who Has to Comply?

Organization	Directly Affected	Indirectly Affected
All qualified health plans, ERISA, Medicare, Medicaid	✓	
Healthcare clearinghouses	✓	
Providers	✓	
Employers		✓

Monetary Penalty	Term of Imprisonment	Offense
$100	N/A	Single violation of a provision
Up to $25,000	N/A	Multiple violations of an identical requirement or prohibition made during a calendar year
Up to $50,000	Up to one year	Wrongful disclosure of individually identifiable health information
Up to $100,000	Up to five years	Wrongful disclosure of individually identifiable health information committed under false pretenses
Up to $250,000	Up to 10 years	Wrongful disclosure of individually identifiable health information committed under false pretenses with intent to sell, transfer, or use for commercial advantage, personal gain, or malicious harm

Failure to implement transaction sets can result in fines up to $225,000 per year ($25,000 per requirement, times nine transactions)

Failure to implement privacy and security measures can result in jail time

1996-2000 Waiting for Rules

- **NCVHS**
  - **DHHS charged NCVHS to hold hearings on:**
    - Transaction Standards
    - Code Sets
    - Identifiers
- **Security and Privacy Proposed Rules**
  - **Security Guideline 8/98**
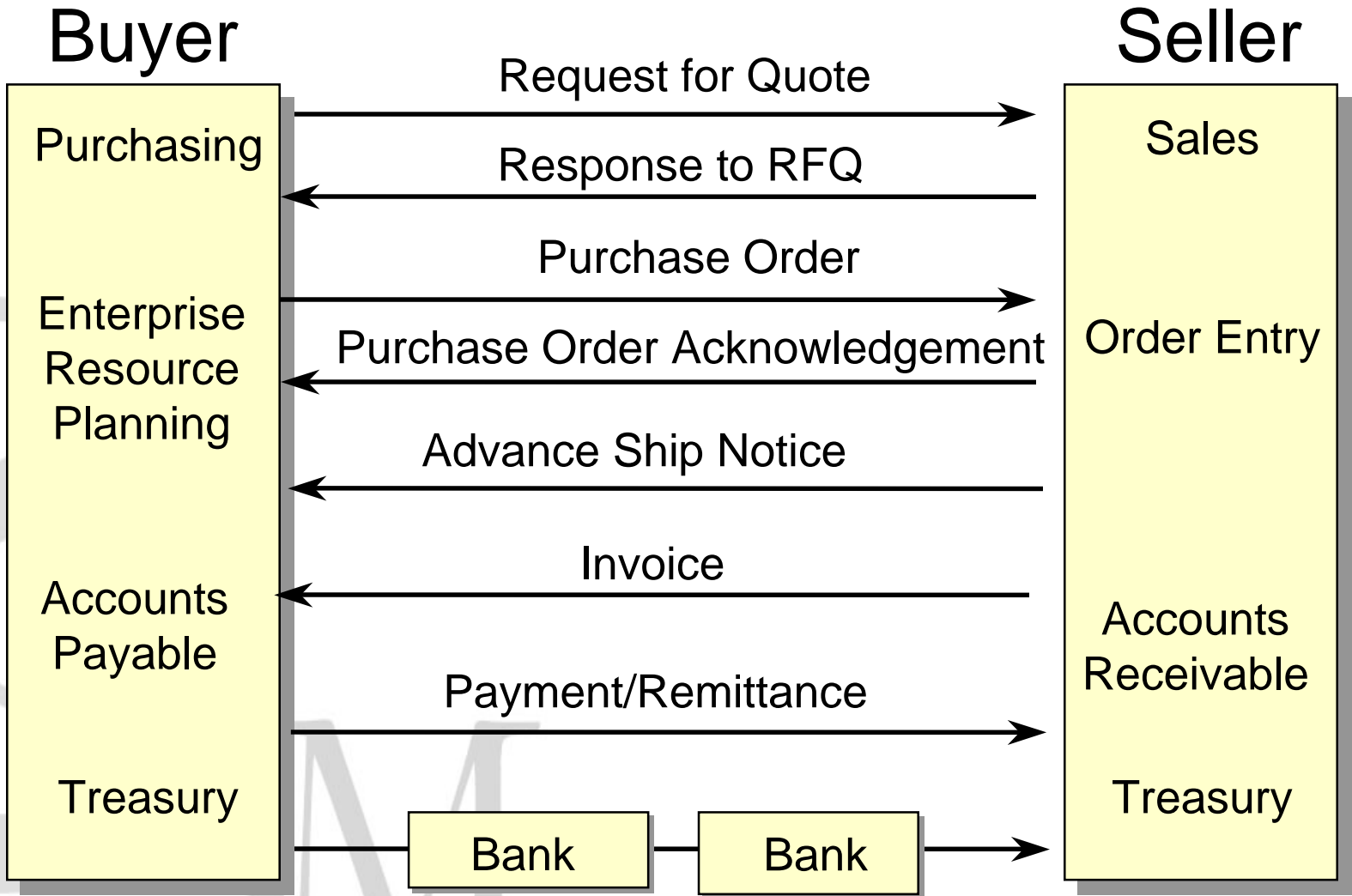 - **Privacy Proposed Rule 11/99**

Eliminating Paperwork

- **70% of all computer input is output from other computers!**

- **HIPAA only makes sense in the context of a 30 year effort by Corporate America to eliminate paperwork.**
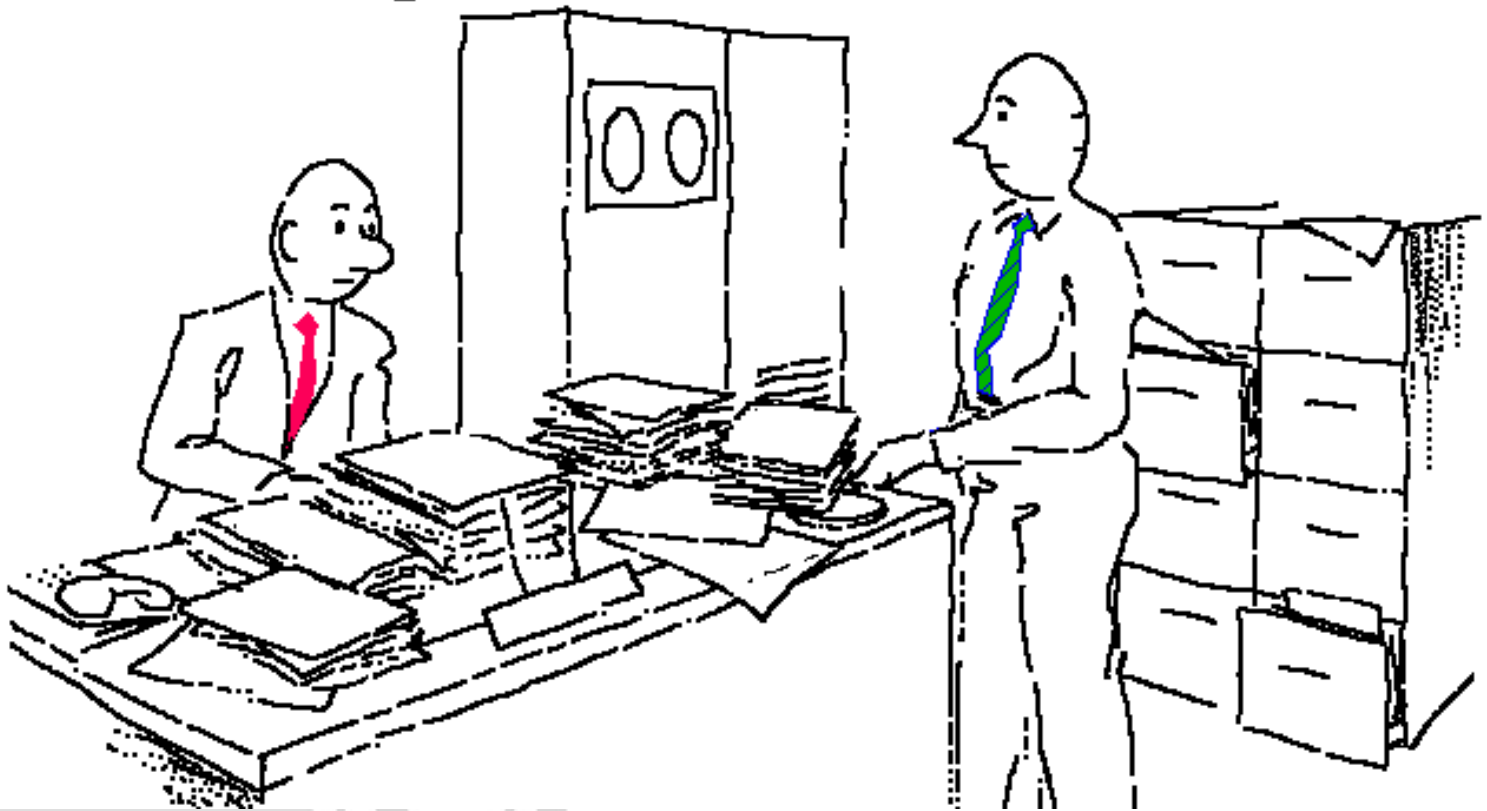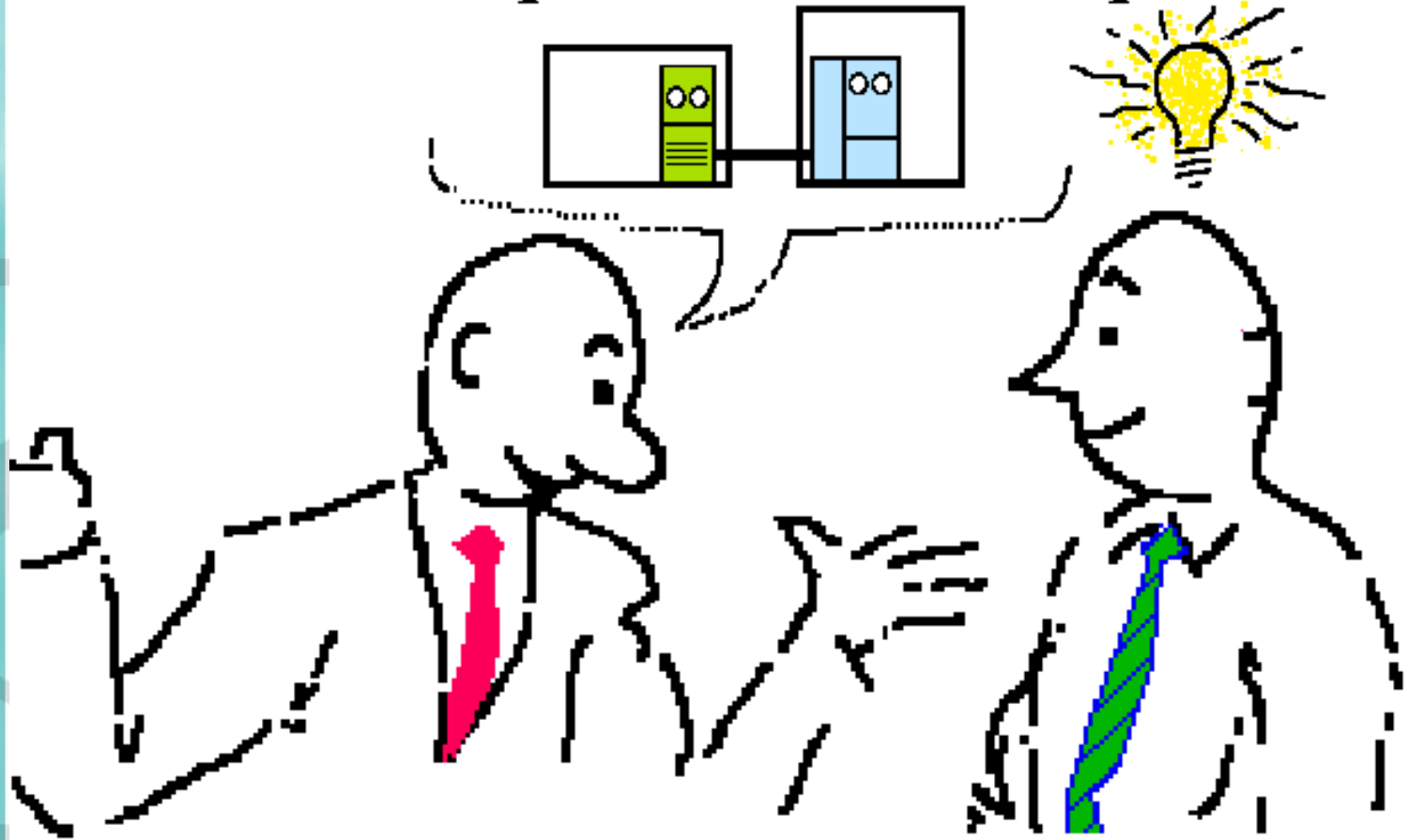
The Purchase Process

Buyer

Seller

Buyer		Seller
Purchasing	Request for Quote →	**Sales**
	← Response to RFQ	
Enterprise Resource Planning	Purchase Order →	**Order Entry**
	← Purchase Order Acknowledgement	
	← Advance Ship Notice	
Accounts Payable	← Invoice	**Accounts Receivable**
	Payment/Remittance →	
Treasury	Bank — Bank →	**Treasury**

The computer was supposed to help...
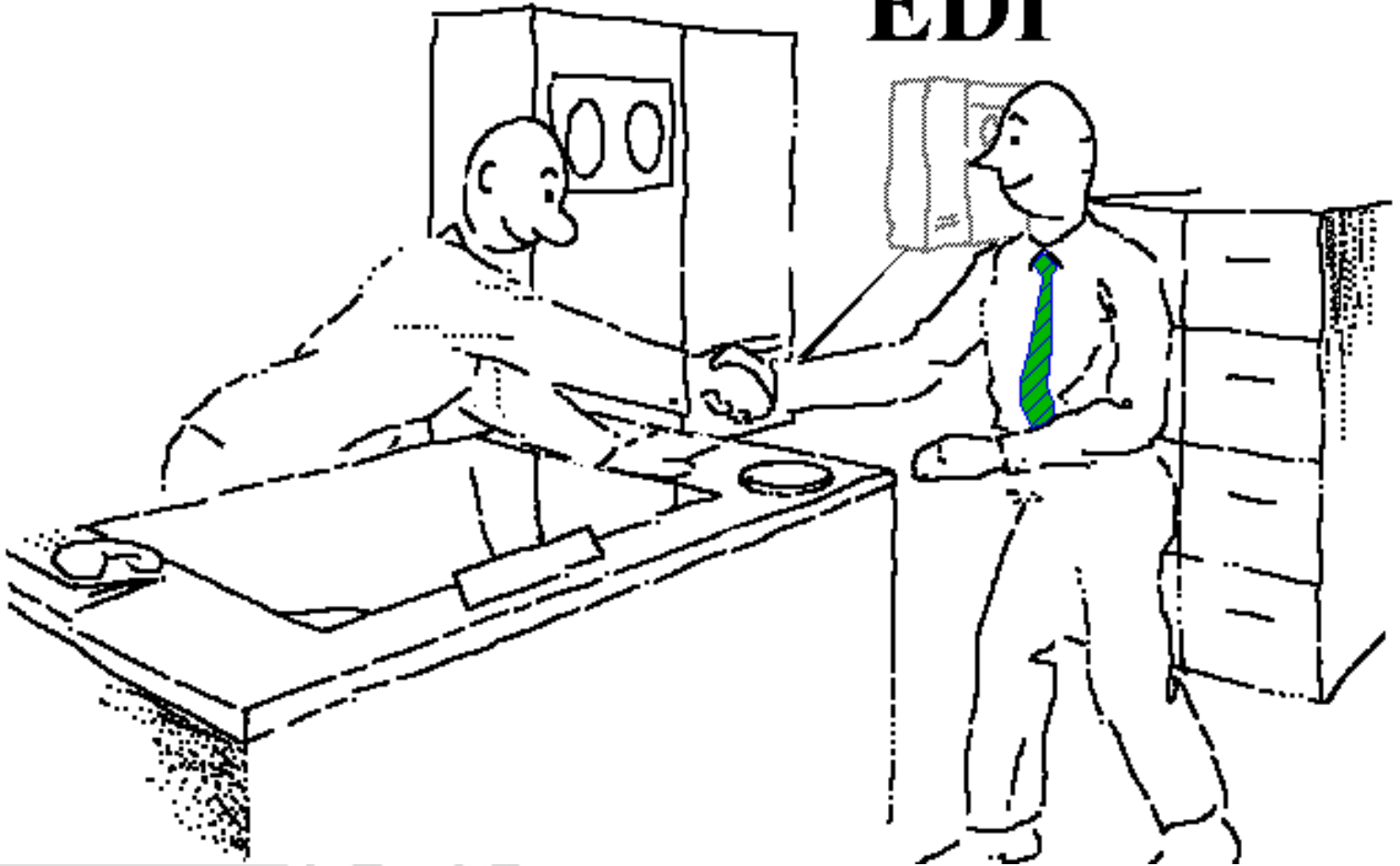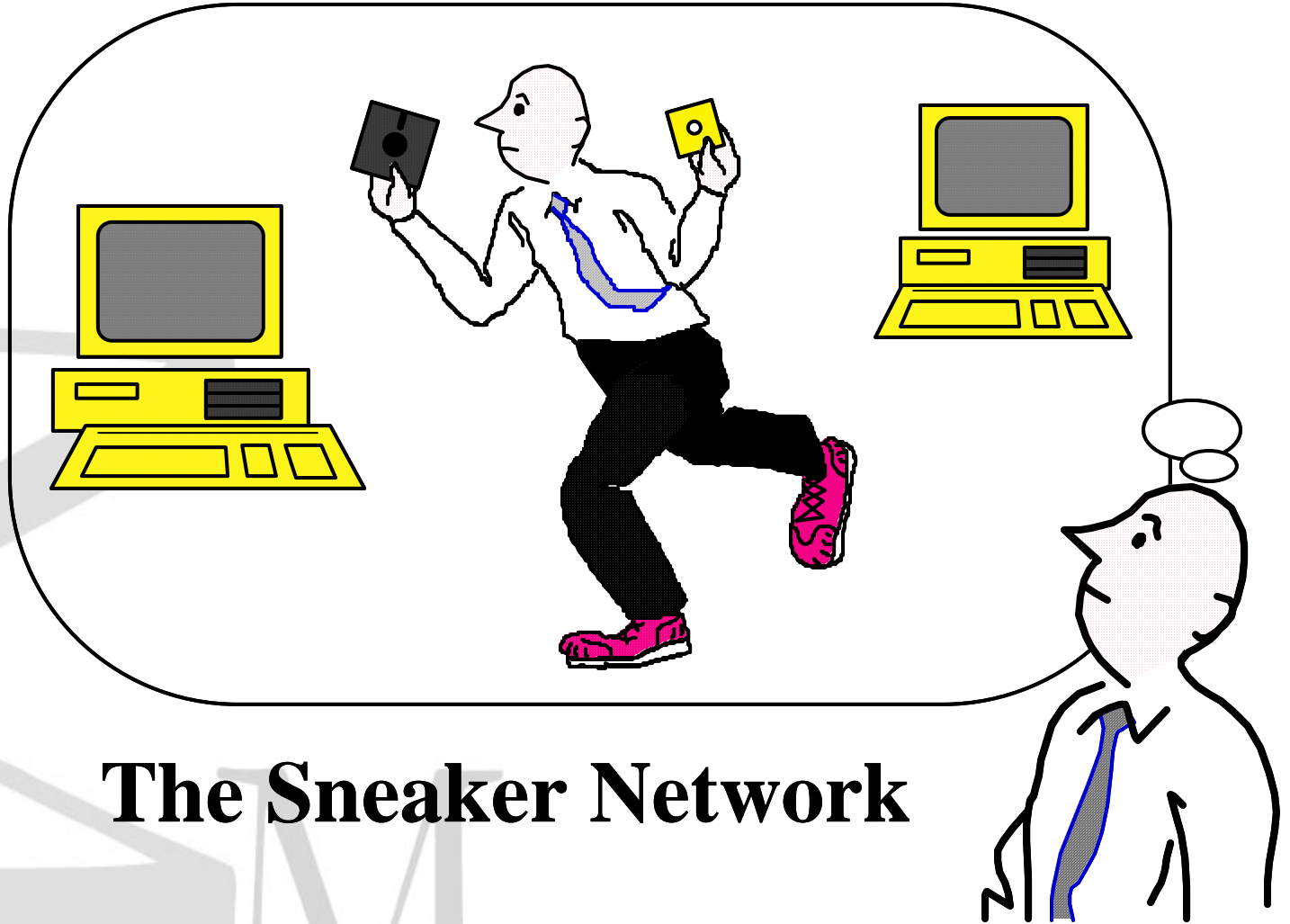
EDI

What Took So Long?

- **Primitive networks.**
- **Lack of electronic format standards.**
- **Expensive hardware and software.**
- **Lack of consensus among trading partners.**
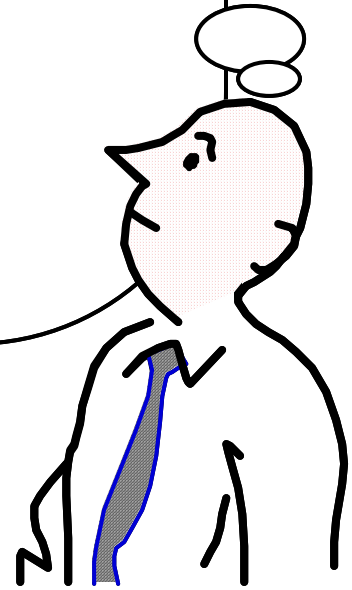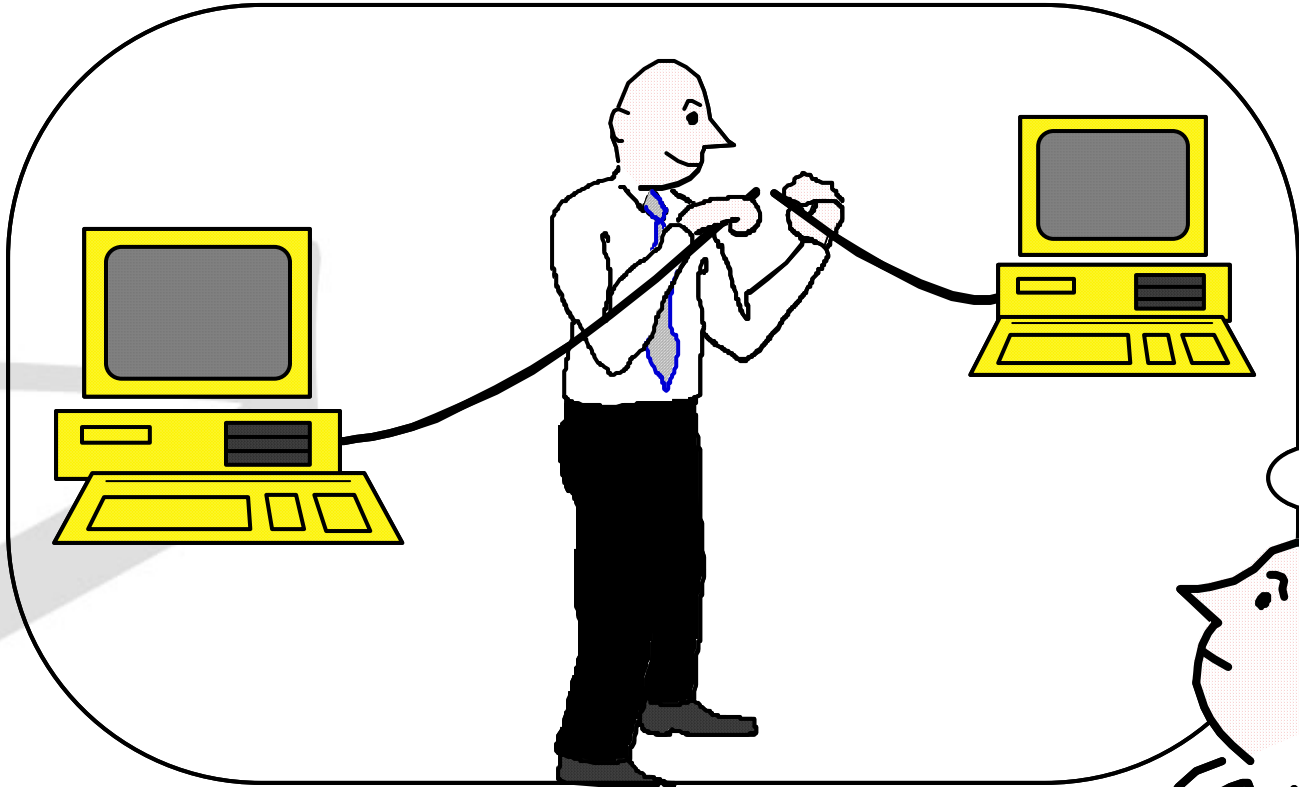
Network Development

- LAN
- WAN
- VAN
- Internet

The Sneaker Network

The Local Area Network
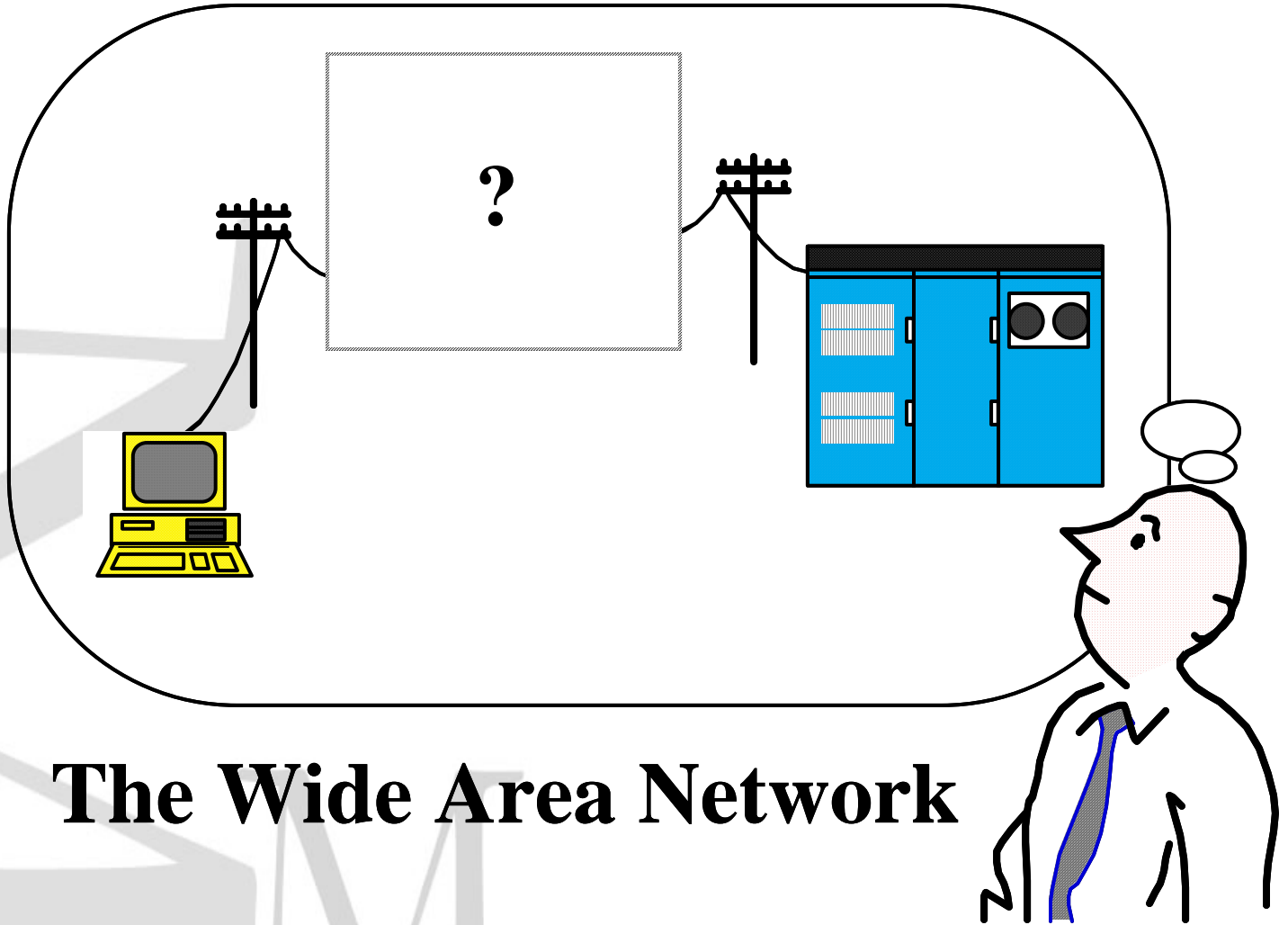
The Wide Area Network

The Electronic Post Office
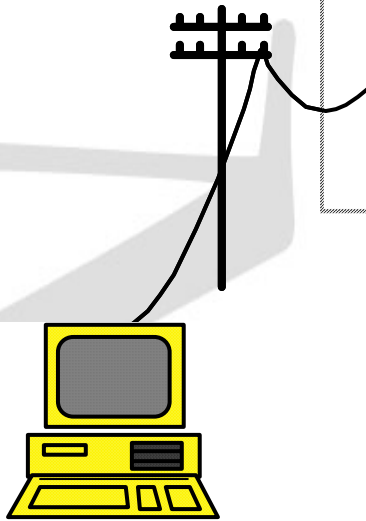
Box 123

Electronic Mail Boxes

The Electronic Post Office

Box 123

Box 456
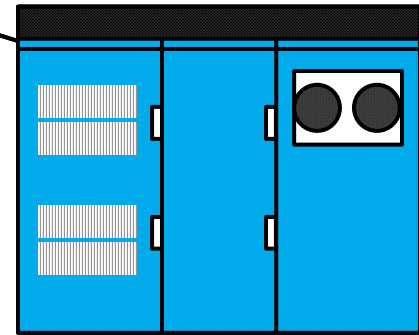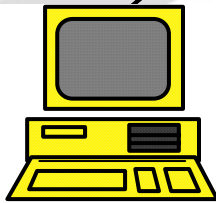
... And Other Mail Boxes

Value Added Networks

- VAN's offer store and forward mail box services.
- Operated by GEIS, IBM (Advantis), AT&T,MCI and others.
- VANs support numerous communications interfaces, security, 24 hour support and an audit trail.

The Internet

- A Public Packet Network that looks free!
  - But there is no support, no security, no audit trail.

Despite shortcomings, the Internet and its protocols appear to be the dominant network of the future.

Let's Define Our Terms

- **Electronic Data Interchange:**
  - **The exchange of computer-processable data in a standardized format between two enterprises.**

- **Electronic Commerce:**
  - **Any use of a variety of technologies that eliminate paper and substitute electronic alternatives for data collection and exchange. Options include Interactive Voice Response, Fax, Email, Imaging, Swipe Cards and multiple Web-based Internet tools.**

EDI and EC: A Place for Both

- **EDI**
  - Standards-based data exchange - the foundation of quality transaction processing.
  - System to system exchanges of highly *structured* data.

- **Electronic Commerce:**
  - Multiple ways to communicate unstructured data.
  - People-to-system or people-to-people exchanges.

Is Getting Paid Important?

- **Banks are involved with two HIPAA transactions, claims payments and premium payments.**

- **Banking industry networks are secure, widely used and as familiar as direct deposit of payroll and social security payments.**

- **Electronic Funds Transfer (EFT) is the transfer of value through the banking system.**

Trade Payments…

… transfer value from payer to payee and provides the remittance information need to relieve the receivable account of the payee.

EDI Payments…

… are Trade Payments that
- transfer value using EFT
- exchange remittance detail via EDI

Dollars and Data

- Should dollars and data be kept together?

- Patient Account Managers and Credit Managers ask "who and why"
- Cash Managers ask "How much and when"

Originator's Bank

Receiver's Bank

$

Payer

Provider
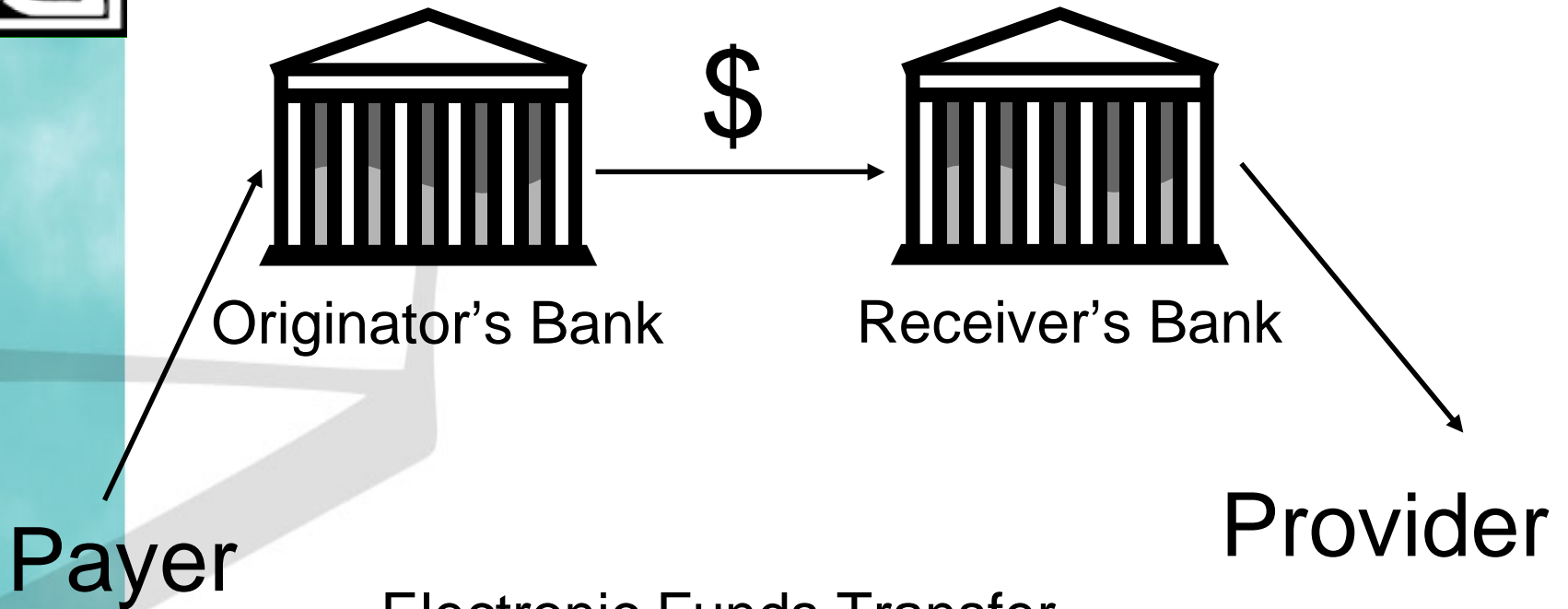
Electronic Funds Transfer between banks which includes remittance information in an "electronic envelope".

Originator's Bank   Receiver's Bank

$

Payer   Provider
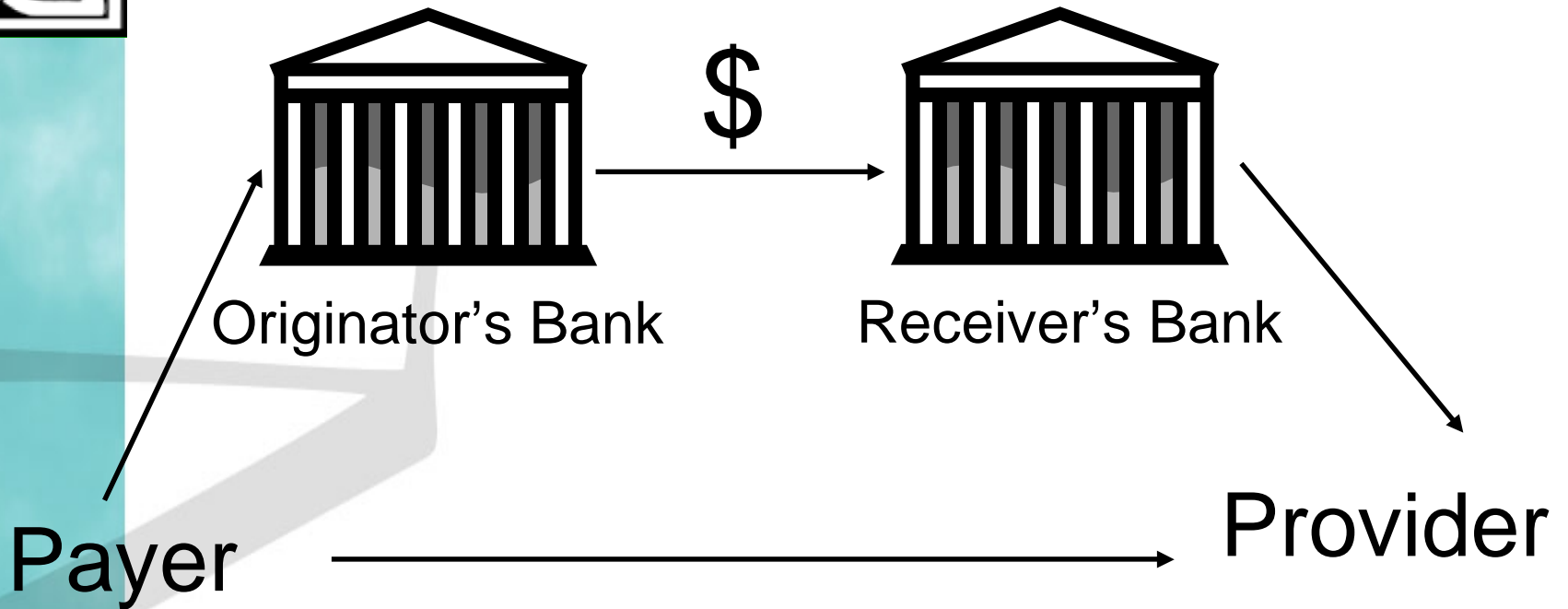
Electronic Funds Transfer
between banks.

Electronic Remittance Data sent
via non-financial network.

Funds Transfer Systems

- Fedwire
- Automated Clearinghouse

Automated Clearinghouse

- The Funds Transfer System of Choice for Electronic Trade Payments.

- Formats include:
  - CCD
  - CCD+Addendum
  - CTX

Fedwire vs ACH

- Fedwire
  - Immediate funds transfer.
  - Limited data carrying capability.
  - Expensive to send and receive.
- ACH

  - Good funds arrive the day after payment origination.

  - Extensive Data carrying capability in CTX.

  - Inexpensive to send and receive.

Eliminating Paperwork

- **Format Standards**

- **EDI Management Software**

What Standards?

- **What is ANSI?**
  - American National Standards Institute
  - Since 1917 the only source of American National Standards

- **What is ASC X12**
  - Accredited Standards Committee X12, chartered in 1979
  - Responsible for cross-industry standards for electronic documents

We are used to standard forms.

We need to obtain information
from the equivalent of an electronic
standard form.

Standard Forms and Standard Formats
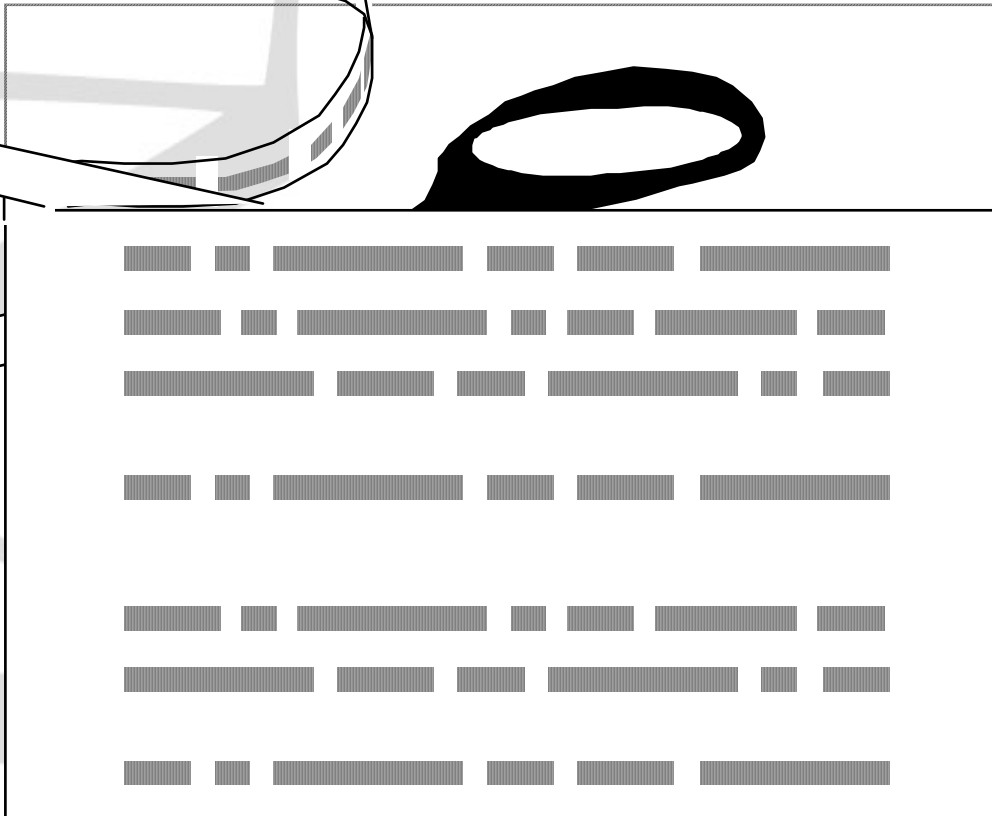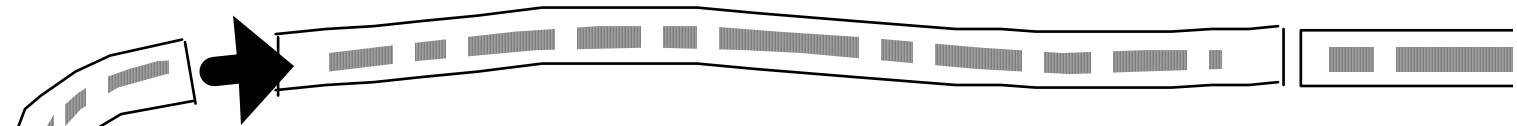
EDI Standard/Document

Standard Paper Forms
=Transaction Sets

Invoice (810)
Purchase Order (850)
Healthcare Claim (837)

EDI Standard/Document

Formats Use Standard Segments
Segments=Lines or Boxes on Forms

Name (N1)
Address Information (N3)
Reference Number (REF)
Date/Time Reference (DTM)

EDI Standard/Document

Table 1 Header Area
Table 2 Detail Area

EDI Standard/Document

Data Elements

Individual Name   Name, Last   Middle Initial

NM1*1*P2*Clinton*Hilary*R~

Person   Insured   Name, First
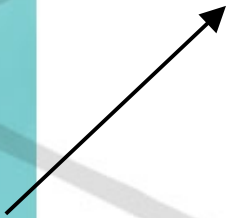
EDI Standard/Document

Data Elements

Segment Name

Segment Terminator

NM1*1*P2*Clinton*Hilary*R~

Segment Delimiter

The Purchase Process

Buyer

Seller

Buyer		Seller
Purchasing	Request for Quote (840) →	**Sales**
	← Response to RFQ (843)	
Material Resource Planning	Purchase Order (850) →	**Order Entry**
	← PO Acknowledgement (855)	
	← Ship Notice/Manifest (856)	
Accounts Payable	← Invoice (810)	**Accounts Receivable**
Treasury	Payment/Remittance (820) →	**Treasury**

Bank — Bank →
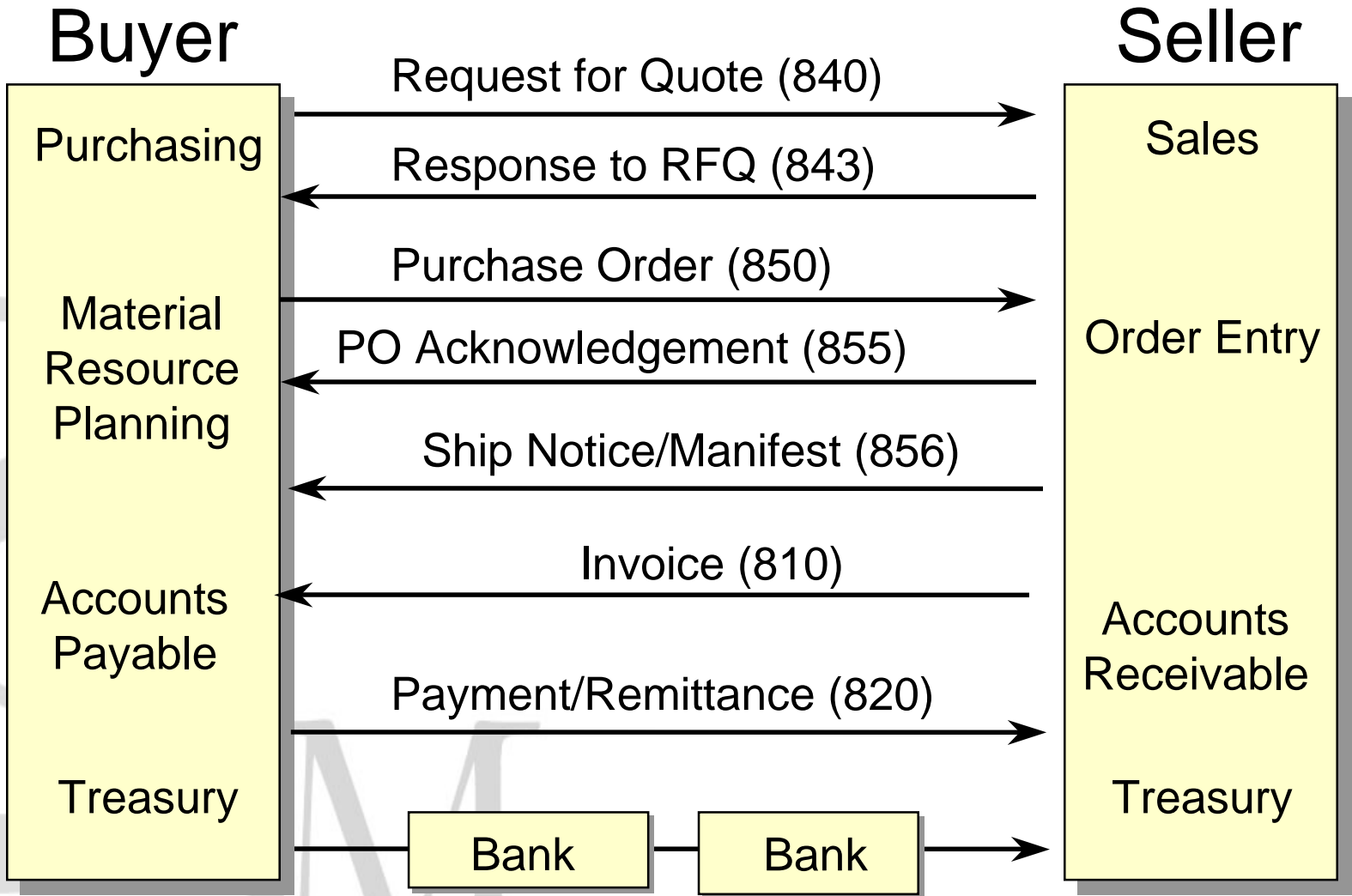
Translators

EDI Management Software
- Translation
- Trading Partner Profiles
- Interchange Control
- Mapping

How Does EDI Work?

EDI is the exchange of standardized data between two organizations without human intervention.

Buyers Material Management System

Sellers Order Entry System

Mapping & Translation to ANSI ASC X12 Standard

Mapping & Translation from ANSI ASC X12 Standard

Printout Hardcopy

```
ST*850*0001^BEG*00*SA*XX-1234*1
9980301*AE123^PER*BD*EDSMITH*TE
*800-123-4567^TAX*53249765*SP*C
A*********9^FOB*NETWORK*DALLAS TX
^ITD*01*3*5*****46**30^N1*
ST*ABC ...
...
98898*UN...EA...GT*MG*
XYZ-1234*PPD*...^N4...LAW^M
EA*PD*WT*10*OZ^PO1*2*75*EA*6.95
*CT*MG*L905-123^PID*F****PLIERS
8" - VENDOR...EA*PO*IV*8*IN
^PO1*3*48*EA*3*CT*MG*R5656-2*BP
*AB123-2^PID*F**** METEL RULER
- MACHINIST^PO4*PD*LN*LI*IN^FOB
*CC*PL*TOON TOWN***SE*LOADIN
G DOCK^SCH*24*EA*106*19980515^S
CH*24*EA*106*19980615^CTT*3*AMT
*TT*902.75*C^SE*23*0001
```

Field Name	X12
Value Added Network	
PO Number	BEG03
Line Item	PO101
Qty Ordered	PO102
Unit of Measure	PO103
Unit Price	PO104
Buyer's P/N	PO107
Vendor's P/N	PO109
Delivery Qty	SCH01
Delivery Date	SCH07

"Electronic Mailbox"

Electronic Claims Processing

Hospital Patient Accounting System

DDE → Fiscal Intermediary

Medical Group Patient Accounting System → PC

Clearinghouse → Claims Payer

Provider Patient Accounting System

?

X12 → X12

Claims Payer

Healthcare EDI/EC

- Medicare practices and procedures created today's electronic claims processes.

- Claims clearinghouses arose to meet the mapping and editing needs of providers and commercial claims payers.

- Medicaid's practices and procedures created today's electronic eligibility processes.

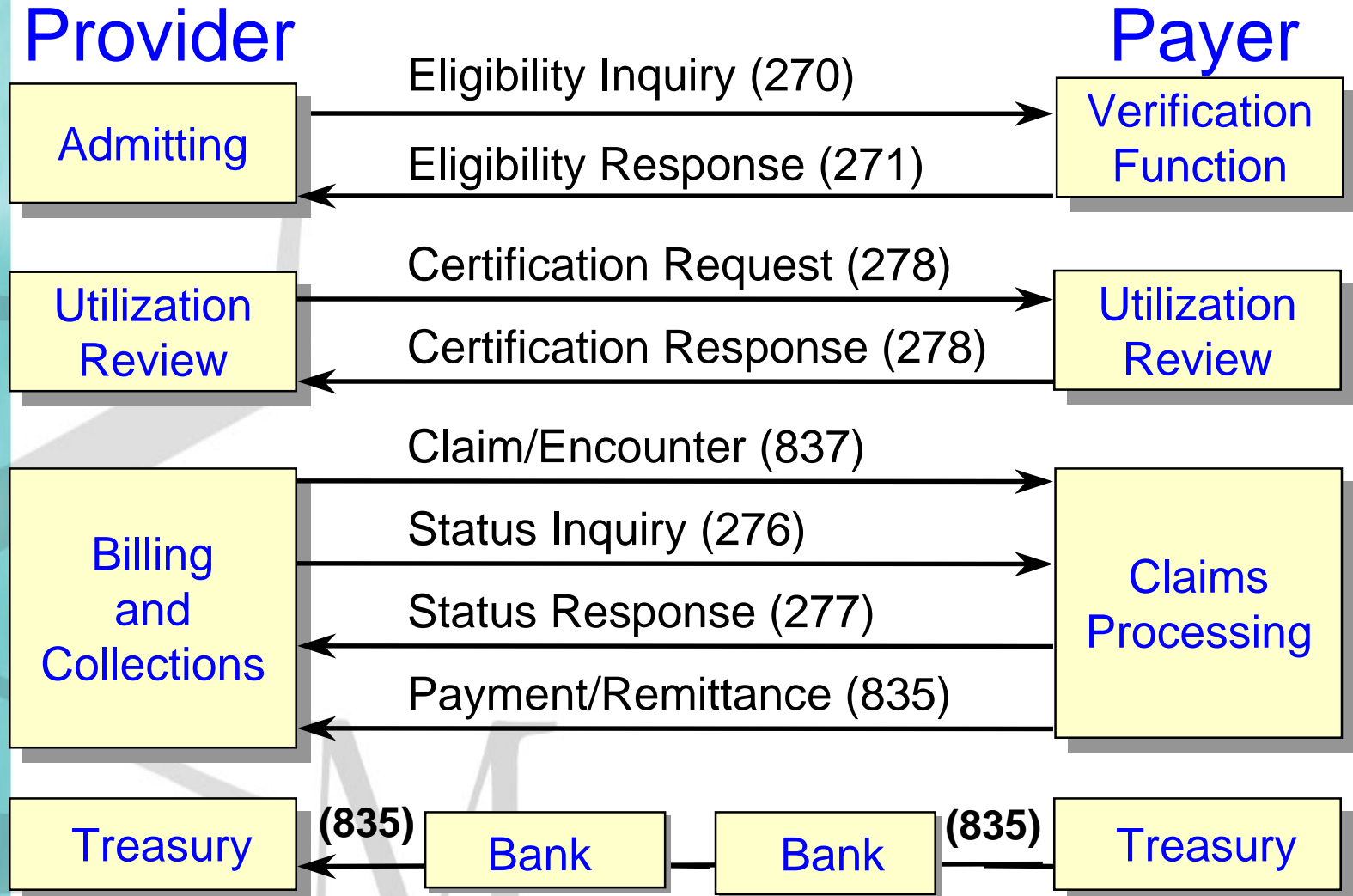# The Claims Process

Provider

Payer

Admitting	→ Eligibility Inquiry (270) → Verification Function
	← Eligibility Response (271) ←

Admitting — Eligibility Inquiry (270) → **Verification Function**

Eligibility Response (271) ←

Utilization Review — Certification Request (278) → **Utilization Review**

Certification Response (278) ←

Billing and Collections

Claim/Encounter (837) → **Claims Processing**

Status Inquiry (276) →

Status Response (277) ←

Payment/Remittance (835) ←

Treasury ← **(835)** — **Bank** — **Bank** — **(835)** — **Treasury**

1996-2000 Waiting for Rules

- **Final Rule on Transaction Sets and Code Sets 8/00. 26 months to implement.**
  - X12 and NCPDP standards chosen
  - Code sets adopted
- **Security and Privacy Proposed Rules**
  - Security Guideline 8/98
  - Privacy Proposed Rule 11/99
  - Possible Final Rules by Election???

Transaction Set Standards

- **Healthcare Claim or Encounter (837)**
- **Enrollment and Disenrollment in a Health Plan (834)**
- **Eligibility for a Health Plan (270-271)**
- **Claim Payment and Remittance Advice (835)**
- **Premium Payments (820)**
- **Healthcare Claim Status (276-277)**
- **Referral Certification and Authorization (278)**
- **Later…**
- **Healthcare Claim Attachment (275)**
- **First Report of Injury (148)**

Beyond Formats

- **Data Element Standards**
  - **Existing groups such as NUBC, ADA, NUCC continue to define data elements of a claim**

- **but…**

- **X12 and HHS determine data elements for claims status, eligibility, treatment authorization, remittance messages.**

- **Code Sets**
  - **HIPAA aims to standardize code set adoption.**
  - **NCVHS endorsed "defacto" standards ICD-9 CM, CPT-4, HCPCS, CDT-2 and NDC code sets.**

National Identifiers

- **Patient ID**
  - **No NCVHS recommendation**

- **Provider ID**
  - **HCFA-maintained Provider ID# recommended**

- **Payer ID/HealthPlan ID**
  - **HCFA-maintained database may be recommended by October 2000.**

- **Employer ID**
  - **Tax ID #**

Are You A Clearinghouse?

- **Section 160.103**

- **Health Care Clearinghouse means a public or private entity that does either of the following (Entities, including but not limited to billing services, repricing companies, community health management information systems or community health information systems, and "value-added" networks and switches are health care clearinghouses for purposes of this subchapter if they perform these functions.):**

  - Processes or facilitates the processing of information received from another entity in a nonstandard format or containing nonstandard data content into standard data elements or a standard transaction.

  - Receives a standard transaction from another entity and processes or facilitates the processing of information into nonstandard format or nonstandard data content for a receiving entity.

Are You A Health Plan?

- **Federal Register page 43247 8/12/98**

- **Health Plan includes the following, singly or in combination…**

- **c) Health Maintenance Organization as currently defined by section 2791(b) of the Public Health Service Act. Section 2791 (b) of the Public Health Service Act currently defines a "health maintenance organization" as a Federally qualified health maintenance organization, an organization recognized as such under State law, or a simlar organization regulated for solvency under State law in the same manner and to the same extent as such a health maintenance organization. These organizations may include preferred provider organizations, provider sponsored organizations, independent practice associations, competitive medical plans, exclusive providers organizations and foundations for medical care."**

Are You A Business Associate?

- Section 162-923

- **A covered entity may use a business associate, including a healthcare clearinghouse, to conduct a transaction covered by this part. If a covered entity chooses to use a business associate to conduct all or part of a transaction on behalf of the covered entity, the covered entity must require the business associate to do the following:**

  – Comply with all applicable requirements of this part

  – Require any agent or subcontractor to comply with all applicable requirements of this part.

Security

- **HCFA Internet Policy Change represented major shift for agency and presented policies for secure transactions. Security NPRM released 8/98.**

- **Providers/Payers/Employers all face significant process changes with regard to data access, vendor relationships and business processes.**

- **New keywords for all involved include Encryption, PKI, Digital Certificates.**

Are You In The "Chain of Trust"

- **"a contract entered into by two business partners in which the partners agree to electronically exchange data and protect the integrity and confidentiality of the data exchanged."**

All Transactions Required

- *With respect to health plans, a health plan is required to have the capacity to accept and/or send (either itself, or by hiring a health care clearinghouse to accept and/or send on its behalf) a standard transaction that it otherwise conducts but does not currently support electronically. For example, if a health plan pays claims electronically but historically performed enrollment and disenrollment functions in paper, the health plan must have the capacity to electronically perform enrollment and disenrollment as well as claims payment as standard transactions by the applicable compliance date of the regulation. Page 7 Final Rule: Standards for Electronic Transactions.*

Compliance Process

- The United States Sentencing Commission outlines seven minimum elements of an effective corporate compliance program as follows:
    - Written compliance policies, procedures, and standards of conduct
    - A designated compliance officer and compliance committee
    - Ongoing training for all affected personnel
    - Open lines of communication to the compliance officer and maintenance of a hot line or other anonymous method for employees to communicate complaints
    - Disciplinary guidelines to ensure that compliance standards are clearly enforced
    - Internal monitoring and auditing of compliance activity
    - Procedures to detect, respond to, and correct errors and offenses in a timely manner

Security

- **"Protected Health Information"**
  - individually identifiable that has ever been:
    - electronically transmitted
    - electronically stored
- **Administrative procedures**---documented general practices for establishing and enforcing security policies
- **Physical safeguards**---documented processes for protecting physical computer systems, buildings, and so on
- **Technical security services**---processes that protect, control, and monitor access
- **Technical security mechanisms**---mechanisms for protecting information and restricting access to data transmitted over a network

Security

- **First assign responsibility for HIPAA security compliance.**

- **Self assessment tool kits are available from multiple sources.**

- **"For the Record" published by NACI is an excellent book that was a source book for the security proposed rule.**

- **www.nchica.org sells a HIPAA Early View tool for security self-assessment.**

- **Most people and literature overemphasize the technology and underemphasize the cultural and physical aspects of security.**

Privacy

- **The Proposed Privacy rules defines " protected health information", provides guidelines for disclosure of data and policies for authorized disclosure.**

- **PHI disclosure requires authorization except for**

  – Treatment

  – Payment

  – Healthcare operations

  – Certain research (public health, law enforcement)

- **Privacy guidelines are very controversial with over 60,000 comments from both sides of the debate.**

Health Information

- **…Any information, whether oral or recorded in any form or medium.**

- **…is created or received by a healthcare provider, health plan, public health authority, employer, life insurer, school or university, or health care clearinghouse.**

- **….relates to the past, present or future physical or mental health or condition of an individual; the provision of health care to an individual;or the past, present or future payment for the provision of health care to an individual.**

Patient's Rights

- **Prominent notice of privacy practices**
- **Providers cannot condition treatment on the patient's agreement for disclosures for other purposes.**
- **Patients may**
  - Review medical records
  - Copy them
  - Request corrections or amendments
  - Receive an accounting of when their protected health information was disclosed for other purposes.

Authorization

- **Authorization Required For**
- **Disclosures not related to treatment, payment and health care operations (for other purposes).**
- **Examples**
  - Fund-raising
  - Marketing of health or non-health information
  - Disclosure by sale, rental or barter
  - To an employer for use in employment determinations
  - Research not related to treatment

Fundraising-Marketing

- **Use or disclosure for fundraising and marketing prohibited with authorization.**

  – Marketing includes health and non-health items and services

- **Distinctions between community outreach and marketing can be unclear.**

- **Example: mailing to certain medical profile patients to encourage screening and testing might be marketing in an indemnity world and preventive care in a capitated environment.**
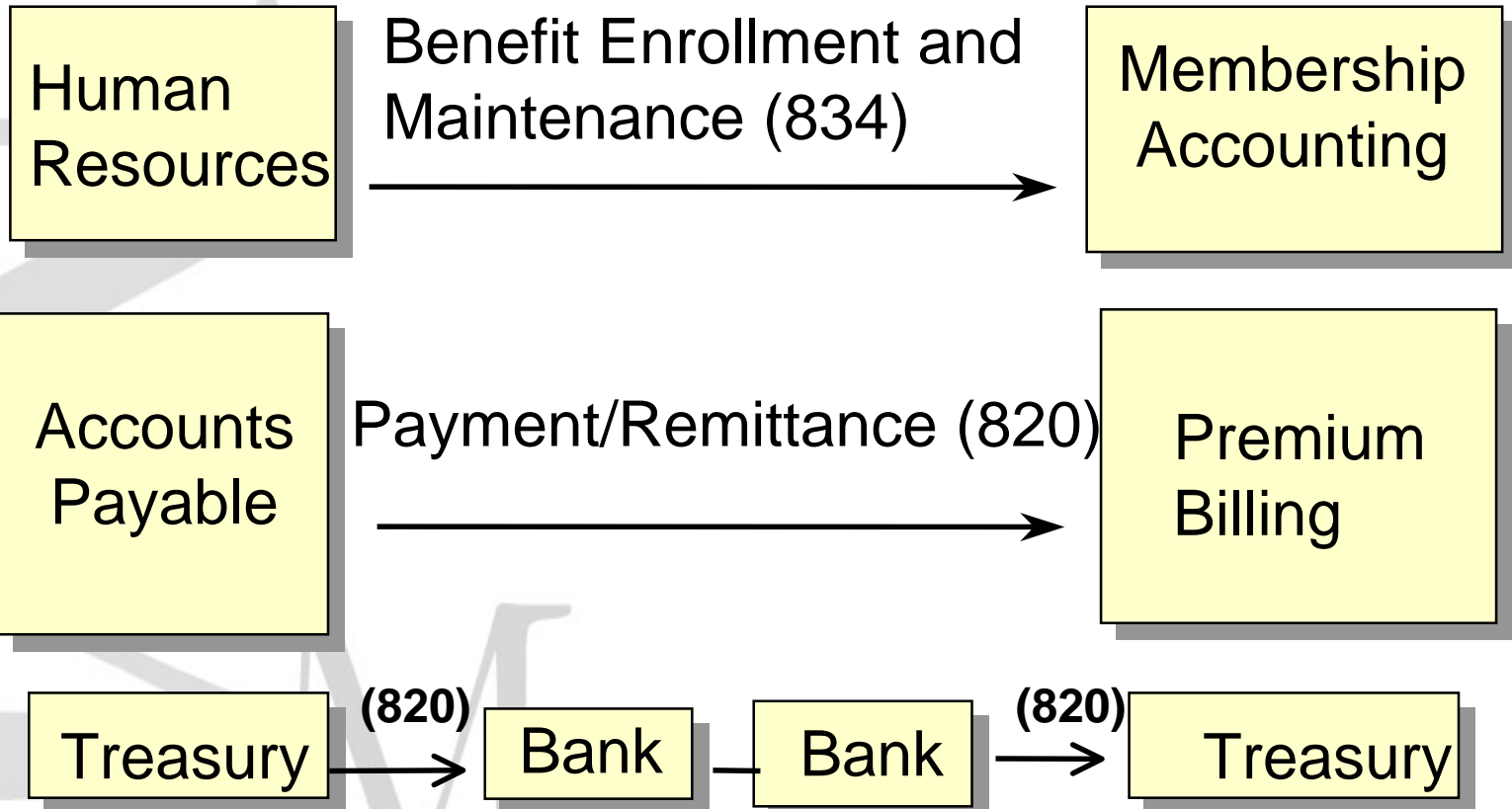
Privacy

- **First Steps**
- **Establish and document detailed policies and procedures**
- **Designate a privacy official**
- **Provide privacy training to workplace**
- **Implement safeguards against intentional or accidental misuse of data**
- **Establish a complaint mechanism**
- **Develop sanctions for workforce and business partners**
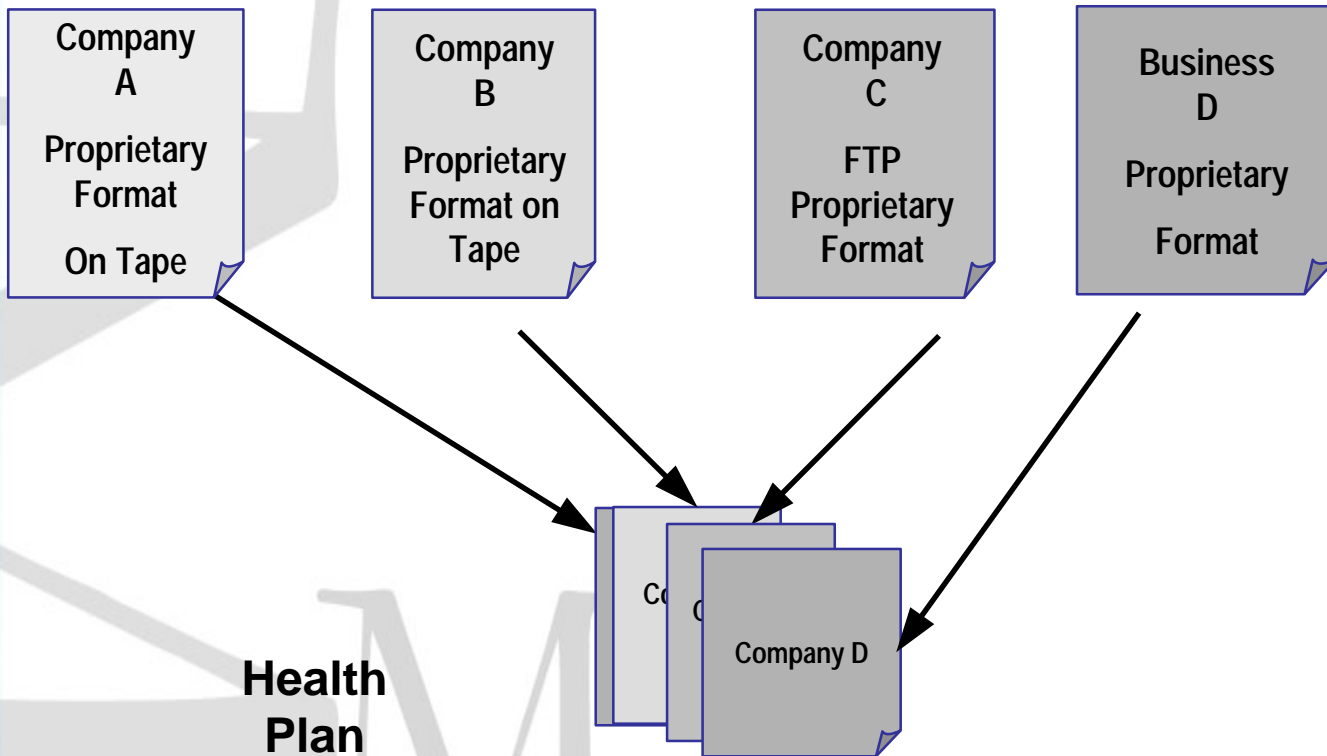
Employer/

Plan Sponsor
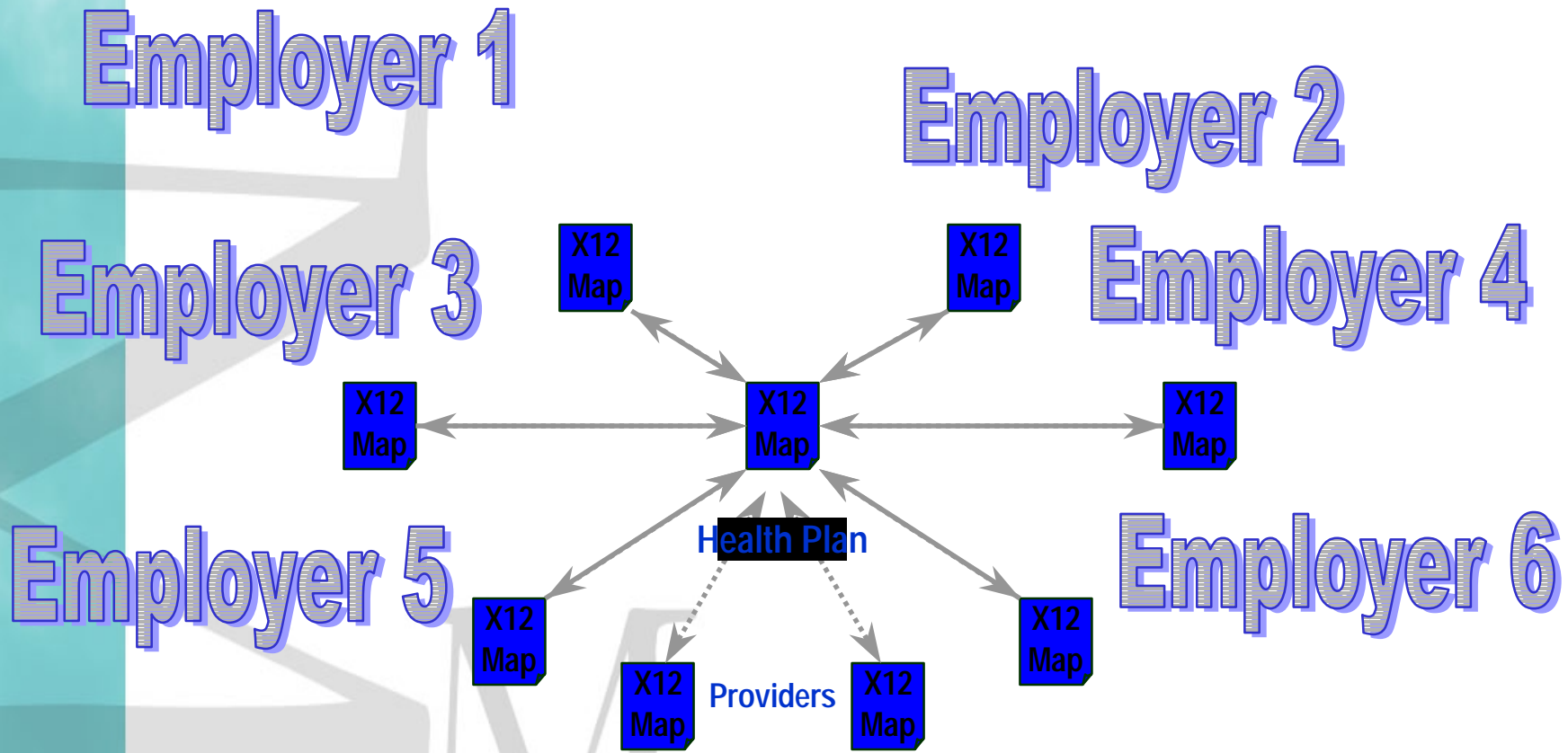
Health Plan

| Human Resources | Benefit Enrollment and Maintenance (834) → | Membership Accounting |

| Accounts Payable | Payment/Remittance (820) → | Premium Billing |

| Treasury | **(820)** → | Bank | — | Bank | **(820)** → | Treasury |

Electronic Enrollment Today

Each Employer follows the Golden Rule!

Company A
Proprietary Format
On Tape

Company B
Proprietary Format on Tape

Company C
FTP Proprietary Format

Business D
Proprietary Format

Company D

Health Plan

HIPAA-Automating Enrollment and Eligibility

Employer 1

Employer 2

Employer 3

Employer 4

Employer 5

Employer 6

X12 Map

X12 Map

X12 Map

X12 Map

X12 Map

X12 Map
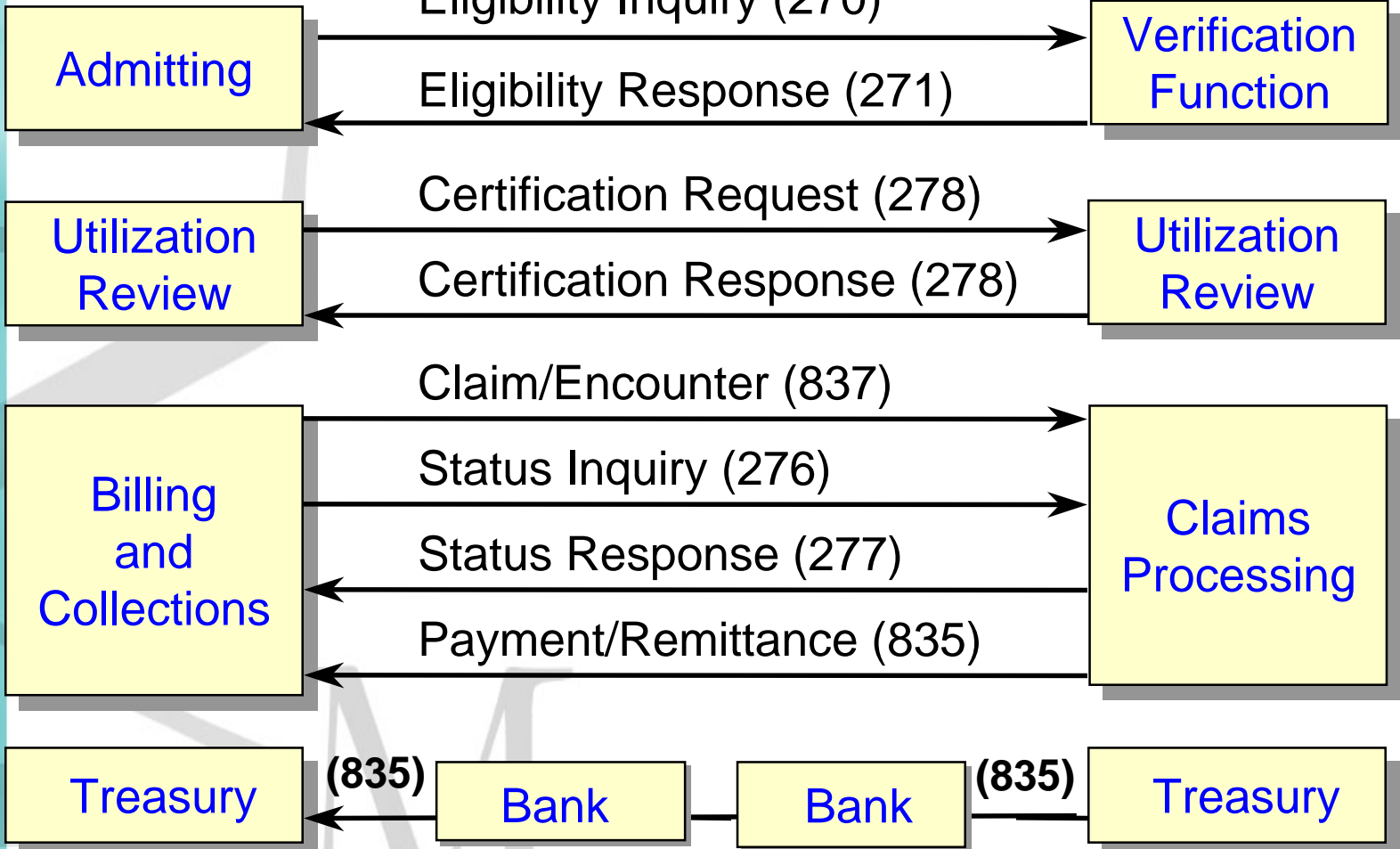
X12 Map

X12 Map

Health Plan

Providers

Employers Achieve High ROI

- **AT&T**
  - **Saved $15 million in first year of EDI enrollment.**
    - WEDI pilot in 1993
    - Substantial decrease in claims paid to ineligible claimants
- **Regents of the University of California**
  - Implemented HIPAA compliant enrollment
  - Found and corrected $1million billing error
- **Pacific Business Group on Health and MMI**
  - Led workgroup to examine and adopt X12 standards as part of CALINX initiative. CALPERS, UC System, SBC and others using HIPAA transactions.

The Claims Process

Provider

Payer

Admitting	Eligibility Inquiry (270) →	Verification Function
	← Eligibility Response (271)	

Utilization Review	Certification Request (278) →	Utilization Review
	← Certification Response (278)	

Billing and Collections	Claim/Encounter (837) →	Claims Processing
	Status Inquiry (276) →	
	← Status Response (277)	
	← Payment/Remittance (835)	

Treasury ← **(835)** Bank — Bank **(835)** Treasury

Providers Achieve High ROI

- **EDI Eligibility**
  - Will reduce days in AR, bad debt and labor expense.

- **Authorization**
  - Will automate 80% of referral transactions.

- **Claims Submission**
  - Will enable widespread payer adoption of EDI claims receipt.

- **Claims Status**
  - Tested and being implemented by Fiscal Intermediaries.

- **Claims Payments**
  - Will automate posting and closing of accounts receivable.

Different Transactions For Different Departments

•Health Care Claim (837)

•Health Care Claim Status Inquiry/Response (276/277)

•Health Care Claim Payment/Advice (835)
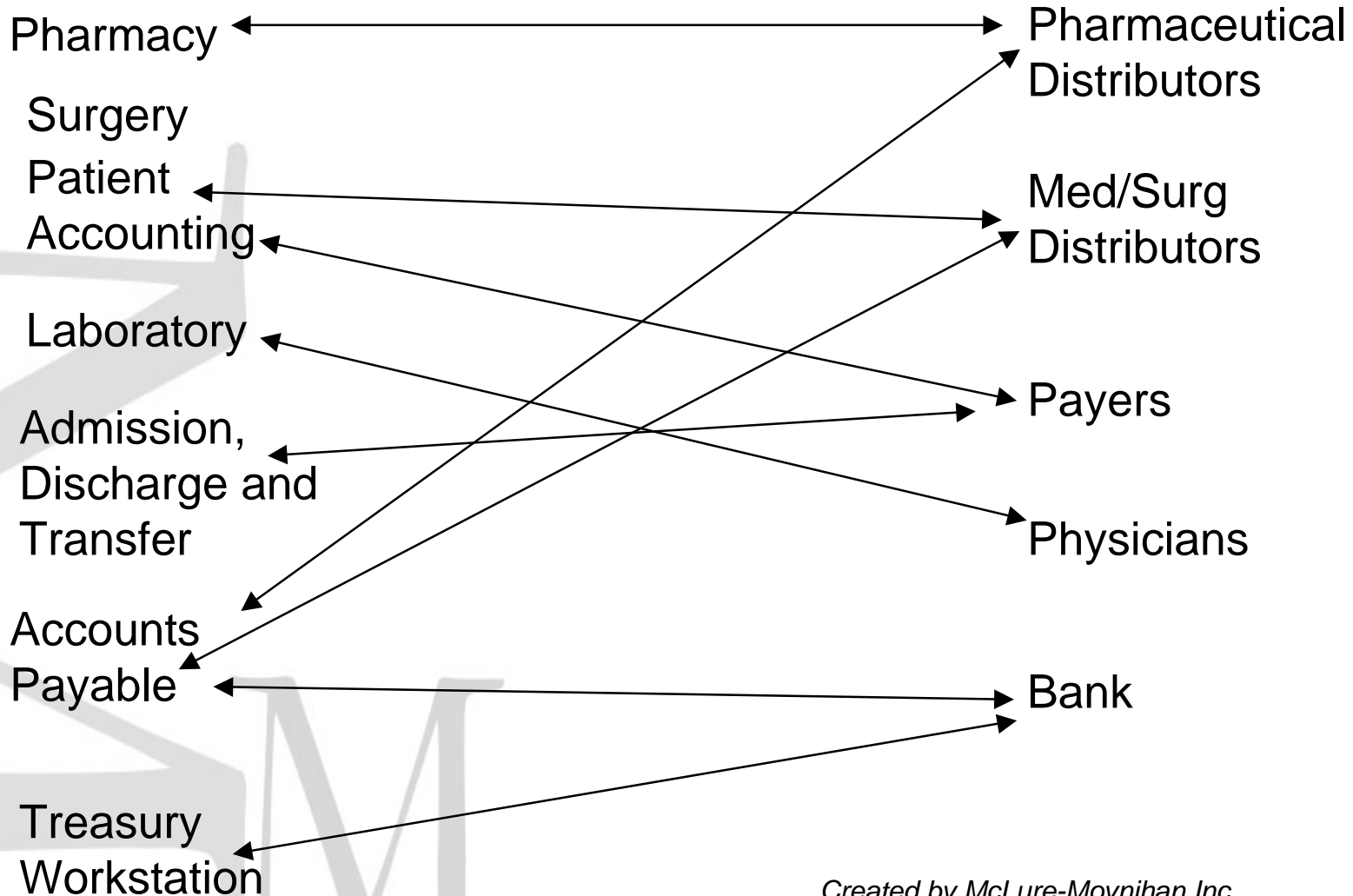
Pre-admission

Patient Stay

Bill Preparation
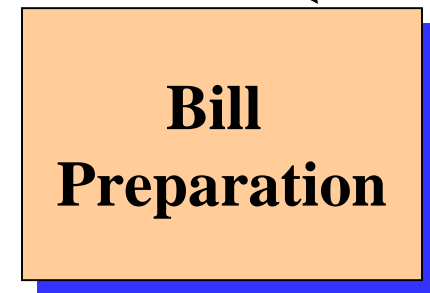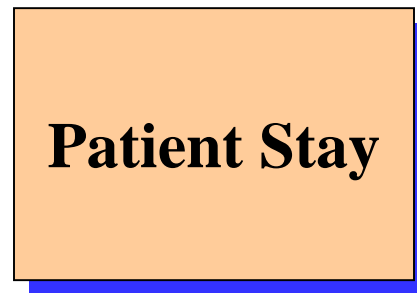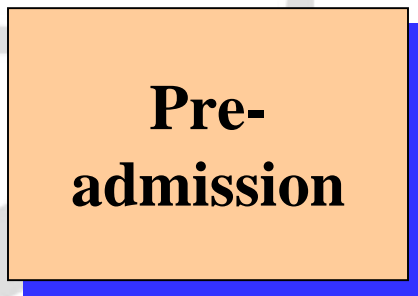
•Eligibility, Coverage or Benefit Inquiry/Response(270/271)

•Health Care Service Review Information (278)

•Report of Injury, Illness or Accident (148)
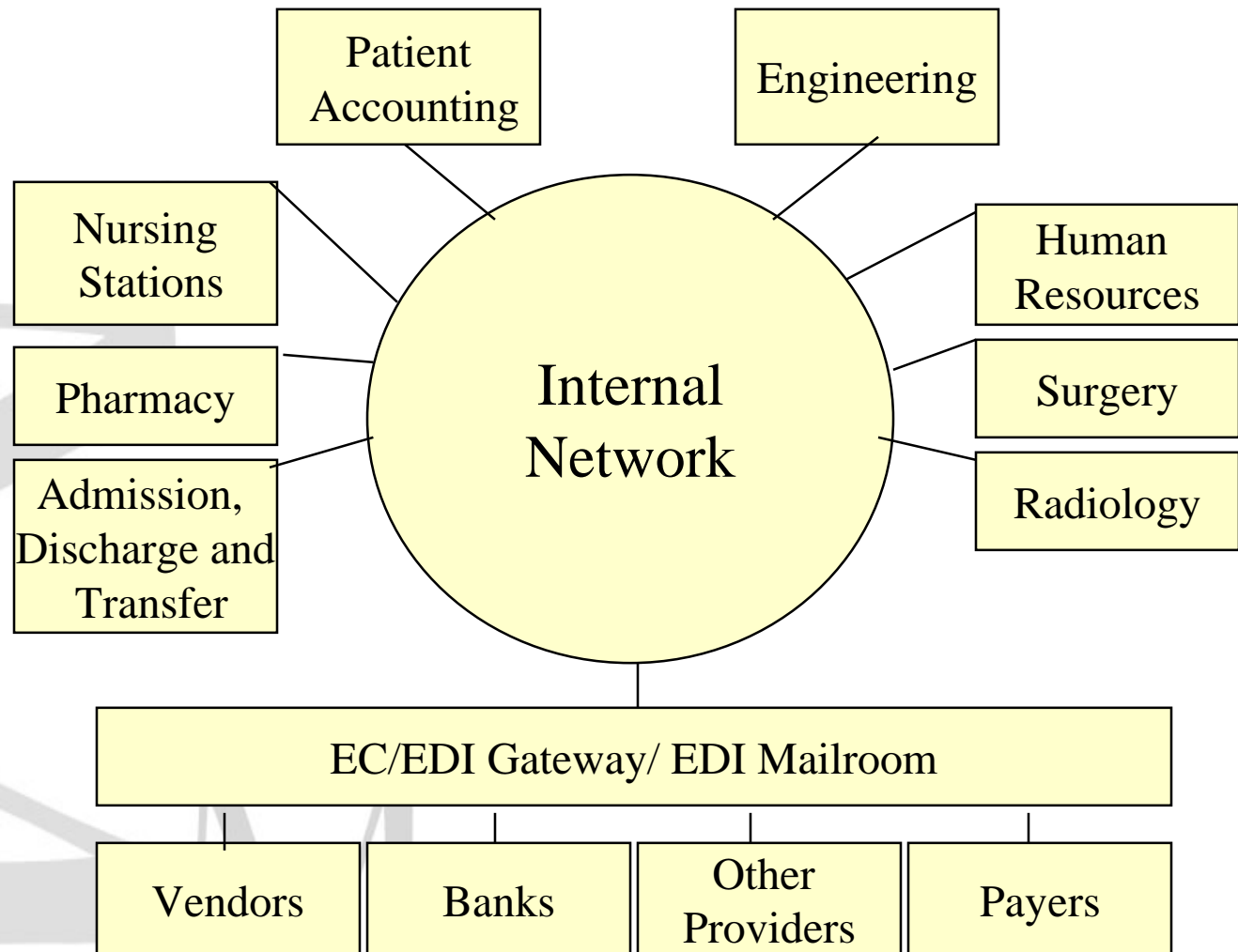
Hoʃpital Networks Today

Pharmacy

Surgery

Patient
Accounting

Laboratory

Admission,
Discharge and
Transfer

Accounts
Payable

Treasury
Workstation

Pharmaceutical
Distributors

Med/Surg
Distributors

Payers

Physicians

Bank

Hospital Networks Tomorrow

Patient Accounting

Engineering

Nursing Stations

Human Resources

Pharmacy

Surgery

Admission, Discharge and Transfer

Radiology

Internal Network

EC/EDI Gateway/ EDI Mailroom

Vendors

Banks

Other Providers

Payers

Where Are We Now?

- **Claims Administration will move into the mainstream of Corporate Electronic Document Exchange.**

  – ASC X12 and other standards bodies can help move the industry to long sought goals of a "networked" healthcare industry.

- **Providers and Payers will adopt improved Security practices to keep patient information confidential**

  – Internet security guidelines will also allow the E-commerce revolution to find applications in healthcare.

Compliance Goals

- Avoid Privacy and Confidentiality Penalties
    - **A more secure environment is an immediate requirement.**
- Avoid Transaction Processing Penalties
- Improve Customer- Perceived Performance
- Lower per item processing costs from automation.

Your Ecommerce Strategy

How can *you* create both the image and reality of an institution that creates and fosters patient/member trust?

How can employers, health plans and providers use Ecommerce to improve patient care?