Overview of HIPAA

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Why HIPAA?

- Health reform initiative:
  - 25% of health care costs were spent on administration, not care
  - duplication

- Proposal: standardize these transactions to permit them to be conducted electronically
Overview of HIPAA Provisions

- National standards to be adopted by Secretary of HHS
- **All** health plans, **all** clearinghouses, and those providers who choose to conduct these transactions electronically, **required** to implement
- Implementation within two years of effective date of final rules (3 years for small plans)
- DOES NOT require providers to use EDI
Standards Required for:

- Administrative transactions
- Code sets
- Identifiers
- Security
- Electronic signature
- Privacy of individually identifiable health data
Proposed Transaction Standards (Code Sets)

- Industry standards wherever possible
- Transactions
  - ANSI X12N
  - NCPDP (for prescription drugs from pharmacy)
- Code sets
  - ICD-9-CM
  - CPT-4/HCPCS/CDT
  - National Drug Code (NDC)
Code Set Issues

- Elimination of local codes (HCPCS Level III codes)
  - Significant issue for some plans
  - Need to review local codes against existing national codes
    - Medicaid programs are doing this together
- Replacement of HCPCS “J-Codes” with NDC’s
- HHS will be monitoring code revisions to ensure that the code sets continue to meet the needs of the industry
Provider and Plan Identifiers

- **Likely format**
  - 10 - position numeric
  - Includes a check digit

- **No intelligence in number**

- **Implementation challenges:**
  - Crosswalking identifiers to existing provider/plan files
  - Legacy systems may expect embedded intelligence
Security and Electronic Signature Standards

- Data at rest as well as transmitted data
- Proposed standards
  - comprehensive framework of security requirements
  - scalable requirements to meet small to large business needs at reasonable cost
  - technology neutral implementation features
  - Digital signature standard
Security and Electronic Signature Standards

- **Administrative Procedures**
  - Security policies and procedures must be in place
  - Security assessments
  - Employee training

- **Physical Safeguards**
  - Restricting access
  - For hardware, software and data
Technical Security Services
- Access controls
- System audit controls
- Authentication

Technical Security Mechanisms
- To prevent security breaches
- Unauthorized interception of data transmitted over a network
- Protection from external intrusions and threats
Standards Maintenance Process

- Transactions maintained by industry groups
  » Memorandum of Understanding
- Code sets maintained by owners
- Annual Review/Update Process
  » Public input
  » National Committee on Vital and Health Statistics
  » Regulations as needed
Implications

- Y2k? No way
- Y2K was compliance only
- HIPAA will lead to tangible and intangible benefits by
  - Encouraging electronic data transfer
  - Standardizing EDI format
What Are the Benefits of EDI Standards?

- Reduce complexity associated with multiple standards, formats, definitions, identifiers
- EDI start-up more affordable
- “Suite” of transaction standards will encourage use of EDI in non-claim transactions
- Reduced need for vendors to customize products
- Enabler for e-health
What About Cost?

- System conversion/upgrade
- Staff training/outreach
- Start-up cost of automation
- Troubleshooting
- Testing
Cost Vs Benefits

- Most of these costs are one-time or short-time costs related to conversion
- Over a 10 year period, net savings of $29.9 billion
- Health plans and providers will share the savings
- Enhanced electronic commerce will be an additional benefit
Status of Final Rules

- Transactions and code set standards: August 17, 2000
- Target publication dates: Late 2000 for
  - Employer ID
  - Provider ID
  - Security
  - Privacy
Industry Implementation Challenges

- Publicity
- Availability of education and training
- Coordination among health plans and providers
- Monitoring industry progress
- Industry looking for best practices
Meeting Challenges

- State/Regional EDI groups
- WEDI - SNIP (Strategic National Implementation Process)
- “Security Summit”
- Other?
HCFA Perspective

- Phase in transactions during implementation period
- Testing will be critical
- Communication with business partners
- Participation in industry implementation coordination efforts is key
Where to Start?

- Gap assessment
- Comprehensive implementation plan
- Dialogue with business partners
- Network locally
Count Down...

- October 16, 2002 is not so far away
Resources

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Some helpful web sites
   » http://aspe.hhs.gov/adminsimp
      posting of law, process, regulations and comments
   » http://www.wpc-edi.com/hipaa
      posting of X12N implementation guide
   » http://www.wedi.org/htdocs/resources/source.htm
      posting of standard transactions being proposed