An Overview of EDI and the Origins of HIPAA

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Administrative Simplification

Healthcare Insurance Portability and Accountability Act

Privacy   Security
• HIPAA is all about Standards!

• Standards for automating the business process of Claims Administration

• Standards for the security and confidentiality of Health Information
Mars Polar Lander
Eliminating Paperwork

• A Decades-Old Quest
  – 1950s First Steps
  – 1960s Tape-based standards
  – 1970s Industry-Specific Standards
  – 1980 Cross-Industry Standards
  – 1990s EDI evolves into EC
  – 2000s Stay Tuned!
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.
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
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.
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.
1996-2001 Waiting for Rules

• National Committee on Vital Health Statistics
  – DHHS charged NCVHS to hold hearings on:
    • Transaction Standards
    • Code Sets
    • Identifiers

• Security and Privacy Proposed Rules
  – Proposed Security Guideline 8/98
  – Transaction and Code Set Final Rule 8/00
  – Privacy Final Rule 12/00
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/Privacy

• Security rules deal with how data is stored and accessed.
• Privacy rules deal with how and to whom data is disclosed.
The Claims Process

Provider

Admitting

Eligibility Inquiry (270)

Eligibility Response (271)

Utilization Review

Certification Request (278)

Certification Response (278)

Billing and Collections

Claim/Encounter (837)

Status Inquiry (276)

Status Response (277)

Payment/Remittance (835)

Treasury

Bank

Bank

Treasury

Payer

Verification Function

Utilization Review

Claims Processing

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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**
  - Automated claims tracking will be a reality.
- **Claims Payments**
  - Will automate posting and closing of Accounts Receivable.
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.