

# Health Insurance Portability and Accountability Act of 1996 (HIPAA)

## SUBTITLE F - Administrative Simplification

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# AGENDA

- I. HIPAA Vision
- II. HIPAA Overview
- III. HIPAA Transactions/CodeSets
- IV. SNIP Transaction Overview
- V. The Future
- VI. Conclusion/Next Steps

# Imagine...

- A scheduling system that automatically determines eligibility before committing an appointment
- Receiving authorization for specialist services before the patient leaves your facility
- A clinical information system that automatically submits claims when you record your observations and diagnosis
- Having service costs reimbursed the same day services are rendered -- even for patients with multiple payers!

**HIPAA Makes All This Possible!**

# Imagine...

- Home First Aid (Doc-in-the-chip replaces doc-in-the-box)
- Electronic Medical Records that can be accessed by any physician and any provider
- Enhanced sharing of information for research leading to advances in medical care
- Medical protocols
- Choice of providers
- Biotechnology advances: blood scans, surgery robots

**HIPAA Makes All This Possible!**

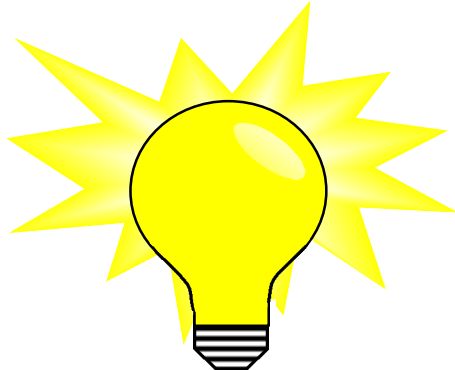
# Why We Have HIPAA



Constituents were demanding health coverage protection



Insurance portability would INCREASE costs!



Observation: world rapidly moving toward a global electronic economy...  
➤ ubiquitous Internet,  
➤ .com-ization  
... while health care lagged behind, with continually rising administrative costs

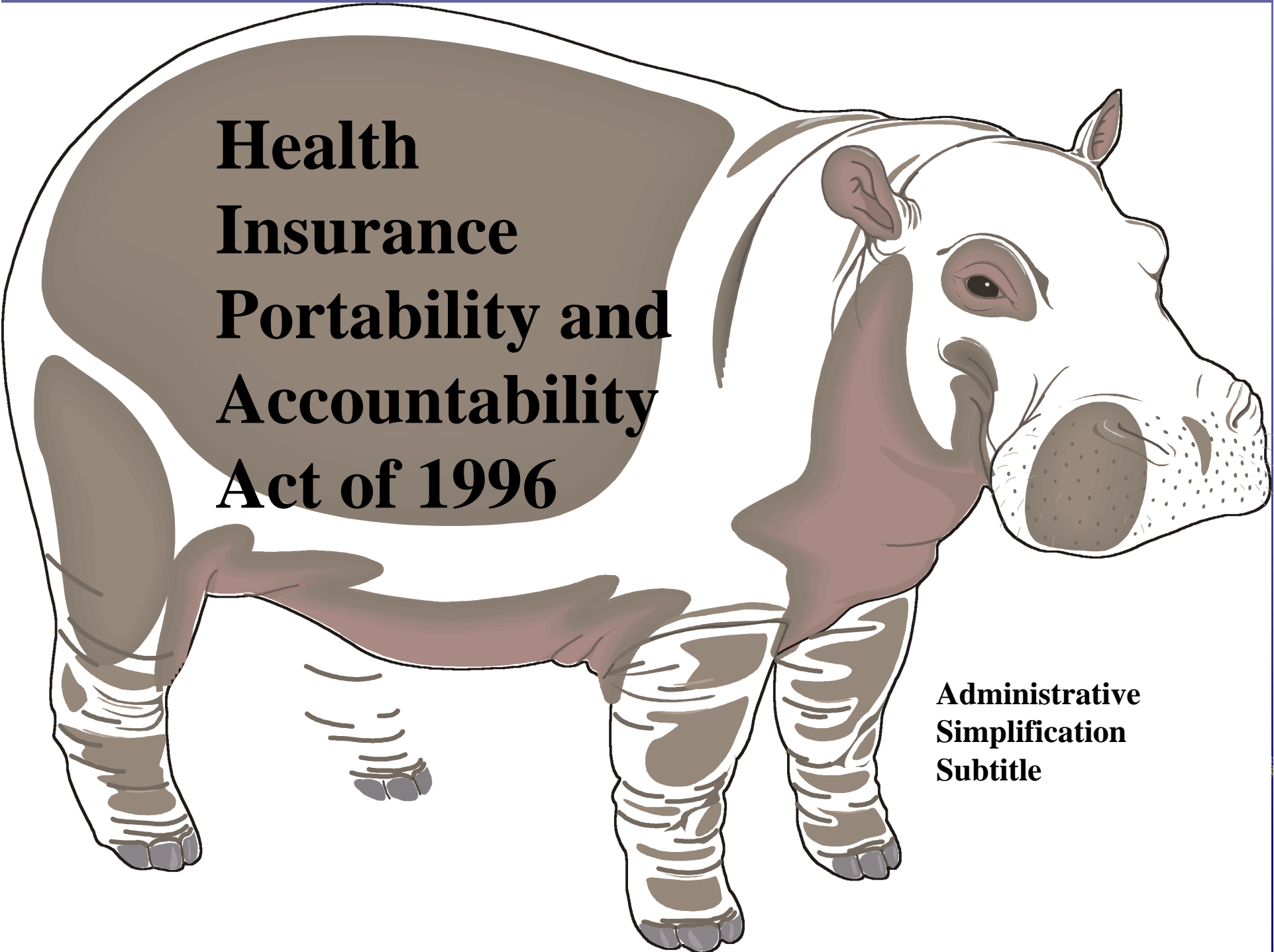
Costs could be reduced by using electronic means to exchange health data!



But **STANDARDS** were essential



- **COMMON LANGUAGE**
  - Transactions
  - Coding
  - Identifiers
  - Digital signatures
- **COMMON PROTECTION**
  - Security Standard
- **COMMON POLICY**
  - Privacy Standard

A stylized illustration of a cow with brown and white patches. The cow is facing right. The text is overlaid on a large brown patch on its back.

**Health  
Insurance  
Portability and  
Accountability  
Act of 1996**

**Administrative  
Simplification  
Subtitle**

# What is HIPAA?

## Health Insurance Portability and Accountability Act

- Health Insurance: Portable between health plans
- Inefficiencies in Health Care System: Establishes standards and requirements to move from paper to electronic transmissions
- Security and Privacy: Security standard for protection; privacy law to define patients' rights

## HIPAA applies to any entity that is:

- A health plan
- A health care clearinghouse
- All health plans, clearinghouses, and those providers who choose to conduct these transactions electronically are **required** to implement these standards
  - All electronically stored Patient Identifiable Health information must comply with the security standard

# Overview of HIPAA Provisions

HHS must adopt national standards for electronic administrative and financial health care transactions.

All health plans, all clearinghouses, and those providers who choose to conduct these transactions electronically, are required by

Civil penalties for failure to use adopted standards and and criminal penalties for wrongfully disclosing confidential information.



# Benefits from HIPAA

- Electronic attachments will increase the claims volume that will be processed electronically, reduce the amount of photocopying and reduce A/R
- Reduce Fraud and Abuse
- Protect Security and Privacy
- Reduce Paperwork
- Advance Research Improve Quality Assurance
- Enhance Patient Care

# Benefits from HIPAA *con't*

- Increased availability of standard electronic remittance advice will reduce FTEs needed to post payments and reduce errors
- Increased availability of standard eligibility verification will reduce A/R and billings
- Standard electronic referral transactions will increase timeliness of authorization processing
- Reduce Costs

# Benefits from HIPAA *con't*

- Fewer errors and FTE in Patient Accounting, IT, credentialing, and case management/ referral management/eligibility functions
- Establishment of a Security Standard enables the use of the Internet for communication among providers and between provider and payer
- Protect Security and Privacy

# Criteria For Standards

# Criteria for Standards

Comparison to a current standard

Improve efficiency and effectiveness

- by leading to cost reductions for or improvements in benefits from electronic health care transactions.

Meet needs of user community

Data element definitions and codes consistent and uniform with other standards.

Low development and implementation costs relative to benefits of using the standard.

Supported by ANSI-accredited SSO or other organization to ensure continuity and updating.

# Criteria for Standards

Timely development, testing, implementation, and updating procedures.

Technologically independent of computer platforms and transmission protocols, except when explicitly part of the standard.

Precise and unambiguous, but simple as possible.

Low data collection and paperwork burdens.

Flexibility to adapt to changes in infrastructure.

# Electronic Transactions & Code Sets

# ***What are the electronic transactions?***

## **EDI - Electronic Data Interchange**

- allows entities within the healthcare system to exchange medical, billing and other information electronically
- reduces inefficiencies and administrative burdens of paper handling



# If EDI is so great, why are we changing it?

- HC industry realized that EDI has benefits, but...
- As many as 400 proprietary EDI formats exist for healthcare claims
- Lack of standard format is difficult for:
  - software developers
  - health care providers
  - health plans

# EDI - So what's the solution?

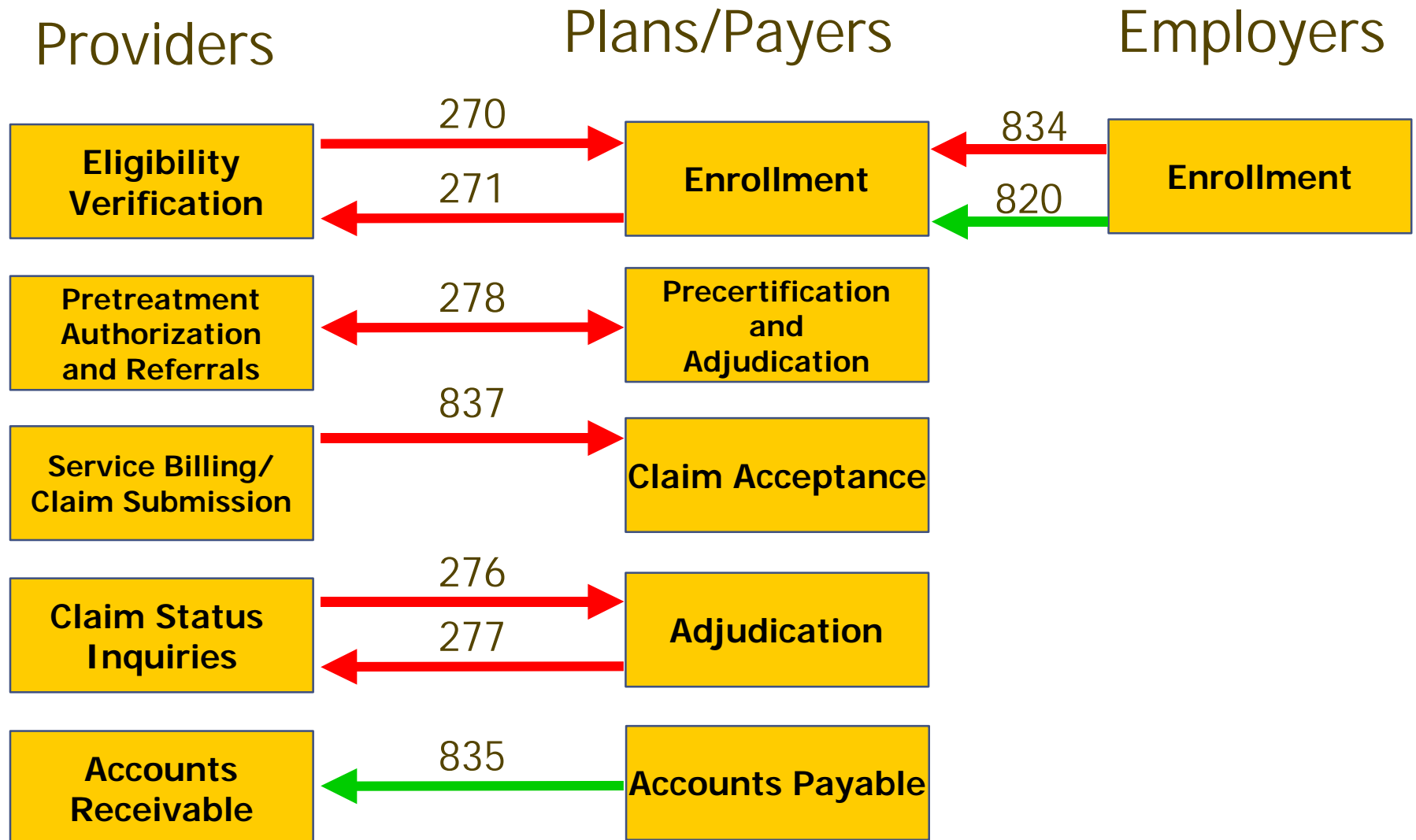
HIPAA proposes adoption of a national standard EDI format for certain healthcare transactions

- Benefits
  - reduces administrative burden of providers and billing services
  - standardizes data content
  - eliminates the need to reprogram data processing systems for multiple formats

# **Solution: HIPAA proposes that we use the ANSI ASC X12 version of the following transactions**

- Claims
- Remittance
- Eligibility Request
- Eligibility Reply
- Claim Status Request
- Claim Status Reply
- Enrollment
- Premium Payments
- Referrals

# Electronic Transaction Standards



# Transaction Standards

NPRM published in 1998 (5/7/98 - 7/6/98)

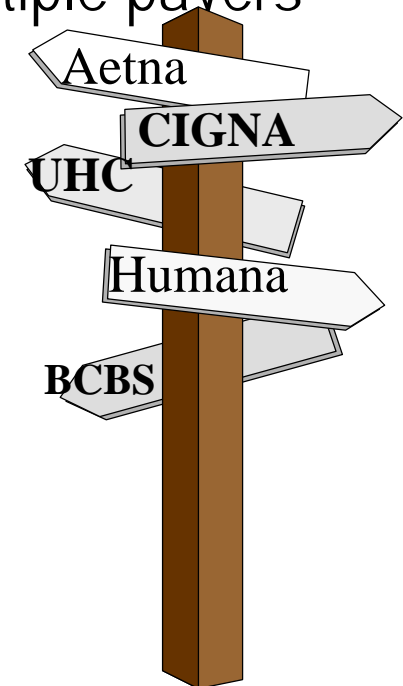
Adopts ASC X12N standards for transactions  
(except NCPDP for pharmacy transactions)

# Coordination of Benefits

Standard data content

Sequential processing by payers

- No need for claims submission to multiple payers



# Coding-ICD10 and CPT



# What are code sets?

**Code Sets = how we get paid**

**HIPAA requires adoption of standard code sets for administrative & financial transactions**

- Diseases, diagnoses and injuries - ICD 9/10
- Physician Services - CPT
- Classification of drugs - NDC codes
- Equipment and supplies - HCPCS
- Dental Services - CDT



# What happens to code sets after the effective date?

Those transmitting electronic transactions must use the appropriate transaction standard can utilize clearinghouses

Health plans, clearinghouses, & providers must use diagnosis & procedure code sets prescribed by HHS for all electronic transactions

Those who receive electronic transactions must be able to receive & process all standard codes without regard to local policies regarding reimbursement

# Code Sets

## Establish standards for code sets

- Developed by private and public entities
- Create code sets where none are available

## Adopts code sets in common use:

- ICD-9 coding for diagnoses and inpatient services
- CPT-4 for professional services
- CDT-3 for dental services
- NDC for drugs
- HCPCS for other substances, equipment, supplies

## Does away with 'local' codes

# ICD-9CM to ICD-10CM Diagnostic Codes

Chapter of books rearranged, titles changed,  
conditions regrouped

Significant increase in codes & categories

Categories change to alphanumeric not numeric

Additional information relevant to ambulatory and  
managed care encounters

Expanded injury codes

Creates combined diagnosis/symptom codes

Adds a 6th character

Incorporates common 4th & 5th digit subclass

Greater specificity

# Probable Coding & Classification Standards Changes

ICD-9-CM, 5 digits or less, will become ICD-10-CM, 6 digits

Current and future systems should be made more flexible to accommodate future changes

# Compliance Date Assumptions

Area	Transaction Set	Compliance Date
Transactions	<b>Claims (837)</b>	<b>3Q02</b>
	<b>Enrollment (834)</b>	<b>3Q02</b>
	<b>Eligibility (270/271)</b>	<b>3Q02</b>
	<b>Payment &amp; Remittance Advice (835)</b>	<b>3Q02</b>
	<b>Premium Payments (811)</b>	<b>3Q02</b>
	<b>Claim Status (276/277)</b>	<b>3Q02</b>
	<b>Referrals &amp; Authorizations (278)</b>	<b>3Q02</b>
	<b>COB (837)</b>	<b>4Q02</b>
	<b>Attachments (275)</b>	<b>2Q03</b>
	<b>First Report of Injury (148)</b>	<b>3Q03</b>
Identifiers	<b>Individuals</b>	<b>On hold</b>
	<b>Employers</b>	<b>3Q03</b>
	<b>Providers</b>	<b>3Q03</b>
	<b>Plans</b>	<b>1Q04</b>

# Compliance Date Assumptions *con't*

Area	Description	Compliance Date
Security Privacy	Maintain Safeguards	4Q03
	Adopt Electronic Signatures	2Q03
	Privacy Regulations	2Q03
Coding	Upgrade form ICD-9 to ICD 10 Use ADA & NCPDP coding structures Proprietary codes cannot be used	4Q03

# Effective Dates

## Transactions and Code Sets

- October 16, 2002

## Enforcement NPRM expected by the end of 2001

### Privacy

- April 14, 2003

## Upcoming Final Rules

- Security
- Employer Identifiers
- Provider Identifiers

# Planning for HIPAA

Establish a HIPAA task force

Assign a Project Manager

Develop Impact Assessment & Migration Plan

Obtain the Implementation Guides

Understand & get involved in ASC X12 process

Establish User Groups & promote piloting and benchmarking

Leverage vendors and develop partnerships

Develop a set of “best practices” and guidelines

Utilize industry forums, HIAA, WEDI, & others



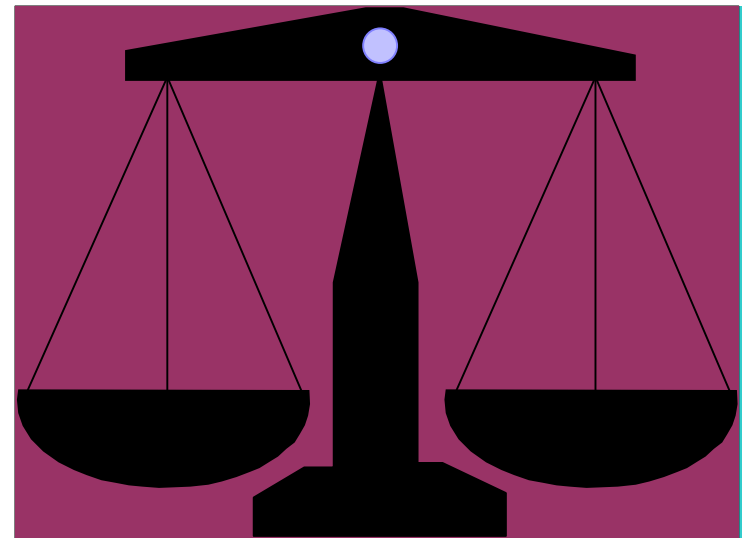
# What are the Penalties for Non-compliance?

## *Transactions*

\$100 for each violation

Maximum of \$25,000 per year

- Identical requirement
- Prohibition



# What Role Does EHNAC Have?



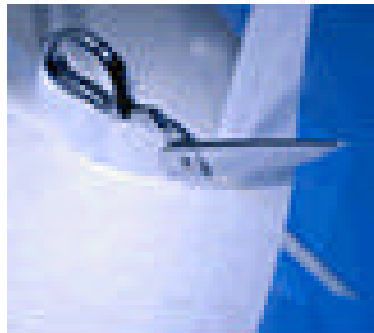
**EHNAC**

Clearinghouse/VAN  
Accreditation

Standard Transaction  
Format Compliance  
System (STFCS)

Security/Confidentiality

[www:ehnac.org](http://www.ehnac.org)



**WEDI**<sup>TM</sup>

**SNIP**

Strategic National Implementation Process

# WEDI - SNIP

- The WEDI Strategic National Implementation Process (SNIP) is a voluntary, non-profit industry solution to the very real, very practical issues of HIPAA implementation.
- SNIP is a collaborative opportunity for early implementers to assure their interpretation is 'correct' (the industry 'best fit') and not another proprietary solution.



# WEDI - SNIP

- SNIP targeted deliverables will include: best practices recommendations, identification of health information security tools and techniques, educational opportunities, a web site with a comprehensive listing of HIPAA information and resources, national conferences and teleconferences, clearinghouse for regional/state HIPAA efforts, and on-going outreach to HIPAA implementers.



# Key Accomplishments 1st Quarter

## Transactions:

- New white papers ready to be posted on BlueWeb:
  - Front End edits
  - Coordination of Benefits (COB)
  - Clearinghouse models



# Transactions Deliverables

Workgroup Deliverables	Due Date	Date Delivered
Data Code Set Compliance	01/15/01	Out for comment
Front-End Edits	Q1/01	Out for comment – 4/01
Public Infrastructure Funding	Q1/01	
Trading Partner Agreements & Companion Documents	01/15/01	Out for comment
HIPAA Impact on Direct Data Entry	01/15/01	Out for comment
Coordination of Benefits	Q2/01	
Clearinghouse Models	Q2/01	



# Transactions Deliverables

Workgroup Deliverables	Due Date	Date Delivered
Sequencing Proposal	12/15/00	Published
Survey	12/15/00	Surveys received
837 IG Review Document	1-2Q 01	
Issues posted, tracked with Data Base	1-2Q 01	
Recommendations regarding identified issues	2Q 01	
Review of each IG – determine major issues	2-3Q 01	
Testing & Certification White Paper	1Q 01	Out for comment
Business-to-Business Testing White Paper	1Q 01	Out for comment
Technical & Business Test Case Scenarios	2Q 01	





# Transactions Deliverables

Workgroup Deliverables	Due Date	Date Delivered
Test Plan Document	01/15/01	Draft white paper posted on the web for public comment
Test Assumptions and Scenarios	01/15/01	Combined with above
Test Plan Document	01/15/01	Draft white paper posted on the web for public comment
Test Assumptions and Scenarios	01/15/01	Combined with above



# Transactions Deliverables

Workgroup Deliverables	Due Date	Date Delivered
Tracking Database	1Q 01	Database available; to be posted to the web; content in review
Crosswalk NDC (J) codes to HCPCS	1-2 Q 01	White paper posted for comment – 4/01
Crosswalk Taxonomy codes	1-2 Q 01	
Crosswalk Claim Status codes	1-2 Q 01	
Crosswalk Anesthesia & CPT4 codes	2-3 Q 01	



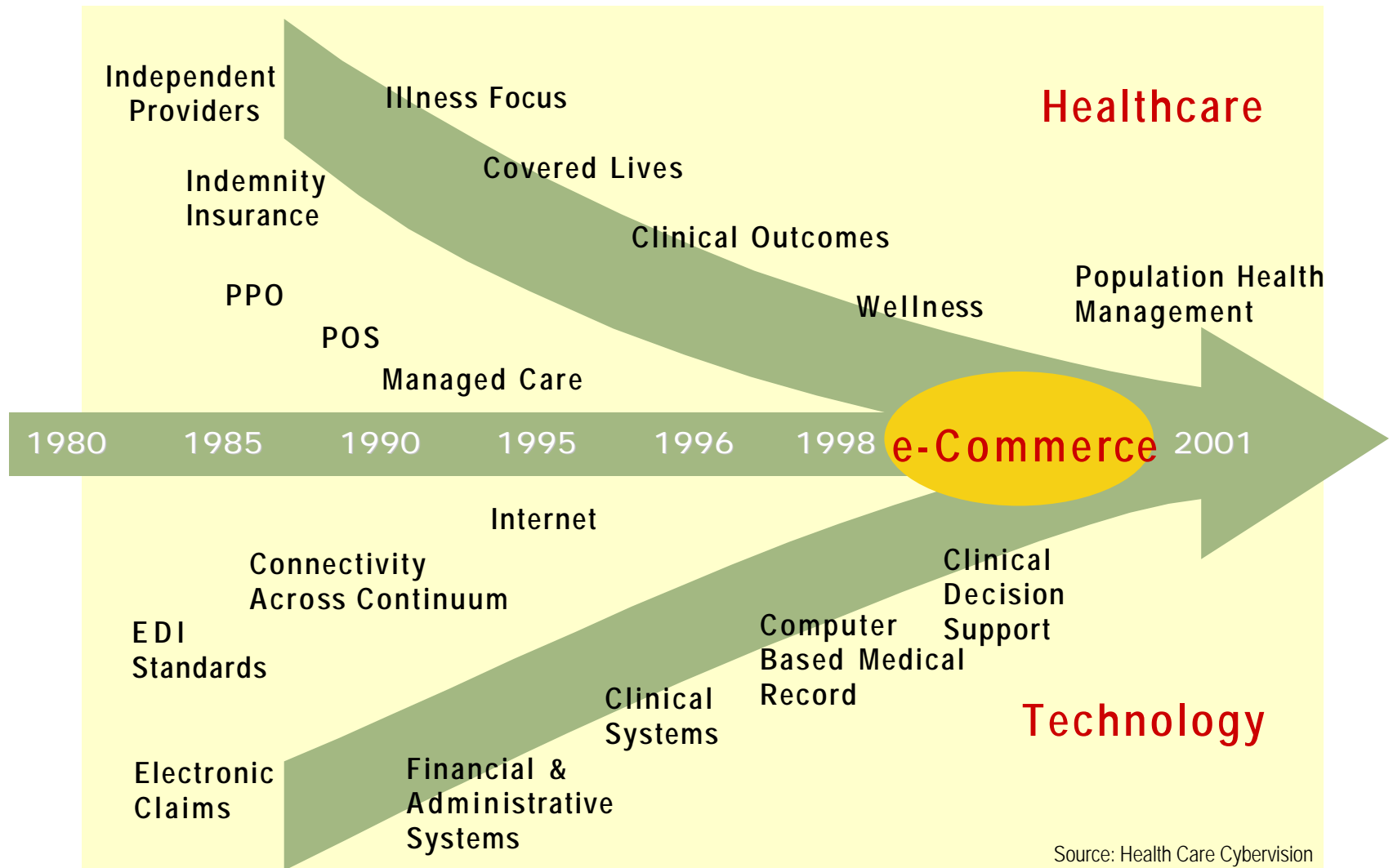
# Get Involved

- FREE WEDI SNIP informational listserv
- visit web site at [www.wedi.org/SNIP](http://www.wedi.org/SNIP)
- contact Jim Schuping the Executive VP of WEDI at 703-391-2716 or send an e-mail to [contact@wedi.org](mailto:contact@wedi.org).



# Two Approaches

# Health Care/Technology Convergence



Source: Health Care Cybervision

# Strategic

- Improved data models and business processes
- Catalyst for better healthcare outcomes and new business opportunities
- Includes business process re-engineering
- Benefits include:
  - More consistent and reliable internal data model
  - Quicker adjudication, customer response, reporting, and improved successes with web initiatives.
  - Minimizes or eliminates clearinghouse costs and/or resource commitment
  - External data can be more easily integrated

# Tactical

- Reliance on translation and auditing tools utilizing internal or external clearinghouse mapping technology
- Simplest and short-term cost-effective method to transaction compliance
- Few changes to back-end processing
- Does not address existing processing inefficiencies and costs
- Continued Clearinghouse vendor cost for translation

# Where to get more Information?

## Workgroup for Electronic Data Interchange (WEDI)

- <http://www.Wedi.org>

## NCVHS Web Site

- <http://aspe.os.dhhs.gov/ncvhs/>

## Electronic Healthcare Network Accreditation Commission (EHNAC)

- <http://www.ehnac.org>

## X12N Home Page

- <http://www.disa.org/x12/x12n>

## X12N Insurance Industry Implementation Guides

- <http://www.wpc-edi.com>

## Administrative Simplification Web Site

- <http://aspe.os.dhhs.gov/admnsimp>



# Thank you! & Questions ?

