



HIPAA Transactions: Requirements, Opportunities and Operational Challenges

HIPAA SUMMIT WEST
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Healthcare Costs



- **Health Care Costs > \$1.2 Trillion**
 - **14% of the GNP**
 - **Rising 2X the inflation rate**
 - **Administrative inefficiencies estimated at 10-20%**

EDI – Electronic Data Interchange



- Computer – to – Computer
- Electronic Transmission of
- Inter-Industry Business Information

Workgroup for Electronic Data Interchange (WEDI)



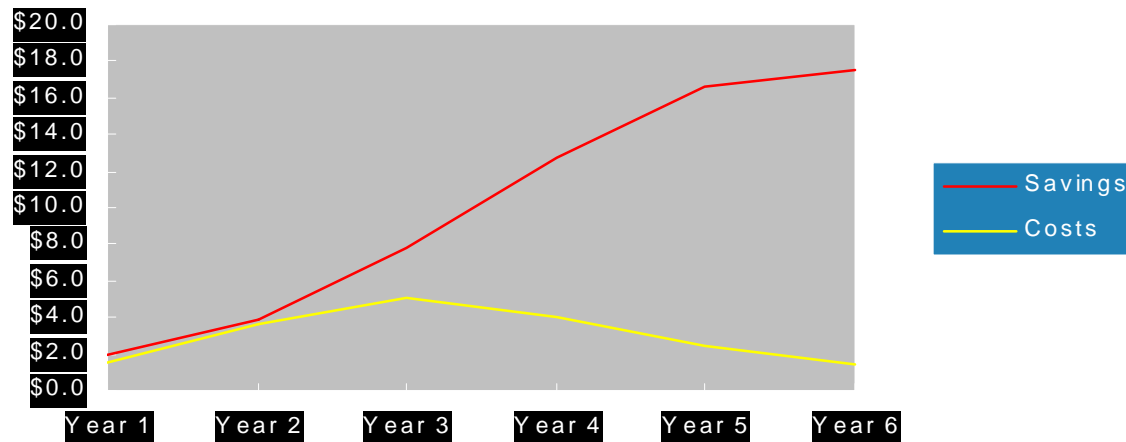
- **1991 by Dr. Sullivan, Sec. HHS**
- **1993 WEDI White Paper**
 - Standardization of EDI in health care reduce costs > \$1 Billion per month
 - Government should not regulate
 - Industry and marketplace should drive standards adoption

WEDi Cost Benefit Analysis

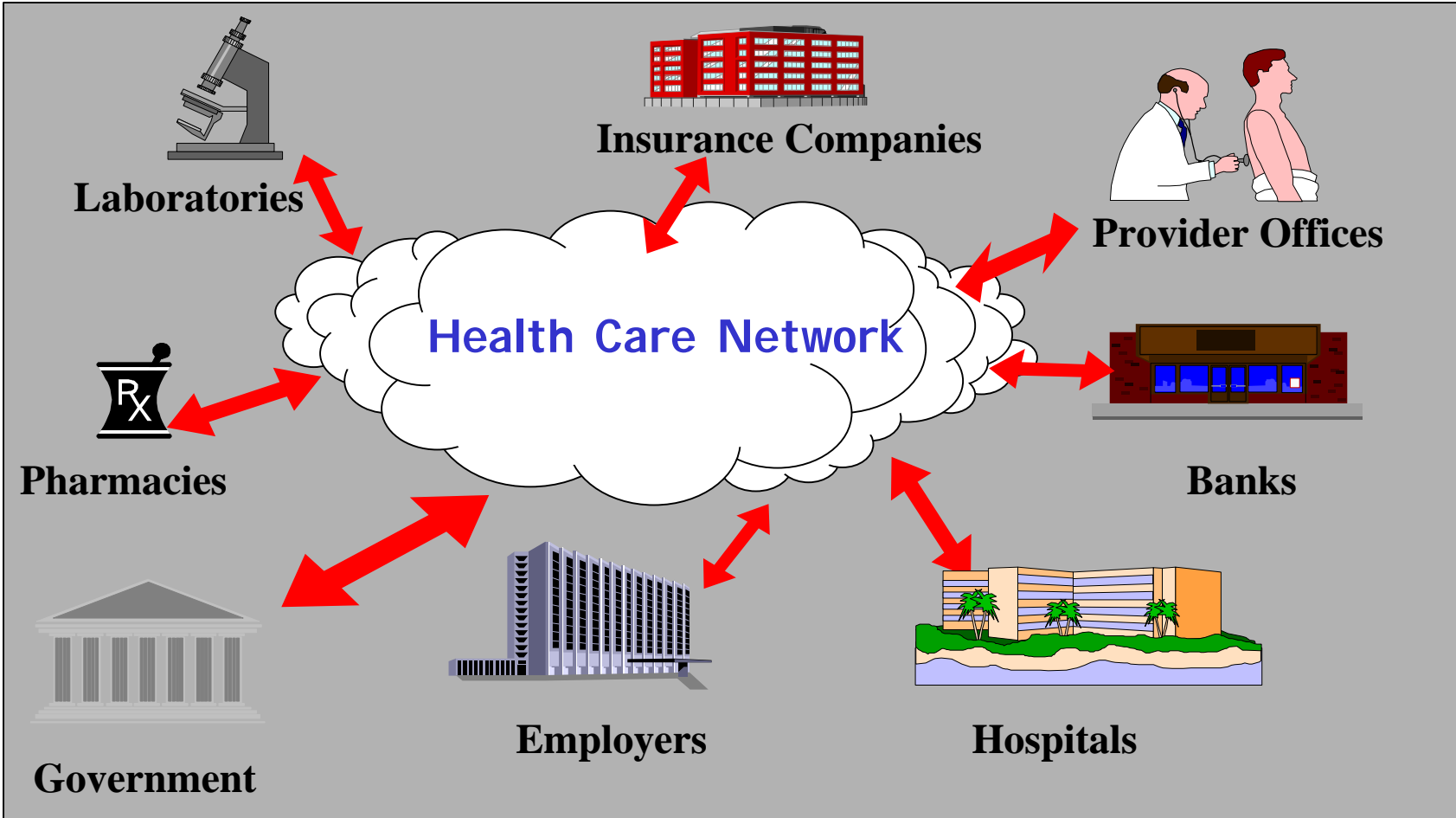


1993 WEDi Report - Net Savings Potential (\$ Billions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Savings	\$1.9	\$3.9	\$7.8	\$12.7	\$16.6	\$17.5	\$60.4
Costs	\$1.5	\$3.6	\$5.1	\$4.0	\$2.5	\$1.4	\$18.1
Net Savings	\$0.4	\$0.3	\$2.7	\$8.7	\$14.1	\$16.1	\$42.3



EDI Network



Healthcare Information – Key to Success



■ Connect and communicate

- Eligibility Information
- Referrals & Treatment Authorization
- Claims & Encounters
- Remittance Advice
- Claims Status
- Enrollment
- Prescription, Lab, Comparative Data

EDI Benefits – Revenue Cycle



- **Automated & standardized processes = faster submissions and quicker payment**
- **Reduce claim denials**
 - **Eligibility & authorization**
 - **Standardized coding**

EDI Benefits - Operational



■ Front office cost reduction

- Automate eligibility
- Automate claims status & claims re-submission
- Lower costs for authorization and referrals

EDI Benefits - Operational



- **Back office cost reduction**
 - **Improve coding efficiencies**
 - **Automate EOB posting – focus on exceptions & process improvement**
 - **Reduce/eliminate re-work & back-end processes**

EDI Benefits - Strategic



- **Improve revenue predictability**
- **Enable health plan contract payment compliance**
- **Greater patient satisfaction**
- **Foster closer relationships between organizations**

EDI – Clinical Benefits

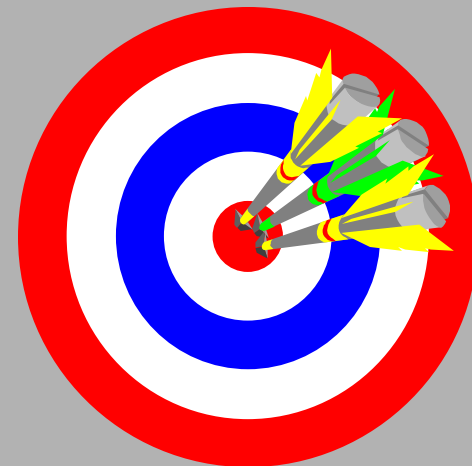


■ Increased Access to Information:

- Clinical Outcomes
- Practice Guidelines
- Comparative Data
- Other keys to decision-making process

■ Result:

- Higher Efficiency
- Cost Effectiveness
- Quality Care



Roadblocks to EDI Standards



- **Major obstacle - number of players.**
 - 1 to 1.5 Million providers
 - > 20,000 hospitals
 - > 5,000 insurance companies
 - Thousands of other players
(vendors, TPA's, etc.)
- **EDI in Healthcare introduces challenges not found in any other industry.**

HIPAA – to the Rescue



Health Insurance Portability
and Accountability Act of
1996

*Administrative
Simplification*



“The government is here to help.”

“Be careful what you ask for -- you just
might get it....”

(Dr. William Braithwaite, Senior Policy Advisor, DHHS)

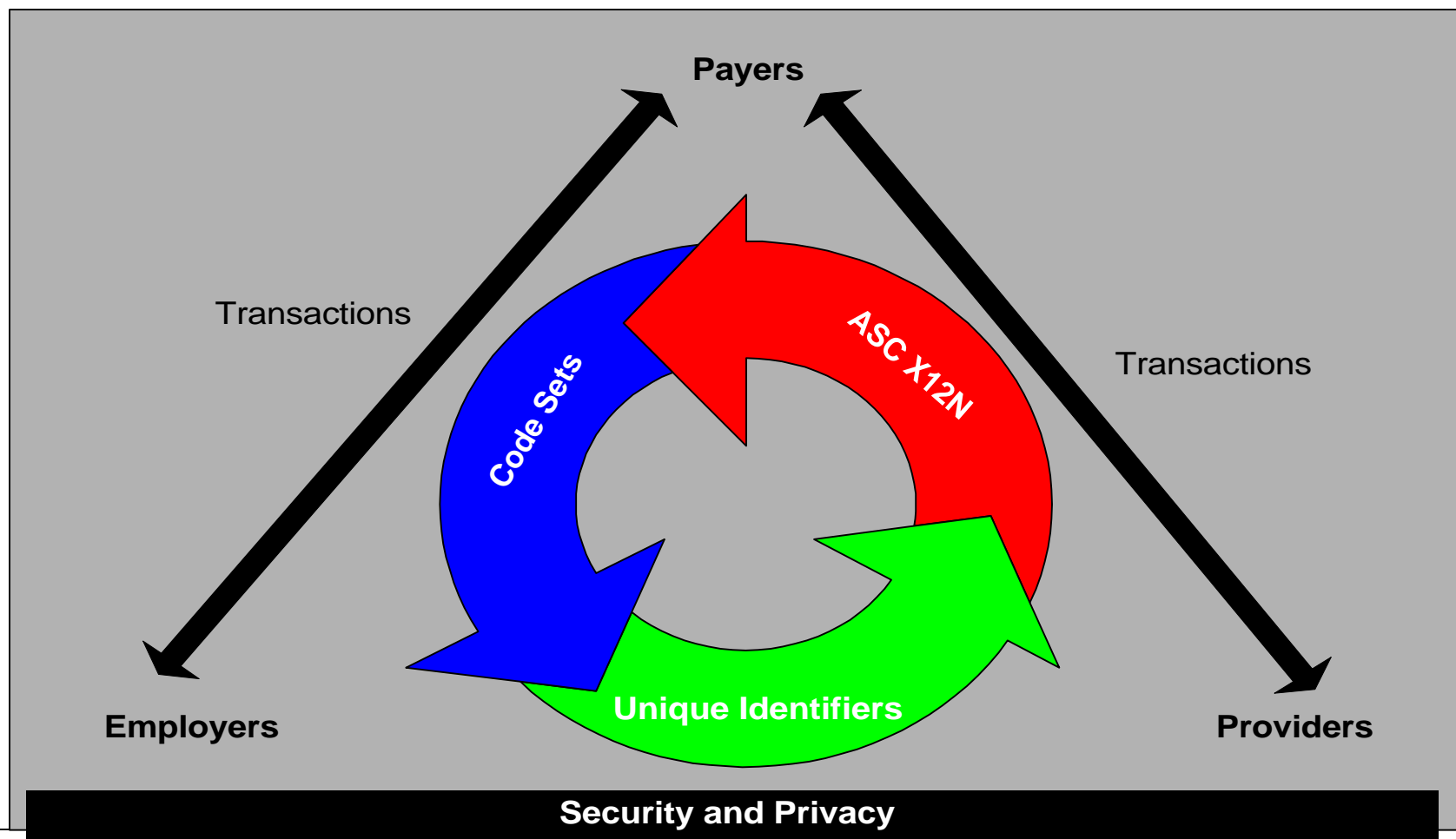
HIPAA – Administrative Simplification



- **Sets standards**
 - **Transactions**
 - **Code sets**
 - **Identifiers.**

- **Mandates protecting privacy and securing the information**

HIPAA - Administrative Simplification



HIPAA – Administrative Simplification



■ Impact & Scope

- Impact to all functions, processes and systems that store, handle or generate health information

Transactions Standards



<u>Transaction</u>	<u>ASC Standard</u>	<u>Standard Date</u>
➤ Claim	X12 837	Final - Aug 2000
➤ Enrollment	X12 834	Final - Aug 2000
➤ Claim Status	X12 276/277	Final - Aug 2000
➤ Eligibility	X12 270/271	Final - Aug 2000
➤ Payment/Remit	X12 835	Final - Aug 2000
➤ Referral	X12 278	Final - Aug 2000
➤ COB	X12 837	Final - Aug 2000
➤ Premium Payment	X12 820	Final - Aug 2000
➤ Attachment	X12 275/277-HL7	Draft - TBD
➤ First Report of Injury	X12 148	Draft - TBD

Code Sets Standards



<u>Uses</u>	<u>Standard</u>
➤ Diseases, Injuries, Impairments & Manifestations	ICD-9 Vol. 1&2
➤ Prevention, diagnosis, treatment & management (hospital inpatient)	ICD-9 Vol. 3
➤ Physician services, tests, DME, supplies, devices, etc. (non-dental)	CPT-4/HCPCS (no local codes)
➤ Dental services	CDT
➤ Drugs & biologics	NDC (11 digits)
➤ Other transaction codes (e.g. place of service)	Transaction implementation guides

Standard Transactions: General Rule



If a covered entity conducts with another covered entity, using electronic media, a transaction for which a standard has been adopted, the covered entity must conduct the transaction as a standard transaction.

Who is Required to Use the Standards?



- **Health plans**
- **Healthcare clearing houses**
- **Healthcare providers that choose to submit or receive the transactions electronically**

Transaction Standard



- **All covered entities must comply**
 - **Includes using standards between different health care components within the same entity. E.g. provider component uses standard transaction to communicate with health plan component.**

Transaction Standard

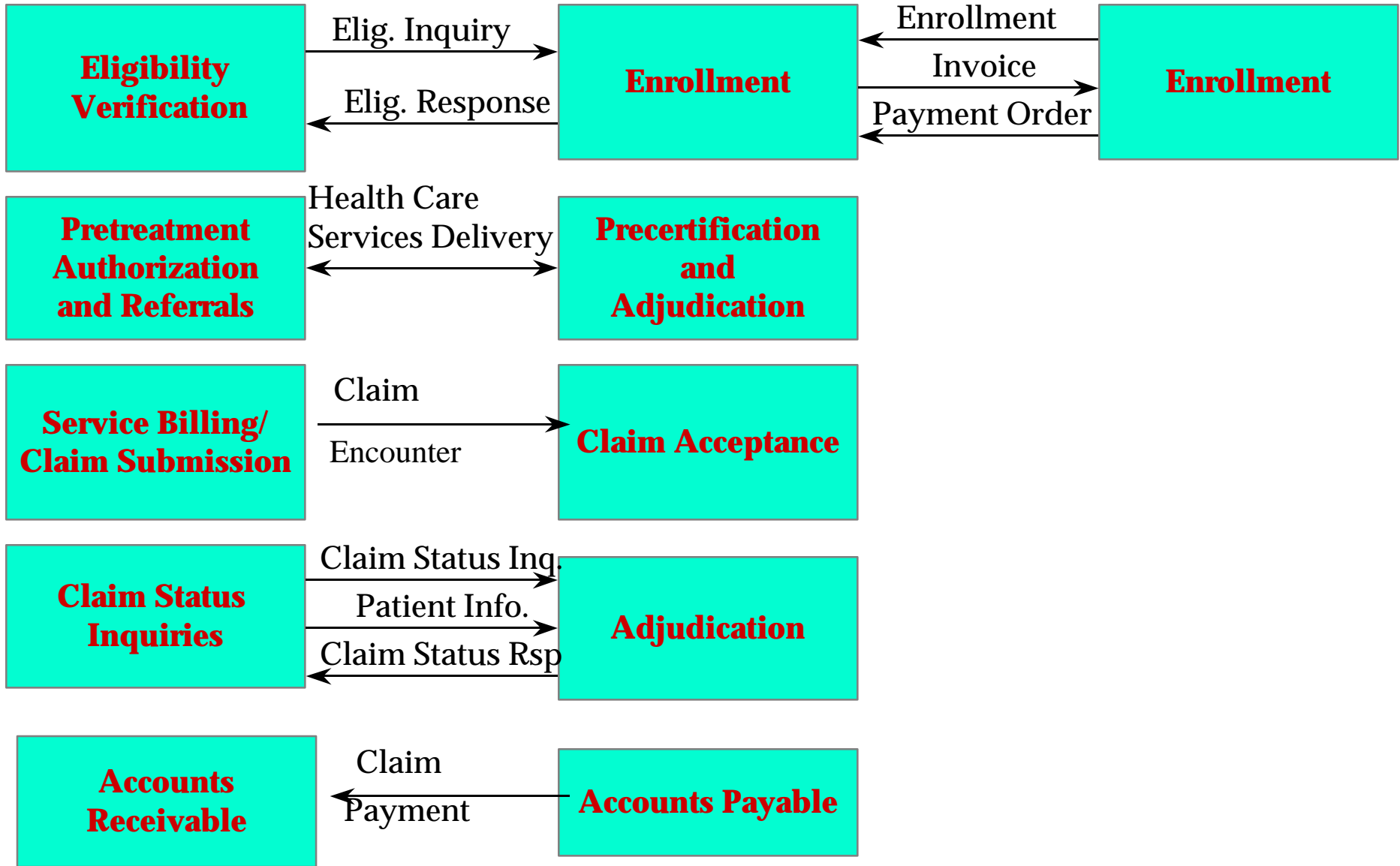


- **Compliance may be achieved through a clearinghouse**
- **Includes - DDE (Direct Data Entry)**
- **Excludes - paper, telephone**

PROVIDERS

INSURANCE AND PAYERS

PLAN SPONSORS



Health Plan Requirements



- **Required to accept the standard claim submitted electronically.**
- **Health plans may not require providers to make changes or additions to the standard claim.**
- **Health plans may not refuse a standard transaction or delay payment of a proper standard transaction.**

Stored Data



- **The transactions standards apply only when data are transmitted electronically.**
- **Data may be stored in any format as long as it can be translated into the standard transaction when required.**

Clearinghouses



- **May receive non-standard format or data content and translate into standard format or data content (e.g. billing service)**
- **Receive standard format or content and translate to non-standard format or content.**

Administrative Simplification - Impact



- **Health Plans must accept standards for all transactions they handle today, regardless of method (phone, fax, etc.).**
- **Healthcare Providers no longer permitted to use non-standard transaction formats (NSF, etc.)**

Transaction Standard Challenges (cont'd)



- **Sheer number of existing formats and trading partners**
 - **Health plan coordination**
 - **Testing and certification**

Transaction Standard Challenges (cont'd)



■ Content gaps

- Formats
- Systems
- Impacts on data structures

Transaction Standard Challenges (cont'd)



- **Business process changes**
 - **Information capture**
 - **Workflow**
 - **Reporting (e.g. time periods that cross “go-live” dates)**

Transaction Standard Challenges (cont'd)



■ Systems integration

- Data flow
- Acceptance & integration of standard formats (e.g. claims status)
- Translators versus clearinghouses

Code Set Challenges



- **Elimination of local codes**
- **HCPPCS “J” codes to be replaced by corresponding NDC codes**
 - **NPRM expected to stop conversion to NDC codes**
- **History conversions/cross-walks**

Code Set Challenges (cont'd)



- Other coding practices will be affected, for example use of surgeon's CPT coupled with type of service for anesthesia will be disallowed – use of anesthesia CPT will be required

Implementation Risks



■ Y2K Syndrome

- We wind up the same the day after HIPAA as the day before
- Benefit dependent on operational integration

■ HIPAA Hysteria

- Focus on cost
- Potential delay

Web Resources



- **WEDI & SNIP:**
www.wedi.org
www.wedi.org/snip
- **AFEHCT**
www.afehct.org

Web Resources



- **HIPAA Admin. Simpl. Information:**

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

- **ASC X12N home page & Implementation Guides:**

<http://www.x12.org>

[http:// www.wpc-edi.com](http://www.wpc-edi.com)

Web Resources



- **Transaction validation & certification**
 - **EHNAC** www.ehnac.org
 - **Claredi** www.claredi.com

Questions?



Thank You

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