Health Insurance Portability and Accountability Act of 1996 (HIPAA)

HIPAA Transactions 101

HCCA
April 25, 2004

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Co-Chair, ASC X12N Health Care Task Group
Co-Chair, WEDI Strategic National Impl. Process (SNIP)
Overview

- HIPAA TCS Overview & Status
- HIPAA TCS Requirements & Deadlines
- Contingency Planning
- Standards Fragmentation
- HIPAA TCS Impact
- HIPAA TCS Complexities
- Some Key Issues
- Benefiting from HIPAA
  - ? Getting Beyond the Claim
Majoring on the Majors

1. Separate Administrative from Security/Privacy
2. Commit to benefit from paradigm shift
3. Implement strategically
4. Operationalize Requirements
5. Recognize legal / liability ramifications
EDI Network

Health Care Network

- Laboratories
- Insurance Companies
- Provider Offices
- Pharmacies
- Government
- Employers
- Hospitals
- Banks
EDI in Health Care

Real Benefits

- Increased Access to Information:
  - Clinical Outcomes
  - Practice Guidelines
  - Comparative Data
  - Other keys to decision-making process

- Result:
  - Higher Efficiency
  - Cost Effectiveness
  - Quality Care
# WEDI Cost-Benefit Analysis

## 1993 WEDI Report - Net Savings Potential ($ Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings</th>
<th>Costs</th>
<th>Net Savings</th>
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<td>$1.9</td>
<td>$1.5</td>
<td>$0.4</td>
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<td>2</td>
<td>$3.9</td>
<td>$3.6</td>
<td>$0.3</td>
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<td>3</td>
<td>$7.8</td>
<td>$5.1</td>
<td>$2.7</td>
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<td>$12.7</td>
<td>$4.0</td>
<td>$8.7</td>
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<tr>
<td>5</td>
<td>$16.6</td>
<td>$2.5</td>
<td>$14.1</td>
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<tr>
<td>6</td>
<td>$17.5</td>
<td>$1.4</td>
<td>$16.1</td>
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<tr>
<td>Total</td>
<td>$60.4</td>
<td>$18.1</td>
<td>$42.3</td>
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![Graph showing savings and costs over years](chart.png)
EDI in Health Care
The Challenge

- Major obstacle to EDI implementation in Health Care is chaos caused by fragmentation:
  - 1 to 1.5 Million providers
  - > 5,000 hospitals
  - > 20,000 insurance companies
  - Thousands of other players (vendors, TPA’s, etc.)

- “Mass deployment of EDI in Health Care introduces challenges not found in any other industry.” (1993 WEDI Report)
EDI in Health Care
The Solution

Health Insurance Portability and Accountability Act of 1996
(HIPAA)

Administrative Simplification
HIPAA

Administrative Simplification

- At the highest level, HIPAA is government mandated EDI: standard electronic transactions, with standard code sets, using standard identifiers, in a secure environment.
Who is affected:

- Health Plans
  - Group health plans, Medicare/Medicaid, HMOs, CHAMPUS, etc.

- Healthcare Clearinghouses

- Healthcare Providers
  - Physicians, Hospitals, DME Suppliers, etc.
HIPAA Impact to Providers

“All health care providers who elect to conduct these specific transactions electronically must conduct them according to the standards as well. Health care providers may also contract with a clearinghouse to conduct standard transactions for them.” *

* Department of Health and Human Services - Most Frequently asked questions (http://aspe.hhs.gov/admnsimp/)
HIPAA Impact to Health Plans

“Health plans may not refuse to accept standard transactions submitted electronically (on their own or through clearinghouses). Further, health plans may not delay payment because the transactions are submitted electronically in compliance with the standards.” *

* Department of Health and Human Services - Most Frequently asked questions (http://aspe.hhs.gov/admnsimp/)
Administrative Simplification Requirements

Mandated Transaction Standards:

- Healthcare Claims / Encounters
- Healthcare Claims Payments
- Healthcare Claims Status
- Eligibility
- Referrals
- Healthcare Enrollments
- Premium Payments
- First Report of Injury - Worker’s Comp.
- Claims Attachments
Administrative Simplification Requirements

Identifiers:

- Individuals
  - Indefinitely delayed in 1999
- Employers
  - Final rule effective May 2002
- Health Care Providers
  - Final rule effective May 2005
- Health Plans
  - Awaiting NPRM
Administrative Simplification Requirements

Code Sets:

- Established standards for code sets
  - Developed by private and public entities
    - CPT4
    - HCPCS (No local codes, no “J” codes)
    - ICD-9-CM (ICD-10 – 2007?)
    - CDT2 (Migrated to start with “D”)
    - NDC
    - X12
    - NCPDP
Final Rules Published

• Transactions, COB, Code Sets
  • Effective: October 17, 2000
  • Deadline: October 16, 2002
  • ASCA Extension: October 16, 2003

• Privacy
  • Effective: April 14, 2001
  • Deadline: April 14, 2003
Administrative Simplification
Current Status

Final Rules Published

• Employer Identifier
  ? Effective: May 31, 2002
  ? Deadline: May 31, 2004

• Security
  ? Effective: June 5, 2003
  ? Deadline: June 5, 2005
Administrative Simplification
Current Status

Final Rules Published

• Provider Identifier
  - NPS Establishment: Starting March 23, 2004
  - Effective: May 23, 2005
  - Deadline: May 23, 2007
Administrative Simplification
Current Status

NPRMs Pending:

- Claims Attachments
- Health Plan Identifier
- Enforcement
- Standards Process Update
- TCS Clarifications
- First Report of Injury – no action taken
- Individual Identifier – no action expected
HI PAA Transactions

ASC X12N TG3 WG2
Summary of HI PAA Transactions

Implementation Guidelines:
http://www.wpc-edi.com
Subscriber/Patient Information

Provider

270
Eligibility Request

271
Eligibility Response

Health Plan

Sponsor

834
Enrollment
Enrollment & Premium Information

Health Plan

834
Enrollment

Sponsor

820
Premium Payment
Healthcare Service Review (Authorization)

Provider

278
Request for Authorization

278
Response to Authorization

Health Plan
Claim / Encounter Submission
with an Attachment

Provider

<table>
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<tr>
<th>837</th>
<th>Claim/Encounter Submission</th>
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</thead>
<tbody>
<tr>
<td>275</td>
<td>Attachment</td>
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835
Remittance Advice

Health Plan
Claim / Encounter Submission

Payer requests additional information

837
Provider

835
Remittance Advice

275/HL7
Attachment

Health Plan

277
Request for Additional Information

Provider

Claim/Encounter Submission
Coordination of Benefits
Claim / Encounter Submission
Provider-to-Payer Model

Provider

Primary Health Plan

Secondary Health Plan

837
1 - Claim/Encounter Submission

835
1 - Remittance Advice

837
2 - COB Claim/Encounter Submission

835
2 - Remittance Advice
# Coordination of Benefits

Claim / Encounter Submission

Payer-to-Payer Model

<table>
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<tr>
<th>Provider</th>
<th>837</th>
<th>837</th>
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<tbody>
<tr>
<td>1 - Claim/Encounter Submission</td>
<td>2 - Claim/Encounter Submission with 835 Information</td>
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<table>
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<th>835</th>
<th>Primary Health Plan</th>
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<tbody>
<tr>
<td>1 - Remittance Advice</td>
<td>2 - Remittance Advice</td>
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<table>
<thead>
<tr>
<th>Secondary Health Plan</th>
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<tbody>
<tr>
<td>835 2 - Remittance Advice</td>
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</table>
Claim Status
Solicited

Provider

Claim Status Inquiry

Claim Status Response

Health Plan
Pre-HIPAA healthcare data

Many delivery mechanisms
The Future of Healthcare EDI
Last 3 years

- The HIPAA express
- Train waiting idle
- Slow boarding
- Few passengers

Picture blurred for privacy reasons
October 16, 2003… (Historical moment)

All Aboard!

Train left the station…
Train Wreck?

**VERY REAL FEAR**

- Lack of readiness
- Dependency on existing formats
  - Continued business
  - Cash flow!
- Contingency Requested
- Result:
  - Focus on items that bring less ROI
  - Penalty to those who complied early
  - Lethargy in implementation
Don’t Worry!

The train is still moving very slow...
You can still jump on board!
The original HIPAA deadline

Everybody must switch to the new HIPAA transactions on or before October 16, 2002
The ASCA extension effect

Everybody must switch to the new HIPAA transactions on or before October 16, 2003
The CMS Guidance of 7/24/03

• No more delays!
• To Payers: Do **NOT** interrupt payments
• Contingency Plan
  ? Outreach to your trading partners
  ? Testing, testing, testing
  ? Demonstrate your due diligence
  ? Good faith efforts to comply
  ? Measure progress toward compliance
  ? Continued use of legacy transactions is OK
  ? Work with your trading partners
  ? Prepare your “Corrective Action Plan”
  ? Not an excuse for non-compliance, but rather a response to your trading partner’s non-compliance
Contingency Planning

Gradual switch for an indefinite time
The Train Analogy

- No train wreck!!!
- The train just left the station on October 16
- There is a slow “construction zone” for a while
- You must jump on board the train as it is moving
  - The train will move slow at first
  - Will pick up speed over time
  - Avoid becoming road kill. Switch to HIPAA EDI early.
- No more HIPAA TCS deadlines, gradual migration
  - Less chance of a massive train wreck
  - More challenging to manage multiple soft deadlines
Many Flavors of standards

ISO containers
The pre-HIPAA State

- Standards are great! (So many to choose from!)
- Each “hub” defines their own requirements for the “spokes” to connect
- Typically the hub requirements reflect the internal hub processing needs
- Lowest cost for the hub – Few hubs
- Highest cost for the spoke that wants to connect to multiple hubs – Many spokes
  - Competitive advantage for dominant hubs
  - Some hubs provide “free” software
The HIPAA Challenge

• Common standard to be accepted by all hubs
  ? Reduce the cost for both hubs and spokes
  ? Level playing field
  ? EDI is no longer a competitive advantage

• The EDI requirements and transaction testing are no longer hub dependent

• Requires a new mind set
The old telco model
Today’s telco model

Bell South
SBC
Qwest
Verizon
GTE
Allnet
Allnet
McLeod
many more…

Network Interface

RJ11 jack
HIPAA Impact – Paradigm Shift

- New Formats
- Unambiguous Data Dictionary
- Data Usage
- Standardized Implementations
- Blending of Clinical & Financial Data
- Testing & Certification
Complex Transactions

• Data relationships in 837
  • Certifiable “capabilities”
    • Type of claim
      - Bill Type, Specialty, POS, other
    • Payer
      - Primary, Medicare Primary, MSP, COB
  • Additional claim “features”
    - Claim level, service level, identifiers, COB, etc.

• Overwhelming number of permutations!
Complex Environment

Physicians
Billing Agents
Hospitals
Surgicenters
IDS/LDS
Labs

Clearinghouses
PPMS Vendors
HIS Vendors
VANS
Private Networks
LDS/IDS Initiatives
Telecom Companies
Today’s Complex EDI Environment

Information Flow

COLLECTION  COMPILATION  FORMATTING  RECEPTION
“The vendor will fix it!”

- The EDI vendor, clearinghouse or HIS/PMS vendor can only fix certain things:
  - Syntax requirements
  - Some Implementation Guide requirements
- The EDI vendor probably cannot fix:
  - Situational requirements
  - Usage instructions
  - Local HCPCS code usage
Payer-specific Requirements

• HIPAA Implementation Guide
  Ambiguity
  ? Interpretation Issues
    1. RTG
    2. Actual Ambiguity
  ? Situational notes that require TP agreements (companion guides)
  ? Business edits not included in the guides
Payer-specific Requirements

• Payer-specific Companion guides
  ? Necessary
  ? No electronic, automatically processable, source
  ? Open to interpretation, just like the Implementation Guides

• Payer-specific measure of line-of-business requirements
  ? Many HIPAA requirements are line-of-business based
Some Key Data Issues

• Other Subscriber Information
• Rendering / Attending / Referring Provider Tax ID
• Discharge Hour for LTC Patients
• Diagnosis for Lab/Other Claims
• New Patient Relationship Codes
• Change in Claim Status Reason Codes
• ICD-9 Procedure Codes Only on Inpatient Claims
HIPAA Benefits – Beyond the Claim

• The “magic” of EDI
  ? Product Integration
  ? Process Flow
  ? Make sure vendors are working now!

• Electronic Remittances
  ? Automated payment posting

• Eligibility
  ? Patients pulled out of schedule
  ? Patient accounts updated
  ? Thresholds for necessary updates

• Claims Status
  ? Automated, based on parameters you control
  ? Patient accounts updated
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