

Program Memorandum Intermediaries/Carriers

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

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Date: OCTOBER 18, 2000

CHANGE REQUEST 1367

SUBJECT: Notification to Providers and Suppliers of Transaction and Code Set Rule Promulgated In Accordance With the Health Insurance Portability and Accountability Act (HIPAA)

The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), required the Secretary of the Department of Health and Human Services to promulgate rules for national electronic standards for automated transfer of certain health care data between health care payers, insurance plans and providers. HIPAA required the Department to adopt electronic standards for health care transactions, code sets, identifiers, security, and privacy of individual health information.

National standards for electronic health care transactions will reduce the administrative burden on health care providers and health plans through use of consistent sets of data and formats. Once standards are fully in place, health care providers will be able to submit a standard transaction containing standard content to any health plan in the U.S. and that health plan must accept it. Health plans will be able to send standard transactions such as remittance advices and referral authorizations to health care providers.

The Transaction and Code Set Final Rule was the first to be promulgated and was published in the *Federal Register* on August 17, 2000. This Rule establishes national electronic standards for the following administrative and financial health care transactions: health claims or equivalent encounter information, eligibility for a health plan, referral certification and authorization, health claim status, enrollment and disenrollment in a health plan, health care payment and remittance advice, health plan premium payments, and coordination of benefits. The effective date for full implementation of these standards is October 16, 2002.

All private sector health plans, including managed care organizations and ERISA plans, but excluding small health plans which have a temporary 1-year exclusion, and all government plans, including Medicare and State Medicaid programs, all health care clearinghouses and any health care providers choosing to submit or receive transactions electronically are required to use the standards by the implementation date.

The attached newsletter/bulletin article alerts readers to the significance of the recently promulgated rules, informs them where to obtain a copy of the Transaction and Code Set Final Rule, and notifies them that more HIPAA information will be forthcoming in future issues. The contents of this article should be published in the next regularly scheduled edition of your bulletin or newsletter and should also be posted on your web-site for Medicare providers and suppliers.

Future newsletter/bulletin articles dealing with the implementation of the Transaction and Code Set Final Rule as well as other HIPAA-related occurrences or announcements will be forthcoming.

The *effective date* for this Program Memorandum (PM) is October 18, 2000.

The *implementation date* for this PM is October 18, 2000.

These instructions should be implemented within your current operating budget.

This PM may be discarded after September 30, 2001.

If you have any questions, contact Harvey Tzucker at 410 786-3670 or Htzucker @HCFA.gov.

Attachment

THE HYPE ABOUT HIPAA

If you haven't heard of HIPAA, you have a lot of catching up to do!

In 1996 Congress passed into law the Health Insurance Portability and Accountability Act (HIPAA). This Act is comprised of two major legislative actions: Health Insurance Reform and Administrative Simplification. The Administrative Simplification provisions of HIPAA direct the federal government to adopt national electronic standards for automated transfer of certain health care data between health care payers, plans, and providers. This will enable the entire health care industry to communicate electronic data using a single set of standards thus eliminating all nonstandard formats currently in use. Once these standards are in place, a health care provider will be able to submit a standard transaction for eligibility, authorization, referrals, claims, or attachments containing the same standard data content to any health plan. This will "simplify" many clinical, billing, and other financial applications and reduce costs.

The Transaction Final Rule is the first of the Administrative Simplification requirements to be published in the *Federal Register*. It was published on August 17, 2000 and requires providers to use the applicable standards for electronic transactions such as: submitting claims; receiving remittance advice statements; querying patient eligibility; checking claim status; requesting prior authorization where required for certain items of durable medical equipment; or requesting payment for the limited number of drugs covered by Medicare. These standards will be fully implemented October 16, 2002 (October 16, 2003 for small health plans). When fully implemented, Medicare contractors and other health care payers will be prohibited from accepting or issuing transactions that do not meet the new standards.

Health care providers and suppliers who conduct business electronically are urged to begin considering what steps they may need to take to upgrade their software to conform to the new standards. This can be done either independently or through commercial vendors. Health providers can also consider arranging for the services of a commercial clearinghouse or billing service knowledgeable about the new requirements to translate data on their behalf.

A copy of the Transaction and Code Set Final Rule, as well as more information on the full range of Administrative Simplification requirements (including identifiers, security and privacy of health information proposed rules) can be obtained from the following web site: <http://aspe.hhs.gov/admsimp/>.

Look for further important HIPAA information in upcoming issues of this publication.