

MEDICARE PART A BULLETIN

May 11, 1998

General Medicare Bulletin G-329

TO: All Participating Medicare Providers

FROM: Program Relations

SUBJECT: **LETTER ON HEALTH INSURANCE PORTABILITY AND
ACCOUNTABILITY ACT (HIPAA) ADMINISTRATIVE SIMPLIFICATION
STANDARDS ACTION**

ATTENTION MEDICARE BUSINESS OFFICE MANAGER: Please distribute to all appropriate health care personnel.

Attached is a letter to inform the Medicare providers about national health data standards that will affect them. The Health Insurance Portability and Accountability Act (HIPAA) of 1996 requires the Secretary of the Department of Health and Human Services to adopt national standard health identifiers, standard electronic formats for common health care transactions, standard code sets, and stringent security and privacy standards to protect confidentiality of health records. This letter gives details about the standards and lists sources where providers can obtain further information.

Dear Colleague:

What impact does the Health Insurance Portability and Accountability Act of 1996 have on you? More than you may have realized.

The Administrative Simplification provisions of the Act mandate that the Secretary of Health and Human Services adopt national standards for the electronic transmission of health care transactions. All health plans and clearinghouses and those providers who use electronic data interchange must meet these standards. That's right not just the Medicare and Medicaid programs but all health plans. The provisions also require national standards for medical code sets; standard identifiers for providers, health plans, employers, and individuals; and security and privacy standards.

A wide range of organizations and individuals will be affected, including those that:

- Pay health care claims or coordinate benefits across payers.
- Submit claims to health plans.
- Submit medical encounter data to managed care plans.
- Enroll employees in health plans.
- Pay premiums to health plans.
- Conduct authorized referrals.
- Provide prior authorization for services.
- File first reports of injury for worker's compensation.
- Query insurance eligibility or claim status.

The standards for these health care transactions, code sets, identifiers, and security are scheduled to go into effect 2 years after they are adopted by the Secretary. (Small health plans have one extra year). At that time, organizations will need to be able to accept standard electronic transactions from their customers. In addition, the Secretary has made recommendations to Congress for privacy legislation to protect individually identifiable health information. Standards for claims attachments will also be adopted, and will be proposed in the next year.

There will be clear benefits to those who use electronic transactions. With a national standard, the same claim can be sent to any insurance company for payment, greatly simplifying claims submission for providers. And payers will know exactly what a claim from any provider will look like it will be the same as claims from other providers.

The Department of Health and Human Services (DHHS) and other Federal and State agencies have been hard at work since the passage of the Act in August 1996. After extensive consultation with technical and professional organizations, a series of standards is ready to be proposed. The standards to be adopted will build on the voluntary consensus standards already developed by the private sector.

We have received extensive industry input to date but are continuing to look for comments on these standards. The Notices of Proposed Rule Making (NPRMs), the first official publications of the proposed standards, are expected to be published in the *Federal Register* shortly. In addition, the NPRMs will be available from the Department's Administrative Simplification World Wide Web site at:

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

Because you will be directly affected by these standards, we urge you to carefully read the proposed rules and provide your comments to the addressees noted in the NPRMs. These comments will be critical in determining the final set of standards to be adopted. We ask that associations work with their members to provide input to us.

DHHS has arranged for the implementation guides for proposed standards to be available on the World Wide Web. The guides can be downloaded free of charge from the Washington Publishing Company Web site at:

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

Additionally, now is the time for you to begin planning for implementation of these new standards. This is an opportunity to move from paper transactions to electronic transactions, to move from proprietary systems to open systems to move to national standards.

We urge you and your members to begin the process of implementation by discussing these transactions with your business partners and with the vendors that provide these services.

So watch the *Federal Register*, watch the Web site, and start the implementation process. Now is the time.

Yours truly,

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Questions regarding this bulletin may be addressed to the Medicare Part A Customer Service Department by calling (904) 355-8899.