

Common Questions & Answers About HIPAA

What is the purpose of HIPAA?

HIPAA, the Health Insurance Portability and Accountability Act of 1996, and its mandate for “administrative simplification” will begin to take effect in October 2002. The primary purpose of HIPAA is to enhance health insurance accessibility for people changing employers or leaving the workforce. However, HIPAA also contains a chapter entitled “Administrative Simplification” whose provisions are designed to encourage transmission of confidential health care data electronically. In return for legislating a significant savings for health plans and providers by simplifying claims transactions, Congress has imposed a series of privacy and security requirements to assure that electronically transmitted data will remain confidential and secure.

Does HIPAA apply to physicians?

Yes, all physicians are covered by HIPAA *if they use electronic means* to transmit any of the following: health claims, remittance or payment advice, claim status inquiries, eligibility inquiries, enrollment and disenrollment, referral certification and authorization, coordination of benefits, coordination of benefits or health plan premium payments. The rules take a very broad view of “electronic means”—all types of media such as tapes, CDs, diskettes, and all types of transmissions— including leased or dial-up phone lines, internet, extranet, virtual and private network. This is true even when data is physically moved, e.g., on a diskette. Once you are covered, the Privacy Rule (and likely the Security Rule) applies to ALL “protected health information” (“PHI”) whether in paper or electronic form. As health plans begin to require physicians to submit claims electronically, few will be able to escape the grasp of HIPAA. Use of telephones and faxback systems are explicitly excluded; mere use of a fax machine alone to submit a claim is not considered an “electronic means,” so faxing claims would not require a physician to use the standard transaction forms.

What does the HIPAA Administrative Simplification Rules cover?

The Administrative Simplification Rules include four main provisions:

1. **Uniform electronic transactions standards** for health care data
2. **Privacy and confidentiality** provisions for individually-identifiable health care data
3. **Security procedures** to protect electronically maintained health information
4. **Unique health identifiers** for providers, employers, plans and individuals

When will HIPAA's Rules take effect?

STANDARD	EFFECTIVE DATE
Uniform Electronic Transactions Standards	October 16, 2002
Privacy Rule	April 14, 2003
Security Rule	late 2003*
Unique Identifier	late 2003**

* Not yet finalized.

** Unique identifiers will be established for all providers, employers, plans and individuals. The individual health identifier, such as a social security number, has become very controversial and is on hold. Resolution may require additional federal privacy legislation. "Unique identifiers" are numbers like an employer ID used to identify the party. Generally, existing employer and taxpayer ID numbers will be used in lieu of the large number of provider IDs each physician must now contend with.

What are the Financial and Practice Benefits of HIPAA?

Simply put, the new uniform electronic transaction rules can provide significant administrative savings and reduce hassles. For the first time, all health plans and other payors will be required to accept the same single form without any additional or local variations! Instead of over 400 variations in claim forms there will be only a few, one for each type of transaction. (See Part II for a list of the transactions.) There will be uniform code sets that cannot be changed by local practice. This means big possible substantial savings for doctors who will not have to supervise a staff devoted to properly filling out multiple varieties of claim forms and attachments.

According to one estimate based on a survey of 20 medical groups (most with eight or more physicians), **the average potential benefit was \$7200 per physician** (excluding initial implementation costs). These savings were allocated as follows: included 51% in the business office, 37% in bad debt, postage, etc., and 12% in reduced pre-certification/preauthorization and eligibility and benefit verification.

Some physicians will choose to stop using a clearinghouse and submit claims directly to the payors under this simplified system. Those practices that do use clearinghouses should find their requirements much easier to meet and lower in cost.

Areas for Potential Savings

Claims: DHHS estimates that each electronic claim will save physicians \$1.49 over current costs.

Rejected Claims: According to the AMA, over 30% of all claims are rejected nationally. Of that number, 30-40% are rejected for incorrect or missing ID. Half are never resubmitted. The new rules allow real time eligibility determination including IDs.

Electronic Eligibility: Under HIPAA you will be able to submit electronic eligibility inquiries directly to the health plan to promptly determine eligibility. No more long waits while your staff tries to check eligibility! This should reduce claims rejected for these reasons. When HIPAA transaction set rules go into effect in October 2002, each plan will have to provide this service.

Electronic Verification of Receipt: The rules will also allow electronic documentation of claims receipt so that the excuse "we never got it" won't be heard.

Referrals: Current estimates are that manual referrals cost primary care providers about \$40 each and their specialist counterparts about \$20. Going online with new standard 278 (Referral Certification and Authorization) will result in large savings.

Why should we think about this now?

By starting to plan now, you will be able to reap the most benefit from the new rules on uniform transactions. You will also show your patients that you are genuinely concerned about the safety and confidentiality of their medical records. Privacy of medical records is a very "hot topic" for many people. Planning now will prevent last minute panic when the deadlines do arrive. For instance, if you are planning changes to office layout, equipment, or software, you will want to be sure they are consistent with HIPAA requirements. Enhancing your security and privacy procedures will also reduce the risk of and liability for unauthorized disclosures.

What is CMA doing to help its members prepare for HIPAA?

CMA believes the HIPAA transaction rule will hugely benefit physicians and hospitals. Despite our concerns about other aspects of HIPAA, we believe this particular rule is mainly a benefit for providers. To help members take advantage of this opportunity, CMA is urging members to move into the electronic-billing arena sooner than later. CMA plans to stage seminars in hospitals, at local county (component) societies, and other appropriate venues to begin generating the interest, awareness and knowledge among physicians and their office staff. CMA also plans to roll out a long-term educational strategy that will allow physicians to implement HIPAA in their offices in manageable monthly stages. In addition, and in support of these seminars, CMA will publish guide materials for the benefit of CMA members.