


**HIPAA**  
**ELECTRONIC TRANSACTIONS & CODE SETS**  
**FOR HEALTH CARE PROVIDERS**



HIPAA is a challenge and opportunity that promotes standardization and efficiency for the Health Care Industry.

***The Challenge***

The health care industry has experienced dramatic change over the years. As new technologies are adopted and our system has become more complex, so has the administration of health care. Most payers of health care claims have developed their own standards for claims and many other health care transactions. The result is added administrative costs for providers, hundreds of different claims forms and procedures to deal with daily, and complicated computer programs. As a health care provider you know that a provider's office can be required to submit many different types of forms for payment. A process that can frustrate everyone involved – patients, insurers, employers and providers. Opportunities for change have seemed out of reach, until now.

***The Opportunity***

The law known as “HIPAA” stands for the Health Insurance Portability and Accountability Act of 1996. Congress passed this landmark law to provide consumers with greater access to health care insurance, to protect the privacy of health care data, and to promote more standardization and efficiency in the health care industry. While HIPAA covers a number of important health care issues, this informational series focuses on the Administrative Simplification portion of the law, specifically HIPAA's Electronic Transactions and Code Sets requirements.

There are four parts to HIPAA's Administrative Simplification:

- Electronic transactions and code sets standards requirements
- Privacy requirements
- Security requirements
- National identifier requirements

This is the first in a series of informational papers designed to help health care professionals with the realities of HIPAA. Collectively, the papers provide information, suggestions, tips, guidance, and checklists to assist health care providers in understanding what they need to focus on to become HIPAA compliant. Each paper provides a general overview of topics that will help guide you through the HIPAA requirements. From determining whether or not you are a covered entity, to outlining specific deadlines, to

implementation, to the enforcement of the rule, this series aims to provide information and resources that will help ensure you are compliant with HIPAA's Electronic Transactions and Code Sets Standards requirements.

### ***Why HIPAA Administrative Simplification?***

HIPAA calls for changes designed to streamline the administration of health care. It promotes uniformity by adopting transaction standards for several types of electronic health information transactions. No longer can every insurer have unique requirements for the processing of claims. Everyone covered by HIPAA will be required to provide the same information such as; standard formats for processing claims and payments, as well as the maintenance and transmission of electronic health care information and data. In the short term, HIPAA will require effort, resources and commitment on the part of certain providers' offices and other covered entities' offices. In the long run, this law has major benefits. Right now, there are over 400 different ways to submit a claim. With HIPAA, there will be one way to conduct electronic claims. With these standards in place, your office staff may spend less time on the phone getting information they need. As a result, the standardization of submitting claims and simplification of processes should make getting paid quicker and easier and less costly. The requirements mandated by HIPAA should also help providers take advantage of new technologies and ultimately improve their overall business practices.

### ***Electronic Transactions and Code Sets Requirements***

Transactions are activities involving the transfer of health care information for specific purposes. Under HIPAA Administration Simplification, if a health care provider engages in one of the identified transactions, they must comply with the standard for that transaction. HIPAA requires every provider who does business electronically to use the same health care transactions, code sets, and identifiers. HIPAA has identified ten standard transactions for Electronic Data Interchange (EDI) for the transmission of health care data. Claims, encounter information, payment, remittance advice, claims status and inquiry are several of the standard transactions. Review all of the electronic transactions required by HIPAA and determine what transactions your office uses.

Code sets are the codes used to identify specific diagnosis and clinical procedures on claims and encounter forms. The CPT-4 and ICD-9 codes that you are familiar with are examples of code sets for procedure and diagnosis coding. Other code sets adopted under the Administrative Simplification provisions of HIPAA include code sets used for claims involving medical supplies, dental services, and drugs.

#### **Standard Transactions:**

- Claims or equivalent encounter information
- Payment and remittance advice
- Claim status inquiry and response
- Eligibility inquiry and response
- Referral certification and authorization inquiry and response

- Enrollment and disenrollment in a health plan
- Health plan premium payments
- Coordination of benefits
- Claims attachment

Code Sets:

- Physician services/other health services – both HCPCS AND CPT-4
- Medical supplies, orthotics, and DME – HCPCS
- Diagnosis codes – ICD-9-CM, Vols 1&2
- Inpatient hospital procedures – ICD-9-CM, Vol 3
- Dental services – Code on dental procedures and nomenclature
- Drugs/biologics – NDC for retail pharmacy

Information and Tools Available at the CMS Web Site:

<http://www.cms.hhs.gov/hipaa/hipaa2>

- Covered entity decision tool
- Provider readiness checklist
- CMS Outreach ListServe
- HIPAA roundtable audio conference dates
- HHS HIPAA links
- Instructional CDs & videos
- HIPAA FAQs & compliance dates
- Complaint form

For HIPAA Privacy inquiries:

<http://www.hhs.gov/ocr/hipaa/> or call the Privacy hotline at: 1-866-627-7748

***Other HIPAA Administrative Simplification Requirements***

- **Privacy Requirements:** The privacy requirements govern disclosure of patient protected health information (PHI), while protecting patient rights.
- **Security Requirements:** The security regulation adopts administrative, technical, and physical safeguards required to prevent unauthorized access to protected health care information. The Department of Health & Human Services published final instructions on security requirements in the Federal Register on February 20, 2003. The deadlines for compliance are April 20, 2005 and April 20, 2006 for small health plans.
- **National Identifier Requirements:** HIPAA will require that health care providers, health plans, and employers have standard national numbers that identify them on standard transactions. The Employer Identification Number (EIN), issued by the Internal Revenue Service (IRS), was selected as the identifier for employers and was adopted effective July 30, 2002. The remaining

identifiers, such as the national patient identifier, are expected to be determined in the coming year.

### ***Who is affected by HIPAA?***

The law applies directly to three groups referred to as “covered entities.”

- **Health Care Providers:** Any provider of medical or other health services, or supplies, who transmits any health information in electronic form in connection with a transaction for which standard requirements have been adopted.
- **Health Plans:** Any individual or group plan that provides or pays the cost of health care.
- **Health Care Clearinghouses:** A public or private entity that transforms health care transactions from one format to another.

HIPAA, however, indirectly affects many others in the health care field. For instance, software billing vendors and third party billing services that do not qualify as clearinghouses or some other covered entity, are not covered by HIPAA. They may however need to change their business operations if they are trading partners or business associates of a covered entity.

### ***Steps toward HIPAA electronic transactions and code sets compliance***

If you have not been preparing for HIPAA, it is time to get started.

\_\_\_ Find out if HIPAA applies to you. Visit the CMS web site and review the second paper in this series, “Are you a covered entity?”

\_\_\_ Call your health plans, payers and clearinghouse and ask about their HIPAA testing and HIPAA implementation plans.

\_\_\_ If you are using a billing service, find out if they are prepared for HIPAA.

\_\_\_ Talk with your provider associations about HIPAA.

\_\_\_ Find out about regional HIPAA efforts from your regional “Strategic National Implementation Process” (SNIP) representatives. They are local groups with Extensive knowledge of HIPAA.

*For more information about HIPAA...*

E-mail your questions to [askhipaa@cms.hhs.gov](mailto:askhipaa@cms.hhs.gov) or call the CMS HIPAA HOTLINE 1-866-282-0659.

Log onto the CMS HIPAA web site: <http://www.cms.hhs.gov/hipaa/hipaa2>.

Sign up to learn about the latest CMS Administrative Simplification outreach materials and events: <http://list.nih.gov/archives/hipaa-outreach-1.html>.

Sign up for our HIPAA Regulations ListServe for free email notification:  
<http://www.cms.hhs.gov/hipaa/hipaa2/regulations/lsnotify.asp>.

Find out about your local SNIP at: <http://www.wedi.org/snip>.