HIPAA inSight

Health Insurance Portability and Accountability Act

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The information in *HIPAA inSight* applies to billing vendors, Medicaid HMOs and other managed care programs, as well as providers participating in the following Wisconsin health care programs administered by the Division of Health Care Financing (DHCF):

- Medicaid and BadgerCare.
- Health Insurance Risk Sharing Plan (HIRSP).

The HIPAA standards

The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), commonly referred to as the "HIPAA standards," require the Secretary of the federal Department of Health and Human Services (HHS) to adopt national standards for:

- The electronic transmission of administrative and financial health care information (e.g., claims) and code sets (e.g., diagnosis codes, procedure codes, procedure code modifiers).
- Unique health care identification numbers for providers, health plans, employers, and individuals.
- Privacy and security of individually identifiable health care information.
- Electronic submission of claims attachments.
- Enforcement of the components of HIPAA.

The HIPAA standards are being adopted in a staggered fashion. The Attachment of this *HIPAA inSight* shows the dates for each standard's Notice of Proposed Rule Making (NPRM), the date that the final rule for the standard is published in the Federal Register, and the compliance date of the standard.

The schedule in the Attachment is subject to change. The most current schedule information available can be found at *aspe.hhs.gov/admnsimp/*. Wisconsin Medicaid will continue to print updated schedules in *HIPAA inSight*.❖

In this issue:

The HIPAA Electronic Transactions standard

Out of the five HIPAA standards, the Electronic Transactions standard has the most impact on the interaction between Wisconsin health care programs and health care providers, other health plans, and health care clearinghouses. The following electronic transactions are included as part of the standard:

- Health claims and adjustments.
- Enrollment and disenrollment in a health plan.
- Inquiry for eligibility with a health plan.
- Remittance advice.
- Health plan premium payments.
- Health claim status inquiry and response.
- Referral certification and authorization.

Providers benefit from standardized electronic transactions

Standardization of electronic health care transactions on a national level will eliminate proprietary electronic claim formats and, as a result, is anticipated to greatly decrease burdens on health care providers and billing services. For example, there are currently about 400 different formats for electronic health care claims being used in the United States. The HIPAA standards will greatly reduce the number of electronic formats used, which will ultimately reduce administrative burden, lower operating costs, and improve data quality.

Who developed the format standards for electronic transactions? Did the federal government create them?

The federal government did not create the format standards. Two standard-setting organizations were chosen by the Secretary of HHS to develop and maintain the standards — the **Accredited Standards Committee (ASC) X12N** and the National Council for Prescription Drug Programs (NCPDP). Both of these organizations are accredited by the **American National Standards Institute (ANSI)**.

What formats were chosen to be standards?

Retail pharmacy claim transactions

The choice for retail pharmacy claim transactions are formats maintained by the NCPDP, because they are already in widespread use. The NCPDP Telecommunications Standard Format Version 5.1 and equivalent NCPDP Batch Standard Version 1.1 have been adopted as the standards. Health plans will be required to support one of these two NCPDP formats.

Type of transaction	
Any retail pharmacy transaction	
Type of transmission	**Format standards**
Telecommunication	NCPDP Telecommunication Claim Version 5.1
Batch	NCPDP Batch Standard Version 1.1

The format used depends on the way the transaction is transmitted. The NCPDP telecommunications format must be used for real-time transmissions (e.g., Wisconsin Medicaid Point-of-Sale [POS]). (NCPDP refers to real-time transmissions as "interactive.") All other electronic retail pharmacy claims require the use of the NCPDP batch format.

Health care claims for dental, professional, and institutional providers

ASC X12N format standards, Version 4010, were chosen for all of the electronic transactions except retail pharmacy transactions. The ASC X12N format standards are listed below.

Type of transaction	Format standards
Dental health care claim or adjustment	ASC X12N 837 — Health Care Claim: Dental
Professional health care claim or adjustment	ASC X12N 837 — Health Care Claim: Professional
Institutional health care claim or adjustment	ASC X12N 837 — Health Care Claim: Institutional

Enrollment and disenrollment from a health plan

ASC X12N 834 is the format standard for notification of an enrollment or disenrollment from a health plan, such as a managed care program. The Division of Health Care Financing (DHCF) will use this transaction to send enrollment and disenrollment information to HMOs and other managed care organizations.

Type of transaction	Format standard
Enrollment and disenrollment in a health plan	ASC X12N 834 — Benefit Enrollment and Maintenance

Inquiry for eligibility with a health plan

ASC X12N 270 is the format standard used by providers to inquire on patient eligibility, and ASC X12N 271 is the payer's response to the provider. These will function similarly to Medicaid's electronic Eligibility Verification System (EVS).

Type of transaction	Format standard
Eligibility for a health plan	ASC X12N 270/271 — Health Care Eligibility Benefit Inquiry and Response

Remittance advice

ASC X12N 835 is the format standard to be used to send a remittance advice. Payers that provide health care providers with remittance advice statements must have the capability of sending an electronic remittance advice (if requested by the provider) using the HIPAA standard electronic format. This will function similarly to Wisconsin Medicaid's Remittance and Status Report.

Type of transaction	Format standard
Remittance advice	ASC X12N 835 — Health Care Claim Payment/Advice

Health care premium payments

ASC X12N 820 is the format to be used to transmit remittance information for health care premium payments. An example is capitation payments made by Medicaid to HMOs.

Type of transaction	Format standard
Health plan premium payments	ASC X12N 820 — Payroll Deducted and Other Group Premium Payment for Insurance Products

Health claim status inquiry and response

ASC X12N 276 is the format to be used by providers to transmit health claim status inquiries to payers. The health care claim status transaction allows a provider to inquire about the status of a particular claim. The ASC X12N 277 is the payer's response to the provider.

Type of transaction	Format standard
Health claim status	ASC X12N 276/277 — Health Care Claim Status and Response

Referral certification and authorization

ASC X12N 278 was chosen as the request and response for referral certification and authorization. Referral certification and authorization is what is commonly referred to as prior authorization. It is a two-way transaction. The first is the provider's request for the authorization. The second is the payer's response to the request.

Type of transaction	Format standard
Referral certification and authorization	ASC X12N 278 — Health Care Services Review-Request for Review and Response

Data elements within the format standards

Each transaction's format contains required data elements that are defined under the standards. These definitions may not be altered by any covered entity. Therefore, health plans are prohibited from requiring providers to submit data elements that are not included in the standard transaction formats. For example, HIPAA-compliant claims transactions (ASC X12N 837) do not contain a data element for type of service.❖

HIPAA-compliant code sets

Under HIPAA legislation, a "code set" is any set of codes used for encoding data elements. Examples of code sets include tables of terms, medical concepts, medical diagnosis codes, or medical procedure codes. The code sets adopted by the Secretary of HHS define the data that is required to be used within each transaction format. Health plans are prohibited from requiring providers to submit data that is not included in the adopted code sets. Therefore, HIPAA will no longer allow payers and providers to use local codes (e.g., "W" codes).

Which code sets have been adopted as HIPAA standards?

There are two types of code sets named within the HIPAA standards, medical and non-medical. The Secretary has adopted the following code sets as the standard medical data code sets:

- *Current Procedural Terminology, 4th Edition* (CPT-4).
- The HCFA Common Procedure Coding System (HCPCS).
- *Current Dental Terminology* (CDT).
- National Drug Codes (NDC).
- *International Classification of Diseases, Ninth Edition, Clinical Modification* (ICD-9-CM), *Volumes 1, 2, and 3*.

Non-medical code sets define all non-medical information electronically exchanged between covered entities, such as place of service and Explanation of Benefits codes. The HIPAA **implementation guides** define which non-medical code sets are valid.❖

Implementation guides

Each standardized transaction has its own implementation guide. Each transaction's implementation guide defines the electronic format and defines or references the code set to be used in each data element. Furthermore, it also defines which data elements are required. These required data elements may require providers to collect information that they do not currently collect.

Wisconsin Medicaid strongly encourages all covered entities to familiarize themselves with the HIPAA implementation guides in order to determine what needs to

Terms and definitions

Implementation Guide	Defines the electronic format and values for each data element within a standardized electronic transaction. Implementation guides are authored by Accredited Standards Committee (ASC) X12 and the National Council for Prescription Drug Programs (NCPDP).
ANSI	American National Standards Institute; The highest level national standards organization that coordinates voluntary standards in the United States. Does not develop standards, but approves a standard when the sanctioned development organizations prove substantial agreement from those affected by the proposed standard. Currently endorses over 8,500 standards.
ASC X12N	Accredited Standards Committee X12N; The subcommittee of ASC X12, responsible for developing electronic data interchange standards for insurance (including health care). ASC X12N developed the transaction formats adopted under HIPAA.

be done to ensure timely compliance. Implementation guides (except retail pharmacy guides) are available through the Washington Publishing Company (WPC). To obtain electronic versions of the guides, you must complete the registration form on the WPC Web site at *hipaa.wpc-edi.com/HIPAA_40.asp/*. Once this registration form is submitted and processed, you will be granted immediate access to download the implementation guides. Paper and CD-ROM copies are also available for a charge from WPC by writing to:

Washington Publishing Company
PMB 161
5284 Randolph Road
Rockville, MD 20852

The retail pharmacy implementation guide is available for a charge through the NCPDP Web site at *www.ncpdp.org/*, or write to:

National Council for Prescription Drug Programs
Suite 365
4201 North 24th Street
Phoenix, AZ 85016 ❖

HIPAA-related Web sites

www.wpc-edi.com/hipaa/
This links to the Washington Publishing Company Web site. This site contains all the implementation guides, data conditions, and the data dictionary (except for retail pharmacy) for X12N standards being proposed under HIPAA.

www.wedi.org/
This is the Workgroup for Electronic Data Interchange (EDI) Web site. This site includes information on EDI in the health care industry, lists of conferences, and the availability of resources for standard transactions.

web.ansi.org/public/library/std_proc/anspro/due_proc1.html
This is the ANSI Web site where one may read the ANSI Procedures for the Development and Coordination of American National Standards.

Watch for more *HIPAA inSight* articles as inserts to future *Wisconsin Medicaid and BadgerCare Updates*.

ATTACHMENT

Schedule of HIPAA standards implementation

HIPAA standard	NPRM published	Final rule published	Compliance date
Electronic transactions	May 7, 1998	August 17, 2000	October 16, 2002
Identifiers National Provider Indentifier National Employer Identifier National Health Plan Identifier National Individual Identifier	 May 7, 1998 June 16, 1998 In development On hold		
Privacy	November 3, 1999	December 28, 2000	April 14, 2003
Security	August 12, 1998		
Electronic Claims Attachment	In development		
Enforcement	In development		

Note: HIPAA = Health Insurance Portability and Accountability Act of 1996

NPRM = Notice of Proposed Rule Making