



Association For Electronic Health Care Transactions

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Important issues concerning the role of the vendor community in HIPAA implementation were raised at the April 6, 2005 NCVHS hearing on the business impact of the Health Insurance Portability and Accessibility Act of 1996 (HIPAA) electronic transactions and code set standards. Specifically discussed were the decisions of some practice management system vendors to utilize a clearinghouse solution rather than support direct connections between payers and providers, and perceived limitations of practice management systems related to the use of non-claim transactions. AFEHCT is writing to help address these questions and to provide an additional perspective on how to promote return on investment in connection with HIPAA implementation.

AFEHCT, the Association For Electronic Health Care Transactions, is a national association of health care technology vendors. Founded in 1992, our members include software vendors, health care clearinghouses, health care information technology remediation vendors and others who share the goals of promoting the application of health information technology solutions to improve the delivery, financing, and administration of health care. AFEHCT and our member companies are firmly committed to the efficient and cost-effective implementation of the HIPAA transaction standards.

Direct Connect and the Centralization Alternative

In connection with the implementation of the HIPAA transactions and code set standards, a number of our members have implemented HIPAA solutions that utilize a clearinghouse for the submission of HIPAA standard transactions. For these vendors centralization through

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the clearinghouse alternative provided the most efficient and cost-effective means to conduct HIPAA-compliant transactions with the hundreds of payers with whom they covered around the country. Three key factors contributed to this decision: 1) the payer specific format, content and communications requirements that continue Within the HIPAA transactions, 2) the fact that transaction standards will continue to change and evolve as they are modified and new versions are adopted, and 3) the number of physician offices that would need to significantly change or upgrade their systems within a short time frame.

As the committee discussed during the April 6 hearing, the HIPAA transactions rule has not resulted in the uniformity that was envisioned under the statute. Payers are still permitted to require specific fields within a standard transaction to be populated and formatted differently, and to require additional, situational data elements at their discretion. Moreover, payers may reject transactions if situational data fields are not populated in the specific format required by each payer. As a result, the information transmitted in "standard" transactions must be customized to meet the specific, and at times conflicting, interpretations of each payer. The Claredi Corporation and now the Workgroup on Electronic Data Interchange ("WEDI") are undertaking efforts to promote "convergence" of the payer-specific variation within the HIPAA standard transactions; however, many payer-specific requirements are expected to remain. Moreover, HIPAA did not establish a single communication protocol through which electronic health information would be transmitted. Each of the nation's payers established its own methods of dial-up or Internet connectivity for each of the transactions. The direct connect option would require that each practice have the ability to interface with each of the payers with which the practice deals using the standards and protocols of that payer. Further, every time a payer changed a phone number for dial-up access, modified their documentation requirements or made any other changes to their transaction requirements, the direct connect solution would require that the practice incur new expenses for modifying their systems to meet the payer's new requirements. Some vendors concluded that it would be most efficient or cost-effective to address these customizations at a central location. Through centralization, each practice management system can use a single communication protocol to transmit standard data content and format to a central location.

Customizations to address the diverse communication needs of the payers and the thousands of payer-specific data content and data format specifications can be made at a single location.

The efficiencies of centralization are also apparent when viewed in the context of the standards modification process. Over time, the format and data content required by the HIPAA transaction standards will change as the standards are modified, new versions are adopted, and the use of standard identifiers evolves. As the industry gains experience with the transaction standards, a process of continual evolution will occur. Indeed, the Centers for Medicare and Medicaid Services is developing a standards modification process to speed and streamline the mechanisms for making changes to the transaction standards. Changes to a standard have costs associated with implementation, including the time and expense of systems upgrades and the need for end-to-end testing to ensure that the intended change does not have unintended consequences. Many of our members concluded that it is far more efficient and far less costly for them to implement these changes one time at a centralized location, rather than requiring thousands of practice sites to replicate each change locally. In addition to the resulting economics of scale, centralizing system changes dramatically simplifies the process of trouble-shooting should the change process result in transactions being rejected.

Capacity for non-claim transactions

AFEHCT agrees that practice management systems should support all HIPAA standard transactions. Some of our members' products currently support the full complement of HIPAA standard transactions; other members are in the process of developing new systems and system upgrades. Many providers, however, are reluctant to make yet another investment in HIPAA implementation absent any clear return on investment. Even providers that have the technological capability to engage in additional HIPAA standard transactions, choose not to do so. This is in part because the data content received from payers in the eligibility and other transactions is not robust enough to justify the cost in both time and money of engaging in the transaction. In addition, many payers are not engaging at all in the standard transactions for eligibility, remittance and claim status.

Opportunities for Return on Investment

AFEHCT and its member-organizations are committed to working with the provider community to promote the use of all HIPAA standard transactions in a manner that improves return on investment. Three key steps to advance these goals include: a strategic plan for rational implementation of the remaining transaction standards; encourage a more robust data content flow from payers to providers; and financial incentives that recognize the inherent imbalances between the costs and benefits of standards implementation across the industry.

The use of the non-claim transaction lags substantially behind the adoption of the claim transaction and any payers have only recently begun testing these transaction standards. CMS should help coordinate the development and implementation of a rational, system-wide transition plan to advance the adoption of all of the HIPAA standard transactions. Many of the successes in HIPAA implementation to date had their genesis in decisions by Medicare. CMS should acknowledge and embrace its role as an industry leader and develop and publicize its strategy for implementation of the remaining HIPAA standard transactions that will provide the greatest system-wide efficiencies.

As part of a rational transition plan, CMS should prioritize implementation based on which transactions will provide the greatest system-wide efficiencies. In addition, CMS should adopt a process of sequenced implementation whereby, compliance is phased in among the different segments of the industry based on the role the participant plays in the system (first payers, then clearinghouses and vendors and finally providers) and the capacity of the entity to achieve compliance (first large, then small entities). Sequenced implementation would reduce inefficiencies in the transition by allowing for methodical system development and testing within and among industry participants.

In addition, the transaction standards may need modification to promote a return on investment for all affected parties. The efficiencies of HIPAA implementation result from the streamline interchange of information back and forth across multiple transactions. The current transaction standards for eligibility, claim status and remittance advice do not ensure the flow of uniform, robust data content from payers to providers. Furthermore, the absence of an

acknowledgement standard is widely recognized and a barrier to efficient use of electronic transactions. There are important private sector initiatives to address these concerns. The Council for Affordable Quality Healthcare has established the Committee on Operating Rules for Information Exchange ("CORE") to develop operating rules to improve provider access to uniform, reliable patient-specific information through the standard eligibility transaction. WEDI has intensified industry dialogue about the need to have uniform mechanisms to acknowledge the receipt and processing of standard transactions. The public sector should both join in and encourage these efforts.

AFEHCT and our member companies appreciate the opportunity to share the vendor perspective on these important matters and look forward to continuing our leading role in use technology to bring greater efficiency to the healthcare system.