

Tale of Two Transactions: *Health Care Payment and Remittance Advice* (835) meets the Automatic Clearing House (ACH) *Electronic Funds Transfer (EFT)*

- I. Charge to the NCVHS Committee
- II. How *Health Care Payment and Remittance Advice* and *Money* are transmitted
- III. What problems would Standards and Operating Rules solve?

Centers for Medicare & Medicaid Services (CMS)
Office of eHealth Standards and Services
December 2, 2010

I. Charge to the NCVHS (this go-round)

1. Recommend a standard for Electronic Funds Transfer (EFT)
2. Recommend operating rule for Electronic Funds Transfer transaction
3. Recommend operating rule for the Claim Payment and Remittance Advice Standard Transaction (835)

Administration Simplification: HIPAA and the Affordable Care Act

Sec. 1173

- (a) Standards to Enable Electronic Exchange –
 - (1) In general – The Secretary shall adopt standards for transactions, and data elements for such transactions, to enable health information to be exchanged electronically, that are appropriate for... (A) financial and administrative transactions...
 - (2) Transactions. – The Transactions referred to in paragraph (1)(A) are transactions with respect to the following:
 - (A) Health claims or equivalent encounter information
 - (B) Health claims attachments.
 - (C) Enrollment and disenrollment in a health plan.
 - (D) Eligibility for a health plan.
 - (E) *Health care payment and remittance advice***
 - (F) Health plan premium payments.
 - (G) First report of injury.
 - (H) Health claim status.
 - (I) Referral certification and authorization.

(J) *Electronic funds transfers.*

Affordable Care Act adds a new transaction for which the Secretary must adopt a standard.

Affordable Care Act adds the requirement for a single set of operating rules for each of these standard transactions

AND

“...the set of operating rules for electronic funds transfers and health care payment and remittance advice shall... ***allow for automated reconciliation of the electronic payment with the remittance advice.***”

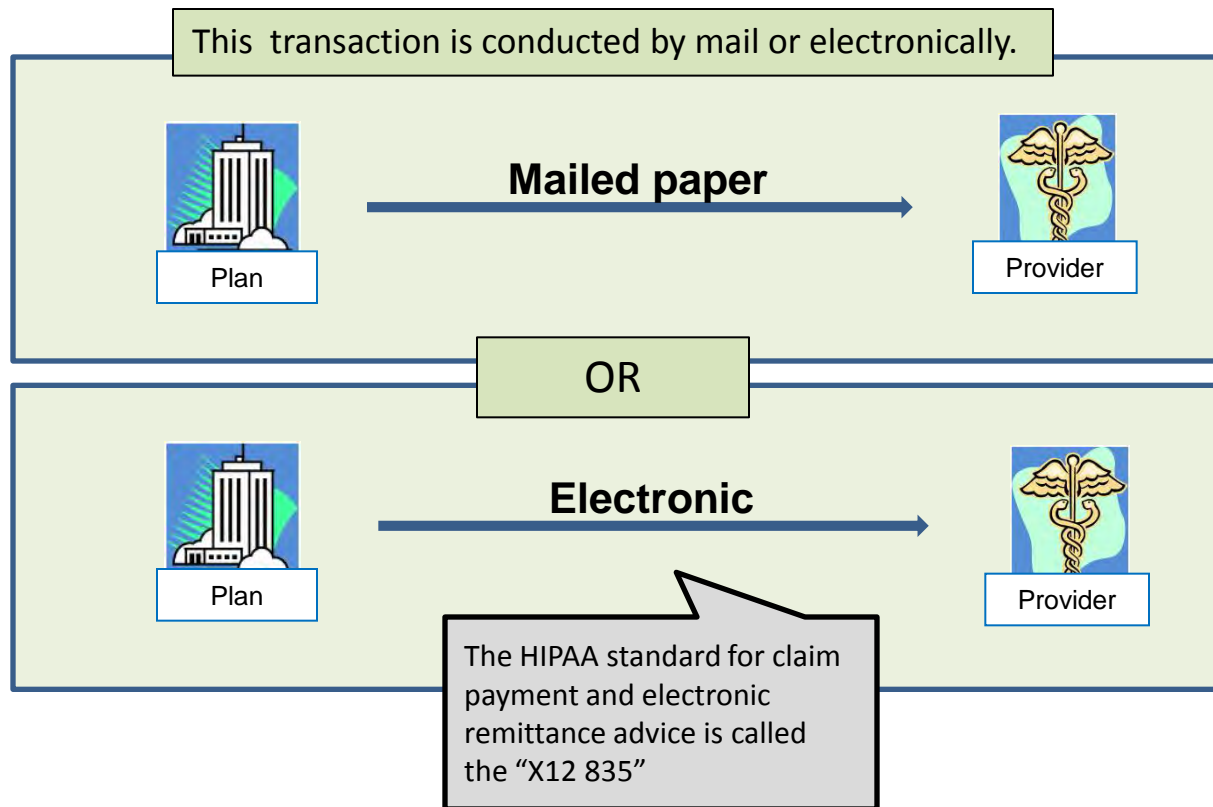
II. How *Money (funds)* and *Health Care Payment and Remittance Advice* are transmitted

In the health care world, for the most part, the actual *money* or funds are sent separately from the *Health Care Payment and Remittance Advice*.

- The transfer of funds (by paper check or EFT) is a financial transaction.
- The transmittal of *Health Care Payment and Remittance Advice information* is a health care transaction, the electronic version of which is standardized under HIPAA.

How *HEALTH CARE PAYMENT AND REMITTANCE ADVICE* is transferred

(This is a health care transaction)



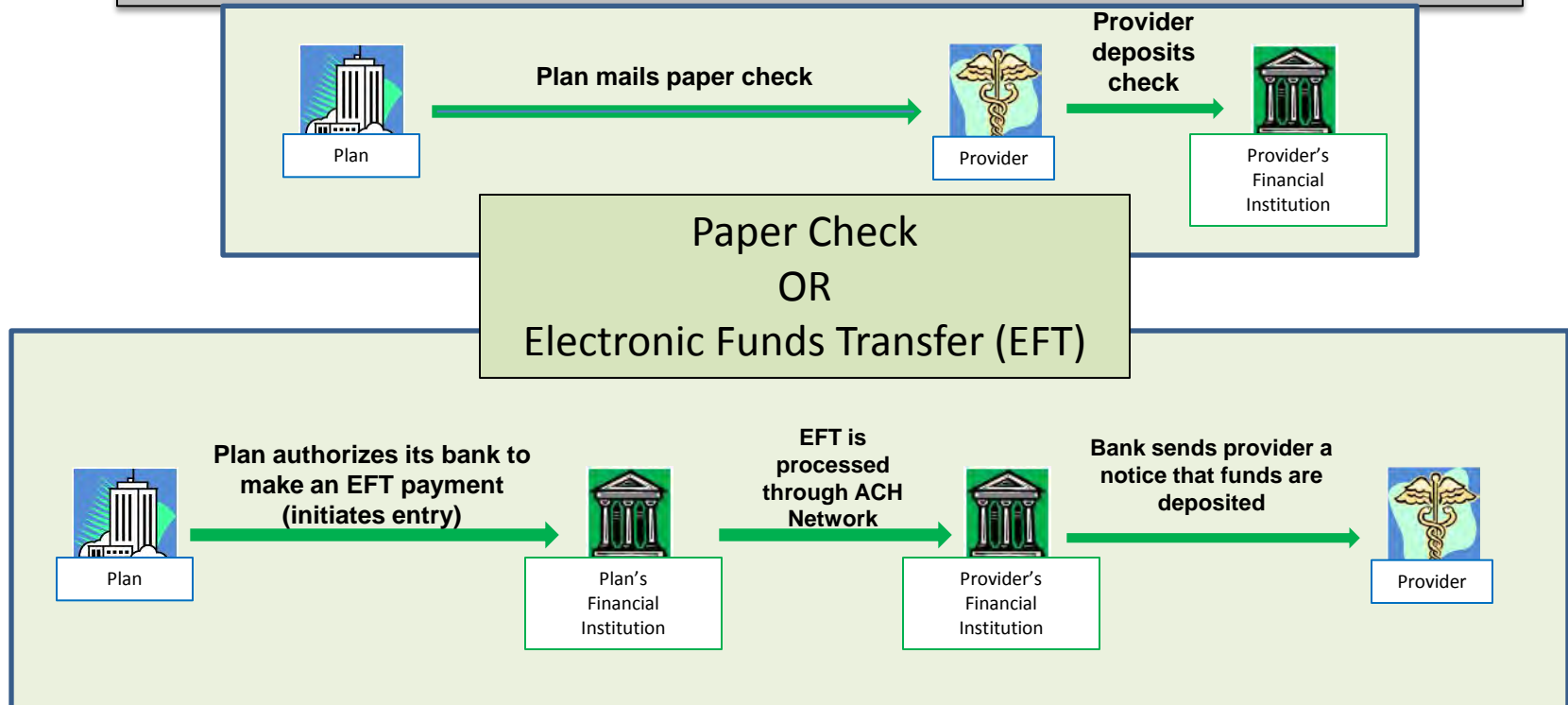
The plan sends the provider the *health care payment and remittance advice* that gives both Payment data and Remittance Advice (explains why the amount paid may be different from what the Provider billed)

Certain electronic health care transactions are regulated by HIPAA

How *MONEY* is Transferred

(These are financial transactions)

The transfer of funds is carried out in a number of ways, usually separate from the *Healthcare Payment and Remittance Advice*. When electronic transactions are used, the transaction is between the health plan and a bank.



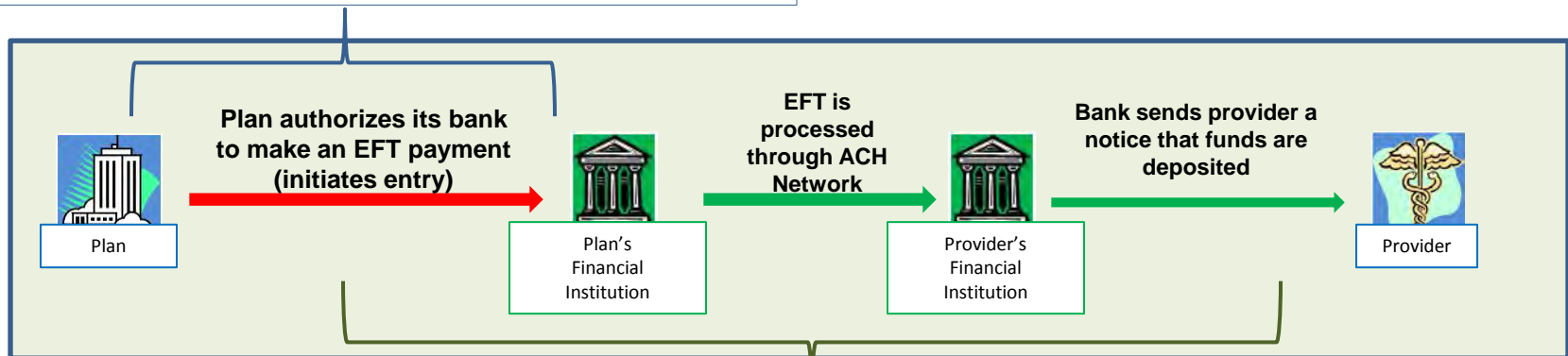
An Electronic Funds Transfer (EFT) is any transfer of funds that is *initiated through electronic means* for the purpose of ordering, instructing or authorizing a financial institution to debit or credit an account.

Electronic Funds Transfer

EFT: The Lingo

- In general, the **EFT** is the whole transaction, from a payment authorization from the payer (plan) to the deposit notice to the payee (provider). The EFT is primarily a transfer of funds, though **the transaction can carry data** that explains those funds. The EFT transaction is **the electronic format and content** in use by payers today to initiate an EFT payment to a provider. However, there is no adopted HIPAA standard yet. A standard and an operating rule are needed to broaden standard use of the EFT transaction.
- The **Automated Clearing House (ACH) Network** is a processing and delivery system for EFTs utilizing nationwide telecommunications networks. It includes the legal agreements between all participants.
- The **National Automated Clearing House Association (NACHA)** is the non-profit organization responsible for administration, development, and enforcement of the rules and management practices for the ACH network.

HIPAA EFT Transaction (i.e., EFT specific to healthcare transactions):
“the mechanism that payers use to instruct one [bank] to move money from one account to another account...”



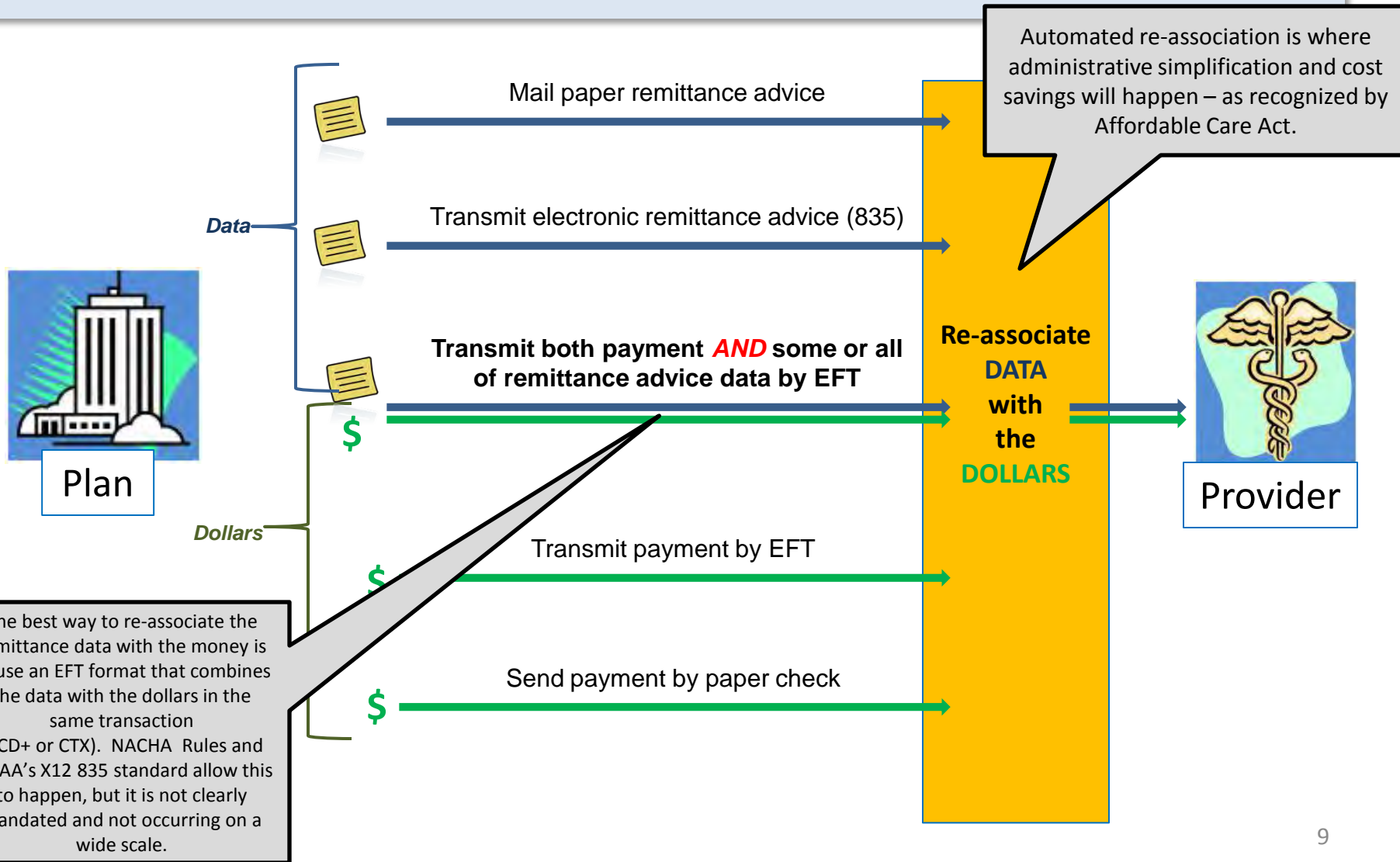
NACHA maintains the rules for the ACH Network. The rules are high level and provide for a lot of flexibility.

III. What problem(s) need to be solved?

HIPAA provides a foundation for the electronic exchange of payment information, but the existing standards and industry practices do not yet mitigate the paper based systems or the need for significant manual efforts.

Re-Association

Regardless of the way the *Money* and *Health Care Payment and Remittance Advice* are sent, ultimately, the remittance advice must be reconciled (re-associated) with the payment.



Sidebar: Privacy Issues

In order to “allow for automatic reconciliation of the electronic payment with the remittance advice,” as the Affordable Care Act requires, it will be necessary to include some or all of the *payment and remittance advice* data in an EFT. Therefore, some data that may be considered protected health information may travel through at least one financial institution.

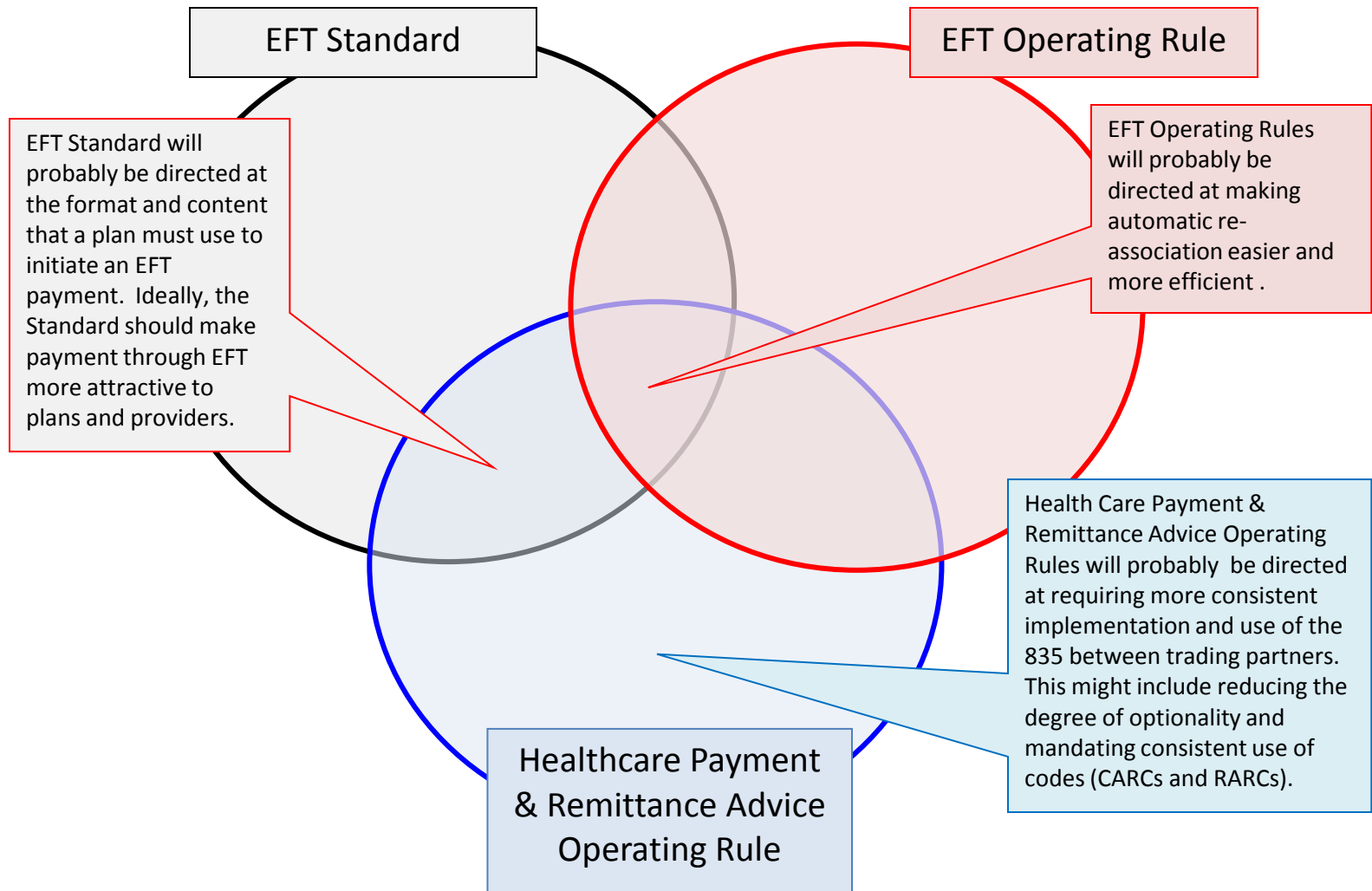
HIPAA Privacy Rule: The HIPAA Privacy Rule foresaw the use of EFT to transmit data (as well as dollars) and speaks directly to the issues surrounding the transmittal of health care information with an EFT through financial institutions:

EFT with minimal data (CCD+): When the *Payment and Remittance Advice* and the EFT are traveling separately, no diagnostic or treatment information is necessary in the EFT. The only information that must necessarily be included in the EFT in order to facilitate re-association is the same information that is necessary on a paper check; i.e., a trace number (like a check number), the name and address of the plan and provider, the tax id of the plan, the amount, etc. The Privacy Rule found that this information can be lawfully disclosed to a bank.

EFT with entire 835: When the entire *Payment and Remittance Advice* (835) is enveloped in an EFT (as may happen in a CTX format), then the Privacy Rule requires that the 835 be encrypted.

“Medical Banking”: When a financial institution provides additional services in addition to traditional banking , such as health claims management and billing support, then the Privacy Rule acknowledges this and provides guidance, noting that financial institutions may be business associates or covered entities if they meet the definitions of those terms.

How the Electronic Funds Transfer Standards and Operating Rule could address industry challenges



Some considerations and issues for discussion

- The intersection of HIPAA Standard and NACHA rules (health care transaction standards vs. financial rules and laws).
- Financial institutions may become business associates and perhaps covered entities if certain approaches are used and must comply with certain provisions of HIPAA.
- Potential EFT enrollment obstacles for providers.
- Health Plans' separate legacy systems for claims processing and remittance advice.

Appendix A: Contents of the X12 Electronic Health Care Payment and Remittance Advice

There are two parts to the X12 835 transaction: *Health Care Payment* data and *Remittance Advice* data.

Health Care Payment data

Information about payee, payer, the amount, and identifying information of the payment, like Trace Number. Can also authorize an Electronic Funds Transfer (EFT). Contained in Table 1: “Header” level

Remittance Advice data Two levels of adjustments

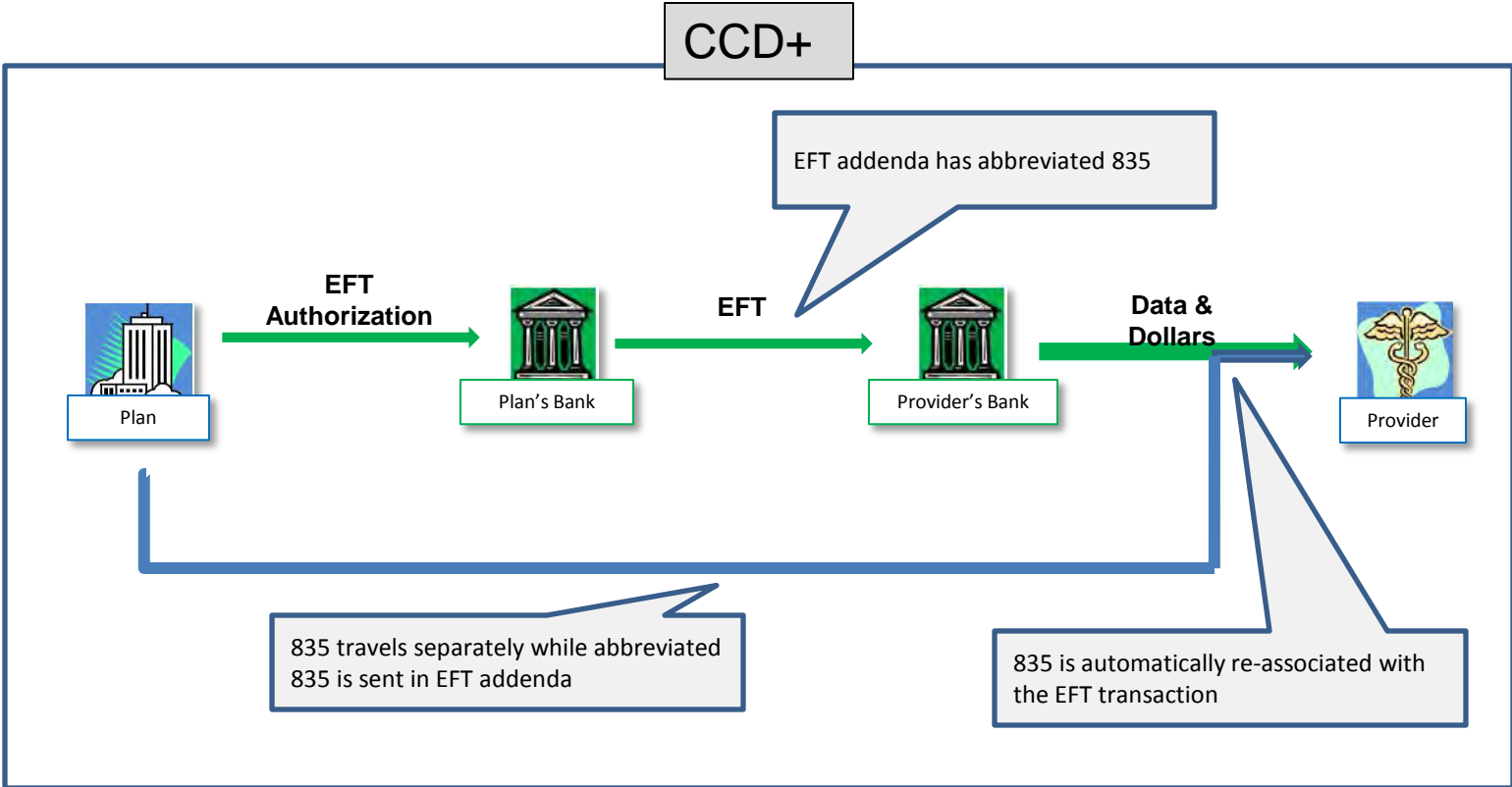
- Individual claim-specific adjustments, explanation of benefit information (EOB). Contained in Table 2: “Detail” level
- Provider level adjustments. Contained in Table 3: “Provider Level Adjustment Segment (PLB)” or “Summary”

Appendix B: Section 1179

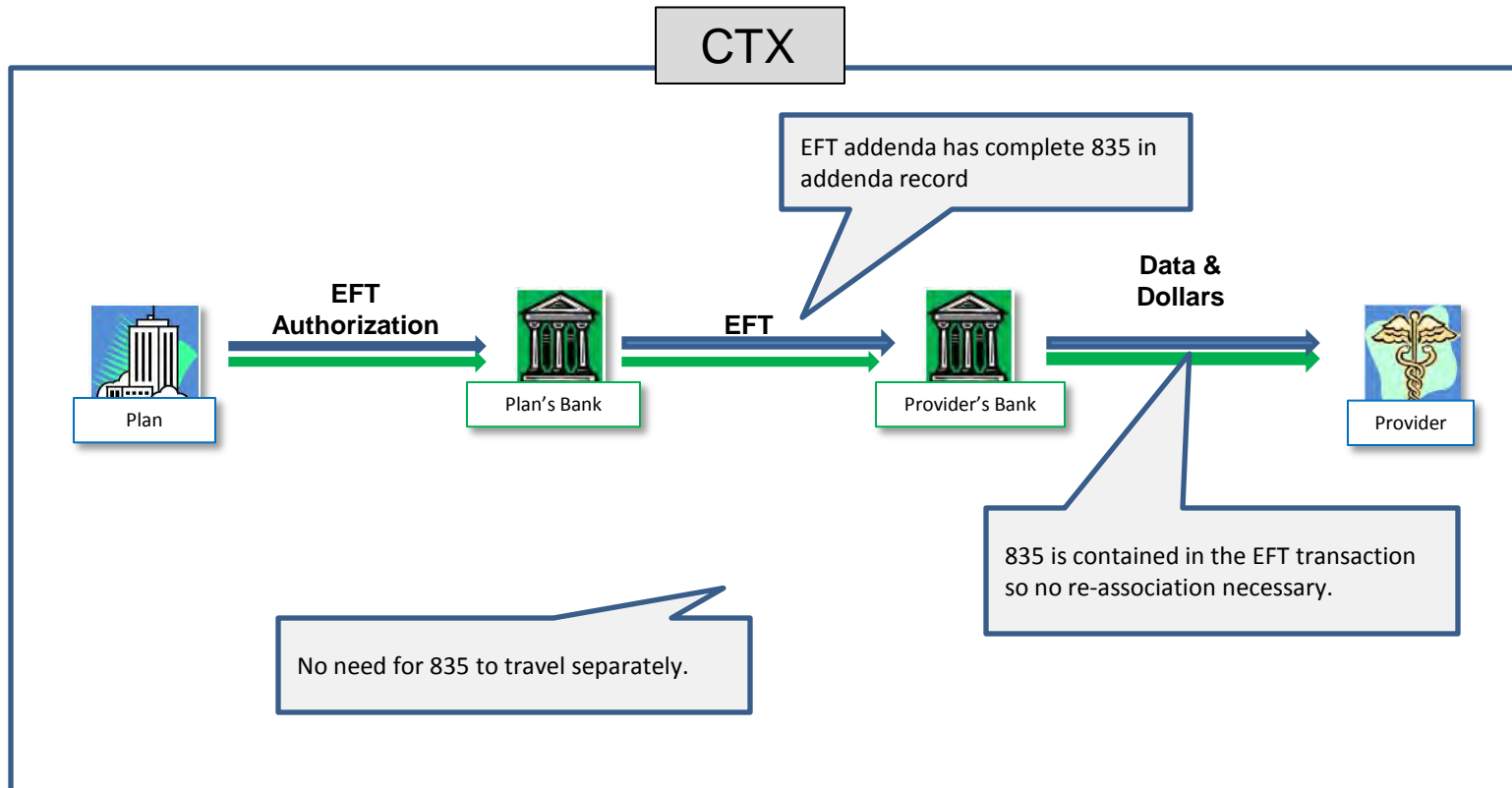
“To the extent that an entity is engaged in **activities of a financial institution...** or is engaged in authorizing, processing, clearing, settling, billing, transferring, reconciling, or collecting payments, **for a financial institution, this part, and any standard adopted under this part, shall not apply to the entity** with respect to such activities, including the following:

- (1) The use or disclosure of information by the entity for authorizing, processing, clearing, settling, billing, transferring, reconciling or collecting, a payment for, or related to, health plan premiums or health care, where such payment is made by any means, including a credit, debit, or other payment card, an account, check, or **electronic funds transfer**.
- (2) The request for, or the use or disclosure of, information by the entity with respect to a payment described in paragraph (1)--
 - (A) for transferring receivables;
 - (B) for auditing;
 - (C) in connection with--
 - "(i) a customer dispute; or
 - "(ii) an inquiry from, or to, a customer;
 - "(D) in a communication to a customer of the entity regarding the customer's transactions, payment card, account, check, or electronic funds transfer;
 - "(E) for reporting to consumer reporting agencies; or
 - "(F) for complying with--
 - "(i) a civil or criminal subpoena; or
 - "(ii) a Federal or State law regulating the entity."

Appendix C: CCD+ Format



Appendix D: CTX Format



Acknowledgements

- Special thanks to staff from NACHA and The Clearinghouse for their expertise and assistance in educating the OESS team on this subject.
- Additional thanks to Margret A for her assistance in documenting the challenges and “the problems we need to solve.”