



**SUBMITTED TO**  
**DEPARTMENT OF HEALTH AND HUMAN SERVICES**  
**NATIONAL COMMITTEE ON VITAL AND HEALTH STATISTICS**  
**SUBCOMMITTEE ON STANDARDS**  
**February 26, 2015**  
**Presented By: Sherry Wilson**  
**EVP and Chief Compliance Officer, Jopari Solutions**  
**President, Cooperative Exchange**  
***The National Clearinghouse Association***

Members of the Subcommittee, I am Sherry Wilson, President of the Cooperative Exchange (CE), representing the National Clearinghouse Association and Executive Vice President and Chief Compliance Officer, Jopari Solutions. I would like to thank you for the opportunity to present testimony today on behalf of the Cooperative Exchange membership concerning the proposed Phase IV Infrastructure Operating Rules and their impact on the HIPAA transactions and industry stakeholders.

**Background Cooperative Exchange**

Cooperative Exchange is the nationally recognized resource and representative of the clearinghouse industry for the media, governmental bodies and other interested parties.

Cooperative Exchange 25 clearinghouse member companies<sup>1</sup>, represent over 80% of the clearinghouse industry and process annually over 4 billion plus claims representing \$1,1 trillion, from over 750,000 provider organizations, through more than 7,000 payer connections and 1,000 HIT vendors. Combined with our non-profit members (AMA, ASC X12N and UHIN) and Supporting Organizations (Axiom, BancTec and MEA) the Cooperative Exchange ***truly represent the healthcare industry EDI highway infrastructure*** and maintains hundreds of thousands of highways and the majority of the on and off ramp connections across all lines of healthcare business in this country.

The Cooperative Exchange member clearinghouses support both administrative and clinical industry interoperability by:

- Managing tens of thousands of connection points
- Securely manage and move complex data content including administrative and clinical information
- Receive and submit both real time and batch transactions
- Provide interoperability by normalizing disparate data to industry standards

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<sup>1</sup> American Medical Association (AMA), Apex EDI, ASC X12N, Availity, LLC, AXIOM Systems, Inc., BancTec, ClaimRemedi, Emdeon, eProvider Solutions, Dorado Systems, GE Healthcare, Greenway Health, Health-e-Web, Inc., HDM Corp., InstaMed, Jopari Solutions, Inc., Medical Electronic Attachments (MEA), NextGen Healthcare, OfficeAlly, OptumInsight, PassportHealth, PracticeInsight, RelayHealth, Secure EDI, Siemens HDX, The SSI Group, Trizetto Provider Solutions, Utah Health Information Exchange (UHIN), WEX, Inc., WorkCompEDI, Xerox EDI Direct, ZirMed ([CLICK HERE](#) for Cooperative Exchange industry resource information)

- Provide flexible solutions to accommodate the different levels of stakeholder EDI readiness ( low tech to high tech)
- Actively participates and provides strong representations across all the national standard organization with many of our members holding leadership positions.

Therefore, we strongly advocate for EDI standardization and compliance within the healthcare industry. We are committed to promote and advance electronic data exchange for the healthcare industry by improving efficiency, advocacy, and education to industry stakeholders and government entities.

The following are the Cooperative Exchange responses to the NCVHS questions regarding the proposed Phase IV Operating Rules:

**1. Business needs of the health care industry the operating rules intend to address as well as industry experience.**

- Cooperative Exchange believes that it is important for Operating Rules to be flexible enough to accommodate different level of stakeholder EDI readiness (low tech to high tech). The Phase IV Connectivity 470 Rule restrictive connectivity method is an example where there needs to be flexibility to accommodate existing methods that are readily used today that meet the same business needs.
- The CAQH CORE 837 business case has been realized, tested and currently used in production today through various state requirements (some mandate across payers and product lines) and/or voluntarily via typical service level agreements which include:
  - ✓ standard batch responses times
  - ✓ acknowledgment requirements / audit trail and
  - ✓ standard companion guides

<b>Proposed Phase IV Infrastructure Requirement for ASCX12N 5010 837 Claims Transactions</b>			
<b>CAQH CORE Infrastructure Requirement Description</b>	<b>Apply to Phase IV CAQH CORE Infrastructure Rule for ASCX12 5010 837 Claim</b>	<b>1995 State Mandates*</b>	<b>Clearinghouse Service Level Agreement ( Submitters/ Receivers)</b>
Connectivity	Y	Y**	Y***
System Availability	Y	N	Y
Real Time Response	Y	N	N
Batch Time Response	Y	Y	Y
Use of Standard Acknowledgments TA1, 999, 277CA	Y	Y	Y
Companion Guide	Y	Y	Y

\*Mandated States: Utah (1995), MN (2009), Property & Casualty States TX (2009), CA (2012), GA (2012) LA (2012), NC (2013) and OR (2014). Today due to **clear realized ROI- Voluntarily adoption across all 50 states.**

\*\* State adopted HIPAA Security and Privacy –HITECH regulations

\*\*\* Clearinghouses as covered entities are mandated to comply with HIPAA Security and Privacy – HITECH regulations that includes industry connectivity guidelines referencing the Federal Government- National institute of Standards and Technology (NIST).

The proposed CAQH CORE 837 Operating rules do not enhance the current processes that are used in production today by clearinghouses.

Cooperative Exchange strongly supports standard infrastructure rules across transaction sets, as they facilitate interoperability, workflow automation and adoption. However, the industry has already developed a framework for these transactions that is working and additional rules could become a financial and resource burden on the industry in this time of competing priorities.

The Cooperative Exchange would also like to point out that through collaboration with our partners there is expressed concern over the ability for the industry to implement this set of operating rules in the prescribed timeframe of January 1, 2016<sup>2</sup>.

## **2. Efficiency improvement opportunities for administrative and/or clinical processes in health care, and strategies to measure impact.**

- a) Cooperative Exchange strongly supports the adoption of the ASCX12 Acknowledgement Reference Model as these transaction sets have been used across the industry since 1995 through various state requirements (some mandate across payers and product lines) and/or on a voluntarily basis.
- b) The ASCX12 Acknowledgment Reference Model application has proven to improve workflow efficiency as well as ROI according to a clearinghouse 5 Year Study on electronic billing<sup>3</sup>. Stakeholders reported the following experiences and ROI:

- ✓ *Providers reported average reduction in claim status calls: 50% plus reduction*
- ✓ *Average provider administrative cost savings 45 to 55% associated with staff resource time.*
- ✓ *Payer average reduction in responding to claim status calls 64%*
- ✓ *Payer reported average reduction in duplicate billing 70% (electronic audit trail)*

Cooperative Exchange recommends additional industry feedback in cooperation with ASCX12, WEDI, CAQH CORE, NCPDP and HL7 to ensure that there is standard and or applicable **usage** of the Acknowledgements across multiple transactions and industries.

## **3. Potential emerging or evolving clinical, technical and/or business advances the operating rules plan to address or facilitate.**

### **Connectivity Rule:**

The clearinghouse industry takes connectivity and security very seriously. We are trusted with and process millions of transactions a day. Our business model is based on the correct routing of information and insuring that any PHI contained within the transaction remains private and secure per HIPAA Security and Privacy regulations.

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<sup>2</sup> ACA Section 1104 requires HIPAA covered entities to be in compliance with the remaining ACA-mandated operating rules by January 1, 2016. **NOTE:** For more information on the ACA-mandated timelines see the CMS website [HERE](#).

<sup>3</sup> Jopari Solutions 5 Year Electronic Medical Billing Case Study White Paper: August 6, 2013  
<http://www.jopari.com/category/whitepapers>

As industry experts on connectivity we believe the Phase IV Connectivity Rule 470 should **leverage existing security guidelines and best practices**. Cooperative Exchange recommends review of operating rule applicability defining industry connectivity methodology specifications, when there is already a federal agency such as the National Institute of Standards and Technology (NIST) that is referenced in the HIPAA regulations as an industry guideline reference source. At a minimum industry collaboration across organizations would facilitate administrative simplification.

Cooperative Exchange also recommends the need for additional review of existing multilayer authentication methodologies that are being used today and how they align with the NIST SP800-63-2 Electronic Authentication Guideline criteria, as applicable.

- a) HIPAA Security and HITECH Rules cite the National Institute of Standards and Technology (NIST), a federal agency that is recognized as the healthcare information technology resource for security best practice standards.
- b) NIST published in August of 2013 the “Electronic Authentication Guidelines “for multilayer authentication<sup>4</sup> which provides different methodologies including Digital Certification as one method (NIST SP800-63-2 Electronic Authentication Guidelines)<sup>5</sup>.
- c) HHS, OCR and NIST in their publications recognize that security solutions require standard guidelines as well as flexible framework, as “one blue print” does not fit for everyone.
- d) Phase IV Connectivity Rule 470 only allows stakeholders one option for authentication, X.509 Digital Certification, and if adopted, will require stakeholders to convert to this option.
- e) Cooperative Exchange finds limiting authentication to only one solution does not provide flexibility to meet different stakeholder business needs and may result in additional change costs that will impede EDI adoption.

Cooperative Exchange recommends that any proposed change to an existing process needs to be assessed as to the **cost of the change** to stakeholders and expected ROI.

#### **4. Potential impact and/or improvement to health care related data and/or data infrastructure?**

The Phase IV Proposed Rules have no impact as operating rules do not address data content and/or data infrastructure.

Cooperative Exchange supports the CAQH CORE approach to not address data content in Phase IV. This avoids possible duplication or contradiction with other existing data content Standard Development Organizations.

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<sup>4</sup> The HIPAA Security Rule preamble cites the National Institute of Standards and Technology (NIST) security control guideline documents (An Introductory Resource Guide for Implementing the HIPAA Security Rule and Risk Management Guide for Information Technology Systems), as an industry technology reference source and further expands their scope under the HITECH ACT. The NIST Guidelines are not mandated; however the NIST Security Control Guidelines are recognized as industry security benchmarks and are used in industry certification criteria evaluation processes.

<sup>5</sup> NIST SP800-63-2 Electronic Authentication Guidelines, August 2013;  
<http://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-63-2.pdf>

**5. If applicable, do they incorporate privacy, security and confidentiality?**

- a) As clearinghouses, most if not all of our members, are significantly invested in meeting or exceeding HIPAA Privacy and Security requirements (including business continuity and disaster recovery), and we strongly encourage our members to adhere to the HIPAA Rules. As covered entities and business associates we address connectivity, transaction processing as well as multilayer authentication aligning with the NIST security control “Best Practice” Guidelines.
- b) In addition to our HIPAA obligations our clients require clearinghouses to pass several certifications to prove we are compliant by using third party accreditation including CAQH CORE, EHNAC, SSAE SOC I, SOC II and other industry standard audits. Each accreditation/audit comes at a significant cost of a certification fee and documentation requirements for **similar criteria**.
- c) Clearinghouses do not have unlimited resources to support redundant processes that do not support administrative simplification or support only a sub-set of compliance

The Cooperative Exchange asks that NCVHS consider recommending to HHS the need for one industry governance source such as NIST to work with the industry identify policy, procedures and operating rule gaps to mitigate this administrative burden. Furthermore the Cooperative Exchange asks that for an exemption for clearinghouses, if they are certified by an “approved entity”. This would **reduce a significant costly and resource intensive administrative burden**. The healthcare industry at large should not have to support separate Connectivity – Security and Privacy rules as well as multiple redundant certification processes.

**6. Potential impact of the operating rules to various health care entities (providers, payers, etc.) on the daily workflow/transaction process; administrative costs, required capabilities and agility to implement the operating rules changes.**

- a) The Electronic Data Interchange infrastructure for the ASCX12N 837 transactions is in production and a proven success with **over 4 plus BILLION transactions a year being exchanged with few isolated issues that are quickly resolved**.
- b) Clearinghouses serve as the implementation enablers of standards usage, operating rules compliance and provide the Electronic Highway “backbone” which mitigates stakeholder impact.

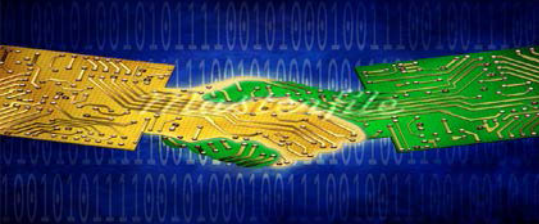
**Conclusion:**

The Cooperative Exchange supports the efforts for operating rules and standards. We applaud the efforts of the community including CAQH CORE, WEDI X12, HL7 and other standards setting bodies. Our recommendations address the need for administrative consistency; mitigation of regulatory redundancy; and the resource burden to comply with regulations. We also stress the importance of continued stakeholder inclusion in the development of necessary additional standards and rules.

Thank you for the opportunity to testify of behalf of the Clearinghouse industry. We look forward to continuing to work collaboratively with NCHVS and respective stakeholders to bring about administrative simplification in the industry.

Respectfully Submitted,

Sherry Wilson, President  
Cooperative Exchange  
*The National Clearinghouse Association*



## **PROPOSED PHASE IV INFRASTRUCTURE OPERATING RULES**

### **Cooperative Exchange Testimony**

**Department of Health and Human Services**

**National Committee on Vital and Health Statistics**

**Subcommittee on Standards**

**February 26, 2015**

# Introduction to the Cooperative Exchange

- The Cooperative Exchange Represents
  - 25 Member Companies
  - Over 80% of the clearinghouse industry
  - Over 750,000 Submitting provider organizations
  - Over 4 plus billion annual Claims transactions
  - Over \$1.1 Trillion worth of transactions
  - Over 7,000 Payer connections

## Business needs of the health care industry the operating rules intend to address as well as industry experience.

- Operating Rules need to be flexible to accommodate different level of stakeholder EDI readiness (low tech to high tech).
- The CAQH CORE 837 business case *has been* realized, tested and currently used in production today.

Proposed Phase IV Infrastructure Requirement for ASCX12N 5010 837 Claims Transactions			
CAQH CORE Infrastructure Requirement Description	Apply to Phase IV CAQH CORE Infrastructure Rule for ASCX12 5010 837 Claim	1995 State Mandates*	Clearinghouse Service Level Agreement ( Submitters/ Receivers)
Connectivity	Y	Y**	Y***
System Availability	Y	N	Y
Real Time Response	Y	N	N
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Use of Standard Acknowledgments TA1, 999, 277CA	Y	Y	Y
Companion Guide	Y	Y	Y

\* Mandated States: Utah (1995), MN (2009), Property & Casualty States TX (2009), CA (2012), GA (2012) LA (2012), NC (2013) and OR (2014). Today due to **clear realized ROI- Voluntarily adoption across all 50 states.**

\*\* State adopted HIPAA Security and Privacy –HITECH regulations

\*\*\* Clearinghouses as covered entities are mandated to comply with HIPAA Security and Privacy – HITECH regulations that includes industry connectivity guidelines referencing the Federal Government- National institute of Standards and Technology (NIST).



## Business needs of the health care industry the operating rules intend to address as well as industry experience.

- The proposed CAQH CORE 837 Operating rules do not enhance the current processes that are used in production today by clearinghouses.
- Cooperative Exchange strongly supports standard infrastructure rules across transaction sets
- However, the industry has already developed a framework for these transactions that is working and additional rules could become a financial and resource burden on the industry in this time of competing priorities.
- Concern over the ability for the industry to implement this set of operating rules in the prescribed timeframe of January 1, 2016.

## Efficiency improvement opportunities for administrative and/or clinical processes in health care, and strategies to measure impact

- Cooperative Exchange strongly supports the adoption of the ASCX12 Acknowledgement Reference Model.
- Transactions have proven to improve workflow efficiency as well as ROI according to a clearinghouse 5 Year Study on electronic billing\*:
  - *Providers reported average reduction in claim status calls: 50% plus reduction*
  - *Average provider administrative cost savings 45 to 55% associated with staff resource time.*
  - *Payer average reduction in responding to claim status calls 64%*
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- Cooperative Exchange recommends additional industry feedback in cooperation with ASCX12, WEDI, CAQH CORE, NCPDP and HL7 to ensure that there is standard and or applicable **usage** of the Acknowledgements across multiple transactions and industries.

\* Jopari Solutions 5 Year Electronic Medical Billing Case Study White Paper: August 6, 2013

<http://www.jopari.com/category/whitepapers>

# Potential emerging or evolving clinical, technical and/or business advances the operating rules plan to address or facilitate - Connectivity Rule:

## Opportunity to leverage existing security guidelines and best practices.

- HIPAA Security and HITECH Rules cite the National Institute of Standards and Technology (NIST), a federal agency that is recognized as the healthcare information technology resource for security best practice standards
- Review of operating rule applicability defining industry connectivity methodology specifications, when there is already a federal agency such as the National Institute of Standards and Technology (NIST).
- At a minimum industry collaboration across organizations would facilitate administrative simplification.
- Additional review of existing multilayer authentication methodologies that are being used today and how they align with the NIST SP800-63-2 Electronic Authentication Guideline criteria, as applicable.
- Phase IV Connectivity Rule 470 only allows stakeholders one option for authentication, X.509 Digital Certification, and if adopted, will require stakeholders to convert to this option.
- Limiting authentication to only one solution does not provide flexibility to meet different stakeholder business needs and may result in additional change costs that will impede EDI adoption.
- Any proposed change to an existing process needs to be assessed as to the **cost of the change** to stakeholders and expected ROI.

## Potential impact and/or improvement to health care related data and/or data infrastructure?

- The Phase IV Proposed Rules have no impact as operating rules do not address data content and/or data infrastructure.
- Cooperative Exchange supports the CAQH CORE approach to not address data content in Phase IV. This avoids possible duplication or contradiction with other existing data content Standard Development Organizations.

# If applicable, do they incorporate privacy, security and confidentiality?

- Clearinghouses meet or exceeding HIPAA Privacy and Security requirements
- As covered entities and business associates we address connectivity, transaction processing as well as multilayer authentication aligning with the NIST security control “Best Practice” Guidelines.
- Clients require clearinghouses to pass several certifications to prove they are compliant by using third party accreditation including CAQH CORE, EHNAC, SSAE SOC I, SOC II and other industry standard audits. Each accreditation/audit comes at a significant cost of a certification fee and documentation requirements for **similar criteria**.
- Recommends for consideration to HHS:
  - *Need for **one industry security governance source** such as NIST to work with the industry to identify “Best Practice” security guidelines as industry compliance benchmarks .*
  - *Cooperative Exchange asks that for an exemption for clearinghouses, if they are certified by an “approved entity”. This would **reduce a significant costly and resource intensive administrative burden**. The healthcare industry at large should not have to support separate Connectivity – Security and Privacy rules as well as multiple redundant certification processes.*

## The Potential impact of the operating rules to various health care entities (providers, payers, etc.) on the daily workflow/transaction process; administrative costs, required capabilities and agility to implement the operating rules changes.

- The Electronic Data Interchange infrastructure for the ASCX12N 837 transactions is in production and a proven success with **over 4 plus BILLION transactions a year being exchanged with few isolated issues that are quickly resolved.**
- Clearinghouses serve as the implementation enablers of standards usage, operating rules compliance and provide the **Electronic Highway “backbone” which mitigates stakeholder impact.**

# CONCLUSION

- The Cooperative Exchange supports the efforts for operating rules and standards.
- We applaud the efforts of the community including CAQH CORE, WEDI X12, HL7 and other standards setting bodies.
- Our recommendations address the need for administrative consistency; mitigation of regulatory redundancy; and the resource burden to comply with regulations.
- We also stress the importance of continued stakeholder inclusion in the development of necessary additional standards and rules.

**Thank You!**

## **Cooperative Exchange**

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