The drive for electronic claims

The HIPAA Transaction Rule may speed a trend toward paperless claims for health services.

BY PAUL HERNDON

Imagine a psychology practice that submits all insurance claims electronically, communicates online with payers to confirm client eligibility for mental health benefits, and tracks the status of filed claims with a click or two of a computer mouse.

Such a scenario would have found little basis in reality a few years ago. But that situation is likely to change as the health-care marketplace increasingly moves away from paper-based health insurance claims processing toward standardized electronic transactions.

Propelling this evolution are the rules resulting from the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The shift in claims from paper to computer should get a boost this October, when all covered entities will need to begin complying with the HIPAA Transaction Rule—which focuses on the technicalities of the electronic exchange by making it a viable and preferable alternative to paper claims.

The expectation is for such standardization to increase administrative efficiency throughout the U.S. health-care system and decrease the administrative costs associated with paying for health services in a system in which administrative costs are 2.5 times more expensive than any other national health-care system. The national standards resulting from the Transaction Rule are expected to encourage electronic data exchange by making it a viable and preferable alternative to paper claims.

Although the HIPAA Transaction Rule is intended to simplify the processes involved in submitting electronic claims, the rules to implement the Administrative Simplification provisions of HIPAA are anything but simple. The implementation specifications that detail the format for data transmission under the Transaction Rule alone are approximately 1,000 pages.

What and who is covered
In short, the Transaction Rule requires the use of standardized formats whenever claims and other designated health-care transactions are sent or received electronically. In order to comply, practitioners who submit claims electronically will need to use software or a health-care clearinghouse to convert information and data into the required standardized formats. (A clearinghouse takes data from a health provider, translates it to a standardized format for an insurance company and transmits information from the insurance company back to the provider.)

The Transaction Rule pertains only to the transmission of data; there is no requirement in the rule that applies to data storage.

The following consideration applies in determining which practitioners are “covered” under the Transaction Rule. The rule applies to anyone—including a health-care provider or entity such as a health plan—who electronically transmits any of the following transactions:

- Claims to request payment for health care; or, when there is no direct claim, encounter information that reports that health care was provided.
- Enrollment and disenrollment in a health plan.
- Coordination of benefits.
- Payment or remittance advice.
- Claims status inquiry or response.
- Eligibility inquiry or response.
- Referral authorization inquiry or response.
- First report of injury.
- Health claims attachment.
- Premium payments.

Practitioners performing the above electronic transactions must comply not only with the HIPAA Transaction Rule but also with the HIPAA Privacy Rule (for details, see the February Monitor...
article, the second in a series of three on HIPAA that ran from January to March). Further, the Transaction Rule applies to a practitioner if another entity such as a billing service or health-care clearinghouse working on a practitioner’s behalf engages in the above electronic transactions.

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The Transaction Rule does not apply to practitioners who file only paper claims and does not require the use of electronic transactions. However, third-party payers reserve the right to require participating providers to submit claims electronically. Once the health-care industry has retooled to accept standardized electronic transactions, the APA Practice Organization anticipates that many insurance companies will not want to deal with paper claims and eventually will require health professionals in their programs to file electronically.

The Medicare program may help fuel such a trend. Beginning this Oct. 16, the Centers for Medicare and Medicaid Services (CMS) will require that all transactions be conducted electronically—although CMS has indicated that solo practitioners and groups with 10 or fewer full-time employees will be exempt from the requirement.

At Monitor press time, CMS had not yet promulgated any rule to clarify implementation of the exception for small practices.

Encouraging practitioners to go electronic
Although there will be up-front costs for covered entities to implement the Transaction Rule, the U.S. Department of Health and Human Services expects that the shift from paper to electronic claims transactions will result in significant savings for providers over time. Among the expected benefits:

- The time-consuming tasks of faxing, printing, stuffing and mailing claims forms are eliminated.
- Claims are electronically edited for errors before being forwarded to payers.
- Claims reach payers’ computer systems more quickly—bypassing the post office, payers’ mailrooms and payers’ scanning or re-keying processes.
- Claims tracking, status and basic eligibility information are easily accessed online.

Further, under the Transaction Rule, payers must meet a number of requirements that are advantageous for practitioners who submit electronic claims. For example, a payer may not refuse to accept a HIPAA-standard transaction and may not delay payment because a provider submits transactions electronically, rather than using paper claims.

Practitioners planning to start submitting electronic claims can consider a number of options. The wording of the final rule indicates that, in complying with the Transaction Rule, small health-care providers may elect to use appropriate software from an outside vendor. Another option used by many providers is health-care clearinghouses, which facilitate the necessary standardized electronic data transmission.

Additional information about practitioner compliance with the HIPAA Transaction Rule is contained in the guide, “Getting Ready for HIPAA: A Psychologist’s Guide to the Transaction Rule.” The APA Practice Organization is mailing the publication to all licensed APA members who pay the APA Practice Organization Special Assessment.

The guide is part of a series of resources to help practitioners understand and comply with HIPAA regulations. Additional information about the Transaction Rule and other HIPAA rules is available free of charge to registered users online at www.APApractice.org, a service of the APA Practice Organization available to Special Assessment payers.

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