

## HIPAA Electronic Transaction Standards: Is Your Organization Ready?

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### **Overview**

The Health Insurance Portability and Accountability Act (HIPAA) requires the Secretary of Health and Human Services (HHS) to develop standards regarding the electronic submission of health care transactions by covered entities, i.e. health plans, health care clearinghouses, and health care providers. On January 16, 2009, HHS announced the adoption of modified HIPAA electronic transaction standards in the final rule entitled “Health Insurance Reform: Modifications to the Health Insurance Portability and Accountability Act (HIPAA) Electronic Transaction Standards” (74 Fed. Reg. 11). The issuance of this final rule demonstrates the federal government’s “ongoing transition to [transform into] an electronic health care environment.” This article will provide an overview of HIPAA’s electronic transaction standards and how the standards will impact health care organizations.

### **What are the Modifications to the Electronic Transaction Standards?**

Currently, covered entities receiving Medicare reimbursements submit their health care transactions and pharmacy claims using the following transaction formats: the Accredited Standards Committee (ASC) X12 Versions 4010 and 4010A1 (Version 4010 and 4010A1) and the National Council of Prescription Drug Programs (NCPDP) Version 5.1. More specifically, the following transactions are processed under Medicare Fee-for-Service using Versions 4010, 4010A1, and 5.1.

- Institutional Claim (837-1)
- Professional Claim (837-P)
- Claim Status Inquiry and Response (276, 277)
- Eligibility Inquiry and Response (270, 271)
- Remittance Advice (835)
- Transaction Acknowledgement (TA1)
- Functional Acknowledgement (997)
- DME Claims

“The Health Insurance Reform: Modifications to the Health Insurance Portability and Accountability Act (HIPAA) Electronic Transaction Standards” final rule replaces Versions 4010, 4010A1, and 5.1 transactions formats with ASC X12 Version 5010 (Version 5010) and NCPDP D.0 (Version D.0). Versions 5010 and D.0 were developed to address concerns regarding the efficiency of the health claims transaction system.

### **What is the purpose of Versions 5010 and D.0?**

Version 5010 is designed for health care transactions. It will require providers to submit more specific data with their claims. This will not only improve the Centers for Medicare & Medicaid Services’ (CMS’) response rate regarding claims, but also improve the reporting of clinical data. Improvements in clinical data reporting will enable the use of the International Classification of Disease, Tenth Revision (ICD-10) which is not supported by CMS’ current system.<sup>1</sup> More specifically Version 5010 will permit the following with respect to the ICD-10 code set:

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<sup>1</sup> The compliance date for ICD-10 is scheduled for October 1, 2013.

- Increase the field size for the ICD-10 codes from five bytes to seven bytes;
- Append a one-digit version indicator to the ICD-code to differentiate between ICD-9 and ICD-10; and
- Increase the number of diagnosis codes permitted on a claim.

The purpose of Version D.0 is to process pharmacy claims. New data elements and rejection codes have been added to version D.0 to coordinate the processing of benefits and Medicare Part D claims. Further, Version D.0 will improve the processing of compounded drugs and secondary claims.

Overall, there are several benefits with the conversion to 5010 and D.0; however, transitioning to the modified electronic transaction formats will require substantial preparation from health care organizations.

***How will HIPAA 5010 and D.0 impact my organization?***

The implementation of Versions 5010 and D.0 will require providers to make a number of changes to their current billing system. Examples include, but are not limited to, updating software and information technology systems, modifying procedures used to bill Medicare and third-party payers, and contacting clearinghouse, billing and software vendors to ensure readiness to meet the HIPAA electronic transaction standards. To facilitate the transition to Versions 5010 and D.0, health care organizations may wish to use the following checklist.

<b>Complying with HIPAA Electronic Transaction Standards Checklist</b>		
<b>Yes</b>	<b>No</b>	
		Has the organization upgraded to Versions 5010 and D.0?
		Has the organization reviewed current software to ensure compliance with the new electronic transaction formats?
		Has the organization reviewed the data element requirements for Versions 5010 and D.0?
		An organization’s business processes may need to be modified to capture required data elements. Therefore, has the organization reviewed their current business processes?
		To fully transition into the new electronic format, the transition must be coordinated with trading partners. Therefore, CMS encourages organizations to continue using the current electronic transaction formats with a portion of their trading partners and apply the new electronic transaction format with others. Thus, has the organization develop a plan to coordinate the transition with its trading partners?
		Has the organization developed a plan to receive CMS communications with respect to the implementation of HIPAA electronic transaction standards?
		Has the organization develop compliance and training for the implementation of the new electronic standards?
		Has the organization contacted third party vendors and clearinghouses to ensure readiness to implement the HIPAA electronic transaction standards?
		Has the organization contacted software vendors to ensure any upgrades in current software will include compliance with HIPAA electronic transaction

		standards?
		Has the organization included the implementation of Versions 5010 and D.0 in the budget?

**What are the compliance dates?**

Effective January 1, 2012, providers must be fully prepared to submit their health care transactions and pharmacy claims electronically using the transaction enhancements in Versions 5010 and D.0.<sup>2,3</sup> Complying with the new electronic standards is divided into two phases. In the first phase, covered entities must conduct internal testing to ensure that the organization can create and receive compliant transactions with the updated electronic standards by December 31, 2010. The second phase consists of external testing. During this phase covered entities should conduct external testing with respective trading partners by December 31, 2011. It is important to note that Versions 5010 and D.0 are national standards; therefore, all payers, not solely CMS, will require providers to adopt these HIPAA standards.

**Is your organization prepared?**

According to CMS the preparations to implement the new HIPAA standards are well underway. On May 4, CMS issued a Special Edition Medicare Learning Network (MLN) Matters, MLN Matters ® Number SE0904, encouraging providers to start preparing for the implementation of the new HIPAA standards. The Special Edition MLN Matters also noted that the Medicare system will be able to process claims in accordance with the new Versions 5010 and D.0 standards starting January 1, 2011. Therefore, similar to the federal government, health care organizations should be currently working towards the transition to the new HIPAA electronic transaction standards. To stay current with CMS' implementation activities, health care organizations are encouraged to regularly visit the following websites.

- **CMS HIPAA/5010/D.0. webpage:** Provides additional information regarding HIPAA 5010 and D.0. The website also includes a comparison chart between Versions 4010,4010A1, 5.1 and Versions 5010 and D.0.Website: [http://www.cms.hhs.gov/ElectronicBillingEDITrans/18\\_5010D0.asp](http://www.cms.hhs.gov/ElectronicBillingEDITrans/18_5010D0.asp)
- **CMS Open Door Forum:** CMS will inform providers of its implementation activities through the Open Door Forum. Website: <http://www.cms.hhs.gov/OpenDoorForums/>

***Key Compliance Dates***

**December 31, 2010**  
Level I compliance: “a covered entity can demonstrably create and receive compliant transactions, resulting from the compliance of all design/build activities and internal testing.”

**December 31, 2011**  
Level II compliance: “a covered entity has completed end-to-end testing with each of its trading partners, and is able to operate in production mode with the new versions of the standards.”

**January 1, 2012**  
All covered entities have to be fully compliant.

<sup>2</sup> Small health plans have until January 1, 2013 to comply with these requirements.

<sup>3</sup> Please note Version 5010 is commonly reference as ASC X12 5010 or ANSI ASC X12.

- **CMS List Serve:** CMS has indicated that they will also inform the public of implementation activities via list servers. To join CMS list serve go to:  
<http://www.cms.hhs.gov/AboutWebsite/EmailUpdates/>
- **CMS Contractor Contact Information:** Providers are encouraged to contact their carrier, FI, A/B MAC or DME MAC with question regarding HIPAA electronic transaction standards. Website:  
<http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip>

## Resources

- Health Insurance Reform; Modifications to the Health Insurance Portability and Accountability Act (HIPAA) Electronic Transaction Standards, 74 Fed. Reg. 11, 3296, 3328 (Jan. 16, 2009).
- Centers for Medicare & Medicaid Services, MLN Matters: An Introductory Overview of the HIPAA 5010, SE0904 (May 4, 2009).

Doo, L. and Stahlecker, C. 2009. 1<sup>st</sup> National Provider Education Call HIPAA Versions 5010 and D.O.,  
<http://www.cms.hhs.gov/ElectronicBillingEDITrans/Downloads/1stProviderNationalConferenceCall06092009.pdf>. The Centers for Medicare & Medicaid Services, 9 June 2009.

- “HHS Modifies HIPAA Code Sets (ICD-10) and Electronic Transaction Standards.” CMS Press Release. 15 January 2009.