

The Administrative Simplification Compliance Act: Postponing the inevitable

On Dec. 27, 2001, President Bush signed the Administrative Simplification Compliance Act into law, after much debate in Congress and extensive lobbying by health insurers. This law allows covered entities, which are healthcare organizations that transmit any health information in electronic form in connection with a transaction covered under the Transactions and Code Sets Rule, health plans and healthcare clearinghouses, to apply for a one-year extension of the date that they are required to comply with the Rule. Significantly, the legislation mandates that compliance dates for the HIPAA privacy rule shall remain unchanged, and also generally requires Medicare providers to submit claims electronically to Medicare as of Oct. 16, 2003.

The Rule was published in August 2000 and became effective on Oct. 16, 2000. Its purpose is to create uniformity in electronic data interchange (EDI) standards, which allow the electronic exchange of information from computer to computer without any human involvement. Currently, more than 400 different data formats have been utilized by healthcare entities. The Rule standardizes this process so that the same codes are used in the same format across the healthcare industry.

Specifically, the Rule sets standards for eight different electronic transactions and details the specific clinical code sets entities must use when executing those transactions.

The Rule has designated data standards for the following eight transactions:

- ★ *Healthcare claims or equivalent encounter information*
- ★ *Healthcare payment and remittance advice*
- ★ *Coordination of benefits*
- ★ *Healthcare claim status*
- ★ *Enrollment and disenrollment in a health plan*
- ★ *Eligibility for a health plan*
- ★ *Health plan premium payments*
- ★ *Referral certification and authorization*

The Rule requires all covered entities to be compliant by Oct. 16, 2002, except for small health plans with receipts of \$5 million or less annually, whose compliance deadline, Oct. 16, 2003, is unaffected by the recent Congressional amendment. However, the Act allows all other covered entities to postpone compliance until Oct. 16, 2003, if they submit a plan to the Secretary of the Department of Health and Human Services before October 16, 2002. The Centers for Medicare and Medicaid Services has said that by requiring covered entities to file a plan rather than granting an automatic extension, Congress can ensure that these organizations have a strategy for bringing their operations into compliance. This plan, which may be submitted electronically, must contain the following:

- *An explanation of why, and to what extent, the covered entity is not in compliance with the Rule*
- *A budget, schedule, workplan and imple-*

mentation strategy for achieving compliance

- *Whether the entity plans to use or may possibly use a contractor or other vendor to assist in achieving compliance*
- *A time frame for testing that commences on or prior to April 16, 2003*

The Act requires the Secretary of the Department of Health and Human Services to make available a model form for submitting such plans by March 31, 2002. To assist covered entities, the Committee on National and Vital Statistics will analyze a sample of the plans submitted and will publish the problems deemed to be the most common or the most challenging, along with effective solutions that have been outlined to address them. All of this information will remain anonymous. If a covered entity does not submit a plan and is not in compliance with the Rule on or after Oct. 16, 2002, the HHS Secretary can exclude the individual or organization from participation in Medicare and/or Medicare+Choice programs.

The Act has no effect on the applicability or compliance deadlines of the HIPAA privacy rule, which is April 14, 2003, for all covered entities except small health plans, who have until April 14, 2004, to comply. However, the Act does say that during the interim period of April 14, 2003, through Oct. 16, 2003, healthcare providers and healthcare clearinghouses that engage in any of the electronic transactions covered by the Rule must comply with the HIPAA privacy rule, regardless of whether the transaction meets the

requirements of the Rule. A health-care clearinghouse is a public or private entity, including a billing service, repricing company, community health management information system or community health information system, and "value-added" networks and switches, that either:

1. Processes or facilitates the processing of health information received from another entity in a nonstandard format or containing nonstandard data content into standard data elements or a standard transaction, or

2. Receives a standard transaction from another entity and processes or facilitates the processing of health information into nonstandard format or nonstandard data content for the receiving entity

The Act also requires that by Oct. 16, 2003, all Medicare claims by healthcare providers be submitted electronically. Paper claims will no longer be accepted. Exceptions exist for covered entities that have no means of submitting such claims in an electronic format, for small providers of services or suppliers,

and for unusual cases where the Secretary finds that a waiver is appropriate. Small providers of services or suppliers are providers of services with less than 25 full-time equivalent employees or a physician, practitioner, facility or supplier with less than 10 full-time equivalent employees.

Because most covered entities need to either be in compliance with the Rule by Oct. 16, 2002, or have filed a plan with the Secretary in order to avoid penalties (including exclusion from the Medicare program), covered entities should begin to take the following steps now:

1. Analyze your organizations current operations and the extent to which you have begun to implement changes to come into compliance with the Transactions and Code Sets Rule.

2. Determine whether your organization can realistically comply by Oct. 16, 2002, and if not, what must be done.

3. Gather information on your organizations readiness from employees who have been designated to budget for HIPAA compliance, as well

as from employees charged with overseeing the implementation of the Rule.

4. Assess the feasibility of performing compliant EDI transactions in-house vs. using a vendor to perform such transactions. If the latter is preferable, seek information from vendors that will enable you to determine their readiness to comply with the Transactions and Code Sets Rule.

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