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Dear Colleague:

I would like to draw your attention to some of the requirements involved in the implementation of the Health Insurance Portability and Accountability Act (HIPAA) of 1996. Title II of HIPAA requires a number of administrative simplification efforts, which have resulted in the Department issuing final regulations concerning electronic transactions and code set standards along with standards for privacy of individually identifiable health information, and a proposed regulation regarding security and electronic signatures standards. These rules are on a fast track for implementation and, because most HRSA grantees will be affected by these rules, I want to ensure that you are alert to the deadlines for compliance. You should also be aware of the need to move rapidly toward compliance, and to the fact that there are consequences if implementation is not initiated in a timely manner.

Who must comply with the rules?

If your organization or you are a health care provider, a health care clearinghouse, or a health plan, and perform electronic billing, it is highly likely that you are covered by HIPAA and must comply with the administrative simplification rules. Most community health centers, Ryan White providers and many maternal and child health clinics are subject to the administrative simplification rules. If you currently use paper processes, you should strongly consider converting to electronic billing especially if your business involves a large percentage of Medicare and Medicaid business. HIPAA's Administrative Simplification Compliance Act (ASCA) prohibits HHS from paying Medicare claims that are not submitted electronically after October 16, 2003, unless the Secretary grants a waiver from this requirement.

What do the rules do?

- The electronic transactions and code set standards rule establishes standard data content, codes and formats for billing and other administrative transactions. This includes coding standards for reporting diagnoses, procedures and some non-medical data. Compliance date: October 2002; extension to October 2003 upon application.
- The privacy rule protects personal health information by establishing rules that limit the use and release of information without the permission of the patient. The rule also gives patients rights to access their health information and restricts most disclosures of health information to the minimum needed for the intended purpose. Improper uses or disclosures are subject to criminal and civil penalties. Compliance date: April 2003; small health plans have until April 2004 to comply.
- In August 1998, HHS proposed rules for security and electronic signature standards to protect electronic health information systems from improper access or alteration. In

preparing final rules for these standards, HHS is considering substantial comments from the public, as well as new laws related to these standards and the privacy regulations. The Department expects to issue final security standards shortly.

I am enclosing an information sheet that gives greater detail on the electronic transactions and code set standards rule. This information includes deadlines to which you should be alert. Failure to allow sufficient time for implementation and testing opens covered health care providers and plans to the risk of delays in payments and subsequent cash flow crises.

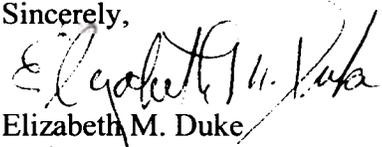
To move forward in implementing the administrative simplification rules, I strongly recommend the following steps:

- Determine whether you are a covered entity under HIPAA.
- Apply for the extension to the electronic transactions and code set standards to extend the compliance deadline to October 16, 2003. Most providers will be applying for the extension, and it is a simple procedure. You must submit a brief compliance plan. CMS has a model which is found at <http://www.cms.gov/hipaa/hipaa2/ASCAForm.asp>. This application can be submitted electronically. Completing the compliance plan may be helpful as it outlines some of the steps you should take to move toward compliance.
- Appoint someone who can become familiar with the provisions of the electronic transactions and code sets standards and the security and privacy provisions. Although the security rule is still in the Departmental clearance process and parts of the privacy rule are still subject to change, there is much that can be done now to progress toward compliance.
- Confer with your vendors and the health plans with which you do business. Vendors will play a major role in bringing your systems into compliance, and health plans and others payers are the partners with whom you must cooperate in testing new systems.

HRSA has developed a HIPAA web site at <http://www.hrsa.gov/website.htm> to help grantees and others work their way through HIPAA. This site also links to HRSA Bureau and Office HIPAA sites as well as the main Federal sites.

Finally, I want to reiterate the importance of initiating activities that will move you toward compliance with the administrative simplification rules. While compliance will require a significant amount of effort, using the electronic transactions and code set standards will result in the promised administrative simplification and in significant cost savings. Protecting the privacy of our clients is not only a requirement but also, without doubt, a responsibility to those we serve.

Sincerely,



Elizabeth M. Duke
Administrator

Enclosure