American Hospital Association

Regulatory Advisory

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Preparing for HIPAA's National Provider Identifier

A Message to AHA Members:

The administrative simplification provisions of the Health Insurance Portability and Accountability Act (HIPAA) call for the Secretary of Health and Human Services (HHS) to adopt national standard identifiers for use by health care providers for activities that fall under the purview of the HIPAA transaction standards. HHS adopted the National Provider Identifier (NPI) as the standard identifier for HIPAA transactions. This is the first of the three identifier rules to be issued in the HIPAA transaction standards – neither the health plan identifier nor individual identifiers have been issued as proposed rules.

The purpose of the NPI is to replace the many proprietary numbers (often referred to as legacy numbers) assigned to a health care provider by various health plans, including the Medicare number. The NPI is a unique, 10-digit number that contains no imbedded intelligence about the identified organization or individual to which it is assigned. All covered entities (except small health plans) must accept and use the NPI by May 23, 2007.

The enumeration phase of the NPI requirement is underway, and hospitals should be in the process of gathering information for the NPI application. This advisory outlines the steps for applying for an NPI and operational factors hospitals should consider as they undertake the application process.

After reviewing this advisory, check off the following items from your to-do list:
- ✓ Share this advisory with your chief information, financial and medical officers.
- ✓ Establish an NPI team.
- ✓ Conduct an assessment of the impact of the NPI on your operations.

The AHA is collaborating with other organizations to communicate with all health care sectors about the migration to the NPI. For more information about AHA efforts on HIPAA implementation, contact the AHA at (800) 424-4301, or visit http://www.hospitalconnect.com/aha/key_issues/hipaa/index.html. The AHA remains committed to providing member hospitals with the latest resources and tools on HIPAA.

Sincerely,

Rick Pollack
Executive Vice President

October 4, 2005

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Background

The administrative simplification provisions of the Health Insurance Portability and Accountability Act (HIPAA) call for the Secretary of Health and Human Services (HHS) to adopt national standard identifiers for use by health care providers for activities that fall under the purview of the HIPAA transaction standards. HHS adopted the National Provider Identifier (NPI) as the standard identifier for HIPAA transactions in a final rule issued January 23, 2004. The rule is available online at: http://www.cms.hhs.gov/hipaa/hipaa2/regulations/identifiers/default.asp. This is the first of the three identifier rules to be issued in the HIPAA transaction standards – neither the health plan identifier nor individual identifiers have been issued as proposed rules.

The NPI is a unique, 10-digit number that contains no imbedded intelligence about the identified organization or individual to which it is assigned. The 10th digit of the NPI serves as a check-digit that validates the accuracy of the numbers keyed.

All covered entities (except small health plans) must accept and use the NPI by May 23, 2007. Small health plans – those with annual revenues of $5 million or less – must comply beginning May 23, 2008.

The enumeration phase of the NPI requirement is underway, and health care providers can obtain an NPI by applying online at http://www.NPPES.cms.hhs.gov, or by mailing an application to the NPI Enumerator, P.O. Box 6059, Fargo, ND 58108-6059. In addition, CMS recently posted an article (http://www.cms.hhs.gov/medlearn/matters/mmarticles/2005/SE0555.pdf) to educate health care providers about the enumeration process. Hospitals should be in the process of gathering the information needed for the NPI application.

Beginning later this year (November/December), the NPI application process is expected to begin allowing for "bulk enumeration" of health care providers. This means that large hospital systems can submit applications for all of their hospital operations. Hospitals also could submit NPI applications on behalf of their staff physicians, interns or residents. Although bulk enumeration offers a level of efficiency, it also imposes some additional responsibilities for the individual or organization acting on behalf of the health care provider. Specifically, that individual or organization – referred to as the proxy – must have an established relationship with that specific health care provider and must notify each provider of the intent to file an application on the provider's behalf.

The proxy also has a responsibility to disseminate the assigned NPI to the health care provider. Hospitals should carefully weigh these responsibilities and obligations in determining whether to undertake bulk enumeration on behalf of their providers. For teaching hospitals or large health

systems, the bulk enumeration process may prove to be the most efficient choice. Other hospitals may choose to have physicians apply for the NPI themselves to ensure that the information supplied during the application process is satisfactory to the physician.

The Enumerator

The Centers for Medicare & Medicaid Services (CMS) awarded Fox Systems with the contract to serve as the official NPI Enumerator and to maintain the NPI database, referred to as the National Plan and Provider Enumeration System (NPPES). The NPPES will uniquely identify health care providers, assign them an NPI, record the information from the NPI application, as well as handle updates or changes to this information. In addition, the NPPES will serve as the basis for disseminating some of this information to providers and health plans that may have a need to validate or obtain assurances that a number matches the individual or organization.

The extract file from the NPPES may contain information such as the Unique Physician Identification Number (UPIN), Medicaid and Medicare numbers, and Drug Enforcement Administration (DEA) numbers if the provider furnished these numbers in its application for an NPI.

To understand more about the NPPES and the enumeration process, hospitals should review the preamble to the NPI final rule, which presents an overview of how providers can obtain an NPI, the information providers need to supply when applying for an NPI, and a general overview of the information that will be available from the NPI database. The final rule also describes how the NPI will be used and includes a general assessment of the impact of its use, along with an outline of anticipated costs associated with enumeration and the ongoing maintenance process.

Preparing for the NPI

The NPI is a required reporting element that uniquely identifies a health care provider in electronic transmissions of health information as defined by the HIPAA transaction standards. The intent of the NPI is to replace the many proprietary numbers (often referred to as legacy numbers) assigned to a health care provider by various health plans, including the Medicare number. These legacy numbers are currently used in the HIPAA transaction standards for provider identification. It should be noted, however, that the NPI does not replace the reporting of the Federal Tax Identification number in the HIPAA transaction standards.

There are numerous challenges hospitals must tackle as they prepare to adopt the NPI, with particular attention needed on how the NPI will affect their broader operations.

In preparation, the AHA recommends that hospitals:

- Establish an NPI team;
- Establish a calendar with specific completion milestones;
- Chart the handling and information flow of existing identifiers;
- Determine which regulations and health plan contracts are impacted;
- Contact health plans to identify testing and readiness timelines;
- Initiate physician outreach for staff as well as contracted physicians;
- Examine and modify information systems to accommodate and validate the NPI; and
- Properly map the NPI and supplemental identifiers to the HIPAA transaction standards.

Historical Uses of Identifiers

Unlike physicians or individual caregivers, hospitals and other institutional health care providers can have multiple NPIs. Hospitals already are accustomed to having different Medicare numbers – one for

their core operations along with other Medicare numbers for distinct units. (A distinct unit is one that meets certain federal program and regulation requirements, such as cost-based reimbursement or a unique prospective payment assigned to a specific type of facility.) According to CMS, hospitals must apply for an NPI for each of their distinct units, such as a skilled nursing or rehab unit. Also, hospitals that operate a children's hospital or cancer hospital must have separate NPIs for these facilities. Beyond these federal requirements, the hospital must consider the importance of the NPI as it relates to the hospital's operations with other health plans. In other words, will the NPI(s) that the hospital acquires for Medicare purposes be sufficient for identifying special contract arrangements that facilities have with other health plans?

Historically, the Medicare program has relied on a unique number to identify services provided by a hospital and its distinct units in order to accommodate special billing and payment rules for those facilities. Unique numbers also made it easier for facilities to meet reporting requirements for the Medicare Cost Report. Commercial insurers also may have imposed similar identifier requirements to capture hospital services provided by a particular hospital unit or clinic. The NPI likely will be a key variable in how claims are handled for reimbursement purposes.

Identifier Assessment

There are many other operational factors besides contracts with other health plans that hospitals must consider in determining whether to obtain multiple identifiers. Specifically, hospitals should take into account the location of an operating unit, governance structure, tax status, certification, and market considerations that involve analyses of competing services from other organizations. These factors define to some extent the strategic plans of the organization and how it is organized to respond to a community's health care needs. Remember that an NPI cannot be used exclusively for one health plan and not another. Therefore, a hospital that has applied for a separate NPI for its clinic must utilize the same NPI for that clinic whenever it bills any health plan for the services provided by the clinic.

An initial assessment is essential in helping your organization understand the impact of the NPI on your operations and will help you determine areas for follow-up with various health plans. In preparing to apply for an NPI, hospitals should conduct an initial assessment that includes:

- Examining existing federal regulations as well as contracts and other arrangements with health plans.
- Determining whether your organization will need multiple NPIs. This examination should focus on how critical the NPI will be for claims processing purposes.
- Monitoring contracts under development with health plans, so these contracts will work once migration to the NPI is completed.
- Identifying which health plans currently require unique numbers and initiating follow-up discussions to determine how the NPI will affect claims processing.

Communicating with the health plan is important because it alerts the plan to any processing changes that may result from the adoption of the NPI. Hospitals should be sure to discuss with the health plan dates for testing and transitioning to the NPI to avoid unnecessary disruptions to claims processing of claims as your organization moves forward with NPI implementation and use.

Hospitals should not assume that health plans are making all of the necessary changes to their reimbursement systems to recognize the NPI. Early communication and coordination with the health plan is important and is especially critical when specific contract provisions unique to a specific health plan are involved.

Operational Changes

Hospitals have the added burden of reporting NPIs for their attending, operating, or referring caregivers when performing HIPAA-related transactions. Your facility will need the ability to report the NPI for each of these caregivers when required to do so as part of the HIPAA standard transactions. Hospitals must have the appropriate policies and procedures to help support the routine collection and reporting of this information.

Hospitals also will need to have NPIs for all staff physicians as well as any contracted physicians or group physicians involved in the care of patients. Not all health care providers need to have an NPI, only those that bill electronically for their services. Hospitals need to examine their existing physician bylaws, contracts, and other relevant documents to ensure that these arrangements permit your organization to have ready access to the NPI representing the individual physician and/or group practice involved in the care of a specific patient.

All interns and residents as well as other caregivers who contribute to a patient's care but do not submit bills for their services, are not required to apply for an NPI. The conundrum for hospitals is that in some instances the hospital will need to report these caregivers on the institutional claim in the ordering, referring, or other caregiver section of the electronic HIPAA standard. Reporting the NPI is a requirement on the institutional claim, thus creating a problem for the hospital. Hopefully, CMS will issue additional guidance to address this problem. To eliminate some of this difficulty, teaching hospitals may want to encourage all interns and residents to apply for an NPI. Alternatively, teaching hospitals also may want to report the NPI of the physician in charge of interns or residents.

Hospitals may need to provide some education on this topic because many physicians may not be fully aware of the impending changes related to the NPI. Hospitals should remind physicians about the NPI enumeration process and ensure that they share this information with the hospital. Make sure your physician liaison is involved in this educational process and is up to speed on the implications for collecting physician NPI information. Hospitals also may find it useful to examine any policies and procedures that can help with the appropriate documentation and reporting requirements.

Ideally, hospitals will be able to report physician information under the HIPAA transactions without having to follow-up with the physician(s) involved. Getting physician cooperation and buy-in early in the NPI implementation process is important. As many hospitals have reported, the current HIPAA standard requiring hospitals to report the caregiver's social security number or tax ID number proved difficult to implement because some physicians (fearing possible identity theft) were reluctant to furnish this information.

Under the NPI final rule, individual physicians can obtain and use only one NPI. A physician-owned clinic or group practice, however, qualifies as a business entity and, therefore, can have both an NPI for the business entity itself as well as NPIs for each individual physician within the practice. It is, therefore, important to validate whether your organization will report the group NPI or the individual NPI. For example, attending and operating physicians are reported as individual physician NPIs. While the segment containing information for "other provider" can include rendering, service facility, and referring provider, this particular segment allows the reporting of a person or non-person entity along with his/her NPI. Consequently, it is important to educate staff on how these segments will handle NPI reporting. It might be best to require the reporting of all referring and rendering service providers at the individual NPI level even if these physicians are acting on behalf of the group practice.

Internal System Modification

Hospitals also need to coordinate with their information technology (IT) systems and ensure that their components can properly handle NPI information. IT personnel will need to evaluate how the collection and use of the new NPIs will impact current information systems and determine where physician numbers are used currently and whether the new 10-digit NPIs can be accommodated. While the NPI is intended to replace the many different identifiers currently in use, the reality is that organizations likely will continue using existing legacy identifiers for some purposes and functions for an extended period after the NPI is officially required for reporting purposes.

Therefore, hospital information systems will need to handle both the NPI as well as additional legacy identifiers. Contact your information system vendors to ensure/verify that IT systems will be able to accommodate both the NPI along with existing legacy numbers.

Hospitals will also need to determine how their medical and clinical information systems capture and record physician information, including name and NPI. Additionally, organizations may want to build a crosswalk that maps old identifier numbers, such as UPIN, with the NPI. This will be useful as old identifier numbers are converted or linked to new NPIs.

Hospital information systems will also need additional interfaces, such as the new algorithm to validate correct entry of the NPI. According to CMS, this algorithm is currently available for use.

The NPPES file is another important interface to incorporate, but CMS has not yet indicated when the NPPES files will be available. Additionally, CMS has provided no information about which data components from the database would be available for user review within the NPPES. However, this database will be an important component for hospitals to use to validate the physician name and NPI.

Other Resources

Several weeks ago, the AHA and other organizations agreed to pursue a collaborative outreach initiative to communicate messages about migration to the NPI. The purpose of this coordinated outreach plan is to ensure that implementation efforts within all health care sectors are on track and that all affected organizations understand the steps they need to take both internally and externally with other organizations as the health care field moves forward with NPI implementation. A new Web site dedicated to this initiative is available from the Workgroup for Electronic Data Interchange (WEDI) at: http://www.wedi.org/npioi/index.shtml.

WEDI also has published a number of white papers on NPI implementation that hospitals may find useful. These white papers can be found at http://www.wedi.org.