

Shaping the Future for a Healthier America

Administrative Simplification

Background

Throughout discussions about health care reform, there has been a great deal of interest in reducing the complexity and cost of administrative insurance requirements in health care. Administrative simplification is a core issue in making health care more affordable. Originally adopted as a part of the *Health Insurance Portability and Accountability Act* (HIPAA), administrative simplification required standardized, electronic transactions between health plans and providers. HIPAA's scope reaches the majority of health plans with limited exceptions for government programs. Additional efforts led the field to create initiatives such as Patient Friendly Billing, a project that promotes clear, concise and correct financial communications.

AHA View

The Patient Protection and Affordable Care Act (PPACA) includes a significant expansion of the administrative simplification requirements under HIPAA. Many provisions included in the new law were recommended by the AHA and will reduce the burden of paperwork for the women and men working in America's hospitals, allowing caregivers to spend more time at the bedside, and reducing costs. Ultimately, administrative simplification improves the affordability of health care for all Americans. Specifically, the PPACA includes the following AHA recommended provisions:

- Operating rules must be adopted for all transaction standards. This will reduce variations in how individual health plans and clearinghouses currently implement HIPAA transaction standards. These rules will be developed by a non-profit entity through a consensus-based process and then subjected to the usual review by the National Committee for Vital and Health Statistics (NCVHS) and the Department of Health and Human Services (HHS). Top priority is the adoption of a single set of operating rules for eligibility verification, claims status, claims remittance/payment and electronic funds transfer.
- HIPAA transaction standards not yet implemented must be completed (such as unique health plan identifiers) and additional transaction standards (such as claims attachments, enrollment/disenrollment, referral certification and authorization) must be adopted with accompanying operating rules to expand the scope of standardization.
- Greater transparency and consistency must be achieved in methodologies and processes used to establish claim edits used by health plans. The HHS Secretary must determine whether health plans should be required to publish their timeliness of payment rules.
- Health plan compliance with standards and operating rules must be certified by deadlines which span from December 31, 2013 to December 31, 2015 and are outlined specifically in the legislation. Failure to comply or to be certified would result in the imposition of penalties on health plans.

- NCVHS must establish a review committee to coordinate the development of HIPAA administrative standards with the health information technology activities regarding implementing electronic health records.
- HHS must conduct a review every three years to determine whether there are additional areas where greater uniformity would improve operation of the health care system and reduce administrative costs. Based upon this review, additional standards and operating rules would be adopted.
- HHS must specifically determine whether other entities not currently covered under the HIPAA rules should also utilize the same standards and operating rules that apply to health plans and providers, such as automobile liability insurance, workers compensation and other programs.

The AHA has long been an advocate of administrative simplification, convening a Task Force on Insurance Simplification, which produced detailed recommendations adopted by the AHA Board of Trustees in 2008 and advocated by the AHA throughout the health reform debate. The resulting provisions in the PPACA reflect the vast majority of the AHA's recommendations. The required triennial review of additional ways to simplify and reduce the cost of administrative requirements will provide continued opportunities to expand these initiatives further.

Simplifying and streamlining administrative requirements for all stakeholders – providers, payers, health plans and patients – is a win-win strategy. This is an area where real cost reductions are possible. The AHA will continue to be vigilant in seeking robust implementation and future expansion of administrative simplification efforts