



ADMINISTRATIVE SIMPLIFICATION

What are the Administrative Simplification regulations under PPACA, and who needs to comply with these provisions?

The Administrative Simplification rules and guidelines are intended to create a level of uniformity in electronic standards that ultimately should make the health care system more efficient by reducing administrative burdens on all parties. The rules specifically apply to electronic information transactions between insurers, health care professionals, banks, and financial institutions.

The provisions included in this initiative affect parties differently. There are no direct effects to consumers. The majority of the effects are on health care professionals, health insurers, clearinghouses, and banks. Below is a list of provisions that have direct effects on certain employers, depending on how they fund their health plans.

Electronic Funds Transfer and Remittance Advice Transactions

In most cases today, the electronic remittance advice and the health care payment information that health plans send to health care professionals go through banks and clearinghouses in different formats through different networks. Effective January 1, 2014, the Department of Health and Human Services (HHS) required health plans to use a uniform file format to transmit electronic payments of health care funds to financial institutions. New operating rules will make it easier for health care professionals to associate a payment with the matching remittance advice.

With the increased claim payment efficiency, employers should see more real time transparency in cash flow. However, we don't expect employers will need to take specific steps to comply with this provision.

The Health Plan Identifier

The Department of Health and Human Services (HHS) requires all health plans to obtain a ten-digit unique identifier from a government-sponsored agency. The Health Plan Identifier (HPID) is intended to streamline electronic transactions between carriers, administrators, health care professionals, and financial institutions.

The law requires self-funded employers or group health plans to obtain their own HPIDs. Fully insured plans do not need to do anything to comply with this regulation, as the insuring company will have its own identifier.

In 2014, HHS announced that it will delay enforcement of HPID until further notice.