



BENEFIT NEWS BRIEFS

HHS Adopts HIPAA Standard For Electronic Funds Transfers/Remittance Advice

The Centers for Medicare & Medicaid Services (CMS) announced an interim final rule under which the Department of Health and Human Services (HHS) adopts standards for the Health Care Electronic Funds Transfers (EFT) and Remittance Advice (RA) transaction under the *Health Insurance Portability and Accountability Act of 1996 (HIPAA)*. In general, the transaction standards adopted under *HIPAA* enable electronic data interchange (EDI) using a common interchange structure, thus minimizing the industry's reliance on multiple formats.

According to HHS, when a provider submits a claim electronically for payment, a health plan often sends an RA (notice of payment) separately from the EFT payment and the disconnect between the two makes it difficult or sometimes impossible for the provider to match up the bill and the corresponding payment. The new rule addresses this by requiring the use of a trace number that automatically matches the two. The new tracking system will allow health care providers to eliminate the costly manual reconciliation that must currently be done.

The new rule is applicable to EFTs by "covered entities": (1) group health plans; (2) health care clearinghouses; and (3) health care providers who transmit any health information in electronic form in connection with a *HIPAA*-covered EDI transaction. The effective date of this regulation is January 1, 2012 but the **compliance date is January 1, 2014** for covered entities that wish to use EFTs for payment.

The *Preamble* of the new rule notes that some *health care providers* choose not to conduct transactions electronically. In practice, *health plans* will only have to use the health care EFT standards adopted *if the provider* wants to receive health care claim payments via EFT through the automated clearinghouse (ACH) network. Many large health plans and insurers offer providers/hospitals a choice of payment between paper checks (and a paper RA) or EFT. Smaller plans, including **most multiemployer health plans, pay with paper checks, not an EFT, offer no choice of payment type and, thus; would not be affected by the new rule.**

The two standards for the health care EFT that a health plan must comply with in order to transmit health care claim payments to providers via EFT set forth:

- A standard format for when a health plan orders, authorizes, or initiates an EFT with its financial institution.
- A standard that specifies the data content to be contained within the EFT.

According to the announcement of this new interim final rule, Section 1104 of the *Patient Protection and Affordable Care Act (PPACA)* requires CMS to issue a series of regulations over the next five years that are designed to streamline health care administrative transactions, encourage greater use of standards by providers, and make existing standards work more efficiently.

In July 2011, CMS published the first such regulation that put in place operating rules for two electronic health care transactions for providers:

- Whether a patient is eligible for coverage; and
- The status of a health care claim submitted to a health insurer.

See [Benefit News Briefs 2011-45](#) for more on that rule.

This new regulation is the second in the series and establishes EFT standards. According to the announcement, future administrative simplification rules will address adoption of:

- A standard unique identifier for health plans;
- A standard for claims attachments; and
- Requirements that health plans certify compliance with all *HIPAA* standards and operating rules.

HHS' goal in adopting these EFT standards is to ensure a trace number that connects the payment to the electronic RA is: (1) inputted into a standard EFT format and (2) that is received without error by the health care provider. HHS believes that this can be best achieved by requiring a single electronic file format (CCD+Addenda) be used by all health plans that transmit health care EFT to their financial institutions and that data elements are consistent and ordered according to clear implementation specifications.

Specifically the new rule adopts two standards for the health care EFT:

- the CCD+Addenda implementation specifications in the 2011 National Automated Clearing House Association (NACHA) Operating Rules & Guidelines, and
- the TRN Segment implementation specifications in the X12 835 TR3 for the data content of the Addenda Record of the CCD+Addenda.

A copy of the interim final rule is available by "[clicking here.](#)"

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