

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH  
PROGRAM DIRECTORS AND NASMHPD RESEARCH INSTITUTE  
BRIEFING PAPER**

**HIPAA: IMPLICATIONS FOR STATE MENTAL HEALTH AGENCIES**

**What is HIPAA?**

- HIPAA stands for the Health Insurance Portability and Accountability Act of 1996, which provides new – but limited – provisions for health insurance coverage.
- HIPAA helps people obtain and retain health insurance coverage. HIPAA increases the ability of people to get coverage when they start a new job, lowers chances of losing existing coverage, and assists a person buy insurance if they lose coverage through their employer. Among its specific provisions HIPAA guarantees, in most cases, that employees or individuals who purchase health insurance can get and renew coverage regardless of any health conditions, pre-existing or otherwise.
- In addition to the insurance reform provisions of HIPAA, there are **administrative simplification** provisions. These provisions are intended to introduce administrative and cost efficiencies by standardizing the electronic transmission of administrative and financial transactions, including claims and billing transactions. The expectation is that this will result in considerable savings over time through reduction in administrative burden on providers and plans.

For example, about 400 different formats exist for healthcare claims. With standardization, a healthcare provider will be able to submit the same transaction to any health plan and the health plan must accept it.

- The focus of this briefing paper is on the administrative simplification standards. More specifically, the focus is on the electronic transaction standards adopted under HIPAA and their implications for state mental health agencies.

**What are the administrative simplification standards in HIPAA?**

- The four major areas to which the administrative simplification standards apply are:
  - (a) standardization of administrative transactions for providers, payors, clearinghouses involved in electronic billing, eligibility verification, etc...
  - (b) privacy standards
  - (c) security standards
  - (d) standardization of the electronic medical record

- Final rules on standards for electronic transactions and code sets were published in August with an effective date of October 16, 2000. There is a two-year timeframe for compliance.
- Final rules for the other areas are expected within the next year. Proposed regulations on privacy were published last November (to which NASMHPD provided comments). These standards cover uses and disclosure with and without individual authorization, rights of individuals and administrative requirements and should be published in the next few months. Security and electronic signature standards, which cover administrative procedures, physical safeguards, technical security devices and mechanisms are expected to take a longer time frame. And, for standards on electronic medical records, a report from the National Committee on Vital Health Statistics is imminent.
- As part of these standards, national employer, provider, health plan and individual identifiers are also required. (Administration policy is not to implement the individual identifier until the privacy requirements are in place.)

### **Which health care transactions are required to use the electronics transaction standards?**

- The following administrative and financial health care transactions are covered:
  - (a) Health claims and equivalent encounter information
  - (b) Enrollment/disenrollment in a health plan
  - (c) Eligibility for a health plan
  - (d) Health care payment and remittance advice
  - (e) Health plan premium payments
  - (f) Health claim status
  - (g) Referral certification and authorization
  - (h) Coordination of benefits
- Standards for first report of injury and claims attachments (also required by HIPAA) will be adopted at a later date.
- These standards apply even if these transactions do not occur electronically. If the plan performs a covered business function (whether electronically, on paper, via phone, etc.) it must be able to support the electronic standards for that transaction. It may do so directly or through a clearinghouse. These standards also apply to Internet transactions (but, in this case, only the content rather than the format standards may apply).

## **Who does HIPAA cover?**

- The administrative simplification provisions apply to:
  - (a) All health plans, including government programs such as Medicaid and Medicare
  - (b) A healthcare provider (any person who furnishes healthcare services or supplies), which choose to transmit any of the covered transactions electronically
  - (c) All healthcare clearinghouses (entities that will help process electronic transactions)

## **What code sets have been adopted as HIPAA standards?**

- Under HIPAA, a "code set" is any set of codes used for encoding data elements, such as tables of terms, medical concepts, medical diagnosis codes, or medical procedure codes. The codes that have been adopted are:
  - (a) International Classification of Diseases, 9th Edition, Clinical Modification (ICD-9-CM) for diseases, injuries, impairments, and other health related problems
  - (b) National Drug Codes
  - (c) Code on Dental Procedures and Nomenclature
  - (d) A combination of HCFA Common Procedure Coding Systems(HCPCS) and Current Procedural Terminology, Fourth Edition (CPT-4) for physician services and other health-related services
  - (e) HCPCS for medical supplies, orthotic and prosthetic devices and other durable medical equipment.
- All local codes will be eliminated. Local codes are used for Medicaid claims and by state mental health agencies for non-Medicaid transactions so this requirement has major implications for mental health services.

## **How can these standards be changed?**

- The Secretary of Health and human Services has designated six organizations that have agreed to serve as Designated Standards Maintenance Organizations (DSMOs). These are:
  - (a) Accredited Standards Committee X12
  - (b) The Dental Content Committee
  - (c) Health Level Seven
  - (d) National Council for Prescription Drugs
  - (e) National Uniform Billing Committee
  - (f) National Uniform Claim Committee.

- These organizations will work together to accept and evaluate requests for changes to the standards. It is important to recognize that these are not government agencies. Several consortia and advocacy groups have been formed to recommend changes to these organizations. The Public Health Data Standards Consortium has been formed to expand public health involvement in existing health data standards and content. The National Association of State Medicaid directors has formed a group to reflect Medicaid concerns regarding HIPAA standards and to propose appropriate codes for Medicaid operations.

### **What is the potential impact of HIPAA on state mental health agencies?**

- The benefits expected from standardization should also accrue to mental health agencies. Standardization, unique identifiers, strengthened security and privacy requirements will provide opportunities to improve the capabilities of mental health information systems. This should result in increased administrative efficiencies.
- The standardization of a code set for mental health services could result in more uniformity in their coverage by Medicaid across states. If an appropriate set of services could be defined as part of a standard procedures code set, this could facilitate access to such services.
- The costs of implementing HIPAA will be high. Some estimates suggest that the costs of implementing HIPAA requirements could be double that of Y2K modifications.
- The standardized code sets could prove to be severe limitations to mental health services provision and administration. The HCPCS and CPT-4 code sets do not cover the range of mental health services being provided by state mental health agencies. The elimination of local codes may also result in a revision of the definitions of mental health services currently being billed under Medicaid.
- For example, these codes do not include psychosocial services. Nor do they include a person's housing or living situation or client status related to involvement with the criminal justice system, school attendance or employment. Legal status is not part of the proposed set. Clearly, the allowable data elements could hinder rather than help mental health agencies in the activities they are trying to promote and monitor.
- Current activities of state mental health agencies related to planning, budgeting, contracting, performance measurement, reimbursement and quality improvement could all be negatively affected with the promulgation and implementation of the new HIPAA standards.

## **What are NASMHPD and NRI doing about HIPAA?**

- NASMHPD and NRI are working closely with the National Association of State Medicaid Directors (NASMD) on efforts related to the development of appropriate codes for mental health services and providers. Conference calls have been held and representatives have participated in a Medicaid initiative to develop a standard set of local codes. Currently, state Medicaid Directors have developed a list of 27,000 local codes being used. These have been divided into 37 categories, one of which is mental health. At a meeting held in Baltimore on November 13-14, subgroups were formed to develop standard sets for each category. Randy Pletcher, Chief, Bureau of Policy and Analysis, Illinois Department of Mental Health, is the lead for the mental health subgroup. One of the issues for mental health is that many mental health services are part of other subgroups including those for child welfare, crisis intervention, community support, and case management. The estimate is that approximately 2000 codes are related to mental health services.
- NASMHPD is having a meet-me-call on November 27 that will focus on HIPAA. The objective of this meet-me-call is to get a better sense of what state mental health agencies are doing regarding HIPAA and to formulate strategies for mental health concerns that could become the basis of next steps taken by NASMHPD and NRI.
- NASMHPD is planning to convene a meeting of representatives from state mental health agencies and key mental health organizations to develop a standard set of procedures for mental health, which could be incorporated into the recommendations made by the Medicaid Directors. To meet the timelines set for Medicaid initiatives related to HIPAA, this meeting will probably be held some time in mid-December.

## **Where can I get more information about HIPAA?**

- There are several Web-sites that have information on HIPAA.

One with information on transaction standards and code sets is:

<http://aspe.os.dhhs.gov/admnsimp/>

Another which has Medicaid-related information is:

<http://www.hcfa.gov/hipaa/>

- If you have questions or need additional information about HIPAA, please contact Vijay Ganju at (703)-739-9333 Ext.32 or Ted Lutterman at Ext.21. Questions regarding NASMHPD activities should be directed to Robert Glover at ext. 29.