

What Administrative Simplification Does For You

Administrative Costs to Health Care

Health care spending in the United States constitutes nearly 18 percent of the U.S. Gross Domestic Product (GDP) and costs an average of \$9,000 per person annually. Many factors contribute to the high cost of health care in the United States; however, studies point to administrative costs as one factor that has both a substantial impact on the growth of spending¹ and the potential to be greatly reduced.² One area of administrative burden that can be lessened for health care providers is the time and labor spent interacting with multiple health insurance plans, called billing and insurance related (BIR) tasks. The average physician spends a cumulative total of 3 weeks a year on BIR tasks according to one study.³

What is HIPAA Administrative Simplification?

The time and cost savings of electronic administrative transactions have been realized in both our personal lives (paying bills online, direct deposit of salary, etc.) as well as in various industry sectors (banking, retail, etc.) Congress addressed the need for a consistent framework for electronic transactions for health care through [Section 1171 Part C of the Social Security Act](#), established by the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

The Affordable Care Act of 2010 builds upon HIPAA administrative simplification with new and expanded provisions, including:

- A requirement to adopt operating rules for each of the HIPAA covered transactions;
- Use of a unique, standard [Health Plan Identifier](#); and,
- Standards for [electronic](#) funds transfer (EFT) and health care claims attachments.

The Affordable Care Act also requires that health plans [certify their compliance](#) with the standards and operating rules, and increases penalties for noncompliance.

¹ “Technological Change and the Growth of Health Care Spending,” A CBO Paper, Congressional Budget Office, - January 2008, pg. 4. -

² Morra, D, Nicholson, S., Levinson, W., Gans, D.N., Hammons, T. & Casalino, L.P. “U.S. Physician Practices - versus Canadians: Spending Nearly Four Times as Much Money Interacting with Payers,” Health Affairs: - 30(8):1443-1450, 2011. Also, Blanchfield, Bonnie B., James L. Hefferman, Badford Osgood, Rosemary R. - Sheehan, and Gregg S. Meyer, “Saving Billions of Dollars – and Physicians’ Time – by Streamlining Billing - Practices,” Health Affairs: 29(6):1248–1254, 2010. -

³ Casalino, L.P., Nicholson, S. Gans, D.N., Hammons, T., Morra, D. Karrison, T., & Levinson, W., “What does it - cost physical practices to interact with health insurance plans?” Health Affairs: 28(4): w544-w554, 2009. -

The Administrative Simplification and CMS eHealth Connection

Administrative Simplification is one set of initiatives that supports “electronic health,” or eHealth.

eHealth can be best defined as healthcare practice that utilizes electronic information and communication to improve the quality and delivery of health care.

eHealth encompasses the policies, standards and business processes that support electronic information exchange and administrative efficiencies. It comprises patients, caregivers, communities, providers, healthcare facilities and government.

Standardized electronically enabled health care benefits the quality of care and public health through safer, more efficient, effective and equitable individualized health care that is aimed at improving outcomes for the individual as well as the population. The administrative simplification achieved through standardization also aims to lower the cost of care by reducing the inefficiencies that increase cost and lower quality care.

The Goal of Administrative Simplification

Administrative Simplification is intended to support the vision of an eHealth environment that is a seamless, automated continuum of electronically enabled administrative activities performed by the provider and health plan, facilitated by vendors and clearinghouses, and supported by standards, operating rules, medical code sets and identifiers.

An electronic health care environment where standardized information is shared and communication is timely and efficient will promote improved quality care at reduced cost.

ICD-10 Transition

A key component of Administrative Simplification is the International Classification of Diseases code sets or ICD-10. ICD-10 has specific benefits related to documenting and reporting the delivery of care, resource allocation, and other administrative decision-making, namely:

- Improved claims processing for codes that accurately describe diagnoses and inpatient hospital procedures and reimburse newer procedures.
- Higher-quality data due to improved medical coding accuracy and specificity.
- Increased efficiency in the exchange of patient information, treatments provided by

- numerous provides, and hospital resource management.
- Improved development of patient care plans and treatment options due to rapid - communication and information exchange among providers. -
 - Improved patient safety and care from sharing of patient data on drug-related side effects and usage among health plans, providers and life sciences companies.
 - Improved quality and timeliness for reporting disease and outbreak information.
 - Higher specificity for coding clinical data and determining appropriate payer - reimbursements. -
 - Improved patient treatment and outcome management through the ability to monitor key effectiveness indicators (re-admission rates, medical necessity screenings, etc.).

Greater Efficiencies

Beyond ICD-10, CMS is leading other Administrative Simplification initiatives to reduce the administrative burden on providers and payers and improve the efficiency of administrative workflows.

These include standards for electronic transactions like claim submission, payment of claims, eligibility, and enrollment, as well as [operating rules](#) for electronic transactions. The operating rules supplement the transactions and enhance standardization. . The end result is that providers can spend more time seeing patients and less time filling out forms.

For More Information About.....	Resources
Health Insurance Portability and Accountability Act of 1996 (HIPAA) and The Affordable Care Act of 2010 Section 1104.	www.cms.gov/Regulations-and-Guidance/HIPAA-Administrative-Simplification/Affordable-Care-Act/
Transition to ICD-10	www.cms.gov/icd10
Medicare and Medicaid Electronic Health Records (EHR) Incentive Programs	www.cms.gov/ehrincentiveprograms
Health Plan Identifier	http://www.cms.gov/Regulations-and-Guidance/HIPAA-Administrative-Simplification/Affordable-Care-Act/Health-Plan-Identifier.html

CAQH CORE Phase III EFT & ERA Operating Rules Overview	http://www.caqh.org/Host/CORE/EFT-ERA/EFT-ERA_Rules_Overview.pdf
Overview of Mandated CAQH CORE Eligibility & Claim Status Operating Rules	http://www.caqh.org/Reform/IFR_COREPI&IIOverview.PDF