



## **7 Steps Practices Can Take Now to Prepare for 5010**

If you electronically submit administrative transactions, such as checking a patient's eligibility, filing a claim, or receiving a remittance advice, either directly to the health insurance payer or through a clearinghouse, an updated version of the transactions will be required for use by physicians and others as of January 1, 2012. The updated standards will result in some changes to the existing data collected and reported in the administrative transactions, as well as possible changes to your practice management or billing system. Understanding these changes and how they will affect your practice will prepare you for a smoother transition to the updated transactions.

### **Background**

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) included a section on administrative simplification and mandated the adoption of regulations for privacy, security, unique health identifiers, and electronic transactions and code sets. The Transactions and Code Sets Final Rule was issued in 2000 by the U.S. Department of Health and Human Services (HHS) and named standard transactions to be used by "covered entities," defined as health care providers, payers, and clearinghouses, when conducting specific administrative transactions electronically. The following are the administrative transactions that were named:

1. Health claims or equivalent encounter information (837)
2. Health care payment and remittance advice (835)
3. Eligibility for a health plan (270/271)
4. Health claim status (276/277)
5. Referral certification and authorization (278)
6. Enrollment and disenrollment in a health plan (834)
7. Health plan premium payments (820)

The version of the transactions named in HIPAA is Version 004010 (4010) and its subsequent addenda, 004010A1 (4010A1), are collectively referred to as "4010A1." These electronic transactions were developed by the standards development organization Accredited Standards Committee X12 (ASC X12).

Standards development organizations are bodies that develop standards used in various industries, such as banking standards that enable you to use your ATM card in any ATM.

## **Updating the Current Version of Transactions**

The 4010 transactions were completed by ASC X12 in 2000. The later changes, known as 4010A1, were completed in 2002. Since then, many technical issues identified in the transactions were corrected and changes were made to accommodate new business needs. ASC X12 continuously works on updating its standards and implementation guides for the transactions to better meet the needs of the health care industry. Work was completed between 2006 and 2007 on a newer version of each transaction, Version 005010, commonly called “5010.” Improvements in the 5010 transactions include clearer instructions, reduced ambiguity among common data elements used in different transactions, and elimination of redundant and unnecessary data elements.

Because the 4010A1 version of the transactions is named in a federal rule, the regulatory process must be followed to upgrade to the 5010 version. In 2007, a request was made to the Secretary of HHS to modify HIPAA to replace version 4010A1 with version 5010. The Final Rule was published on January 16, 2009 and makes the 5010 transactions mandatory on January 1, 2012. The Final Rule allows for the use of the 5010 transactions prior to the compliance date to facilitate the migration to the updated transactions and prevent the need to convert overnight.

In addition, a Final Rule adopting ICD-10 as the new code set to replace ICD-9 –CM, Volumes 1 & 2 – something that cannot occur prior to moving to use of the 5010 transactions – has been issued. The use of the ICD-10 code set will be mandatory as of October 1, 2013. Because of the need to convert to ICD-10 so soon after complying with 5010, it is imperative that practices begin their transition work to 5010 as early as possible.

## **What Practices Can Do Now to Prepare for 5010**

The biggest concern for practices will be complete implementation and full functionality of the 5010 transactions at or before the compliance deadline to avoid transaction rejections and subsequent payment

delays. Practices can begin now to prepare for this upcoming effort by developing their own implementation plan. The following are various tasks to include in an implementation plan.

1. Talk to your current practice management system vendor.

The potentially largest expense is the practice management system changes that will be required for implementing the 5010 transactions. Depending on your contract with your vendor, the system upgrades may be included in your current maintenance. Some vendors may charge for the upgrades. Review your contract to determine if regulatory updates are included in your maintenance. This step should be done as soon as possible. Be sure to ask the following questions:

- Will you be upgrading my current system to accommodate the 5010 transactions?
- Can my current system accommodate both the data collection and transaction conduction for 5010?
- Will there be a charge for the upgrade?
- When will the upgrades be available?
- When will the installation to my system be completed?

If your existing system is unable to accommodate the 5010 transactions or your vendor is not upgrading the system for 5010, you may need to purchase new software or a new system. This possibility is why it is important for you to talk to your vendor now. If you need to make a purchase, you need plenty of time to research different systems and determine what will be best for your practice. You must also budget for the costs of a new system.

At this time, you may consider implementing other standard transactions that you are not using currently, such as checking a patient's eligibility or the status of a claim. If there are transactions that are not currently part of your system and you would like to add them with the implementation of the 5010 transactions, it is likely that you will have to pay for their installation. It is worthwhile to carefully evaluate the current time and expense associated with doing this work manually compared to electronically. You may be surprised to see the potential costs savings with conducting the transactions electronically.

It is important to know when the system upgrades will be completed and when the vendor anticipates installing the upgrades in your practice. The installation must occur well before the compliance deadline and, ideally, early enough for testing transactions with your trading partners, i.e. health plan, clearinghouse, and billing service, to insure everything will run smoothly after the deadline, and to have an adequate time for staff training.

2. Talk to your clearinghouses or billing service, if you use either one, and health insurance payers.

Similar to your system vendor, you need to know the implementation plans of your clearinghouses, billing service, and payers. The following are questions to ask your clearinghouses and billing service.

- Will you be upgrading your systems to accommodate the 5010 transactions?
- Will you be increasing your fees for the 5010 transactions?
- When will your upgrades be completed?
- When can I send test transactions to you to test that the system will work?

Ask the following questions of your payers:

- Will you be upgrading your systems to accommodate the 5010 transactions?
- When will your upgrades be completed?
- Will I need to re-negotiate my provider contract or electronic data interchange (EDI) agreement based on the move to the 5010 transactions?
- When can I send test transactions to you to test that the system will work?

Based on the responses to the questions, you will know if your clearinghouses and billing service can continue to support your practice. You will also be aware of any payers that will no longer process electronic claims using the updated transactions. The information will assist you with planning your budget needs, a timeframe for implementation, and a timeframe for testing. More information on testing is provided below.

It is important that you contact your clearinghouses, payers, and billing service, regardless of how many there may be. Contacting these organizations with which you conduct transactions is the best action you can take to ensure that the transition to 5010 will run smoothly and your transactions will continue to be processed after the compliance deadline without payment interruptions.

3. Identify changes to data reporting requirements.

The updated version of the transactions has data reporting requirements that differ somewhat from the current transactions. These changes may require you to collect additional data or report data in a different format. For example, in the 4010A1 version of the professional claim transaction, anesthesia services may be reported in actual minutes or in units of time. In the 5010 version, only actual minutes may be reported. Another example in the professional claim transaction is the reporting of the billing provider address. In 5010, the address can no longer be a PO Box or lockbox address.

Questions about the data reporting requirements to consider are:

- Can we identify the data reporting changes for the various transactions we use?
- Can we find resources to assist us in identifying the data reporting changes?
- What is the cost of the resources we need?
- Should we use a consultant to assist us in identifying the data reporting changes?
- What is the cost of hiring a consultant?
- Which of this new data can be stored in our current system?
- Which of this data relies on the system upgrade in order to store it?

Identifying the data reporting changes will assist you with implementing any associated work flow changes and staff training. It will also insure that you are collecting the appropriate data when the 5010 transactions go “live.”

4. Identify potential changes to existing practice work flow and business processes.

Once you have identified the data reporting changes that will impact the transactions you use, you can identify any work flow changes you must make within your practice. Consider the following questions:

- Do we currently collect this data?
- If not, how will we capture the data?
- What added costs will result from new data collection methods, e.g. longer appointment times, revising existing forms?
- What work flow processes do we need to change or add to capture the new data?
- What are the costs of the newly revised work flow processes? (This is the difference in cost between current and newly revised work flow processes.)

Implementing the associated work flow changes will facilitate collecting the necessary data when you begin to use the 5010 transactions.

5. Identify staff training needs.

Staff training is a critical step for insuring that administrative transactions will continue to be submitted, received, interpreted, and responded to correctly using the 5010 transactions. Training should focus on understanding the transaction changes, learning the practice management system changes, collecting and reporting new data, and learning any new work flow processes.

Questions to ask include:

- Who should be trained on the transaction changes?
- How long will it take to train the staff on the changes?
- Will there be “downtime” during the training?
- Should we use a consultant to conduct the training?
- If so, what is the cost of a consultant?
- What resources do we need for the training and to support the staff after training?
- What is the cost of purchasing or creating the training resources?
- When should the training be completed?

6. Test with your trading partners, e.g., payers and clearinghouses.

Your trading partners are the organizations with which you exchange transactions. The final step before going “live” with the 5010 transactions will be to complete testing with your trading partners. The testing will involve sending test transactions through the channels you use today, such as to the clearinghouses or payers. Sending test transactions is an opportunity to see if they will be received successfully, both by your trading partner’s system and your system. Be aware, however, that in some instances, testing will be done in live production environments with a subset of your transaction data. The following are questions you will likely have about testing:

- Which transactions should I test?
- Which trading partners should I test with?
- When should I begin testing?
- Will the testing be truly test data or will it utilize live production data?

Ideally, you should test each of the transactions you use with your trading partners. You, however, likely have dozens, if not hundreds of trading partners, and it is impractical to test with them all. Therefore, you should test with the trading partners that make up the largest number or largest revenue of your transactions.

Begin contacting the trading partners with whom you wish to test as soon as you have a date for your practice management system installation. Begin to schedule times for sending test transactions. Be sure to budget for the additional time and expense for conducting the testing. Once testing is complete, it is important that you review the results of the testing so you know what worked and what potential changes you still need to make.

Testing with your trading partners is the best opportunity you have to insure that the 5010 transactions will function properly after the compliance deadline. A smooth transition to the 5010 transactions will also insure that there are no delays in transaction processing and claims payment.

7. Budget for implementation costs, including expenses for system changes, resource materials, consultants, and training.

Costs are likely to be a primary concern practices will have with 5010 implementation. Although it may be difficult to budget for every expense related to the transition to 5010, the implementation plan tasks outlined above will help you to think about where the expenses will occur and what they might be.

## **Summary**

The current 4010A1 version of the HIPAA standard transactions are outdated and need to be updated to fix existing technical issues and accommodate new business needs. Because of the changes, 5010 has the potential to decrease current administrative burdens and associated costs related to the outdated transactions. Do not wait until 2011 to start implementing 5010. Beginning now with talking to your vendor, talking to your trading partners, analyzing work flow, implementing work flow changes, identifying training needs, and planning your budget will best prepare you for transitioning to the 5010 transactions and meeting the January 1, 2012 compliance deadline.

More detailed information and resources are available on the AMA Web site, [www.ama-assn.org](http://www.ama-assn.org).

## **Sidebar**

Use the following steps to prepare for the implementation of 5010:

1. Talk to your current practice management system vendor.
2. Talk to your clearinghouses or billing service, if you use either one, and health insurance payers.
3. Identify changes to data reporting requirements.
4. Identify potential changes to existing practice work flow and business processes.
5. Identify staff training needs.
6. Test with your trading partners, e.g., payers and clearinghouses.
7. Budget for implementation costs, including expenses for system changes, resource materials, consultants, and training.