HIPAA administrative simplification

Technological advancements in the 1980s and 1990s transformed medical billing and physician payments from manual to electronic processes. However, standardization was needed to maximize the value of automation. The HIPAA Administrative Simplification provisions ensure consistent electronic communication across the U.S. health care system by mandating use of standard transactions, code sets and identifiers. More recently, the creation of operating rules has further improved the efficiency of data exchange.

Standards for electronic transactions

HIPAA established a set of standardized transactions that health plans, clearinghouses and providers must use when conducting business electronically to ensure uniformity in the communication of administrative information among stakeholders. Though HIPAA does not require providers to process transactions electronically, any provider that does must comply with these standards. The current version of the standard transactions is Accredited Standards Committee X12 version 5010. For more on standard transactions, visit the AMA's Electronic Transaction Toolkits for Administrative Simplification page.

Operating rules

In 2010, the Affordable Care Act mandated operating rules for industry participants to follow when conducting standard electronic transactions. These are guidelines for the electronic exchange of information not covered by the electronic transaction standards or their implementation specifications. The AMA regularly advocates with the Council for Affordable Quality Healthcare's (CAQH) Committee on Operating Rules for Information Exchange (CORE) to develop rules that protect physicians' interests and lessen administrative burdens. For more on operating rules, visit the CAQH CORE website.

Code sets

Under HIPAA, the U.S. Department of Health and Human Services (HHS) adopted specific code sets for diagnoses and procedures to be used in all transactions. These include the Current Procedural Terminology (CPT®) codes for outpatient services/procedures, the Health Care Procedure Coding System (HCPCS) for ancillary services/procedures and the International Classification of Diseases, 10th Revision (ICD-10) for diagnosis and hospital inpatient procedures.

Identifiers

HIPAA also required the development of standard identifiers for employers, health plans, providers and patients to be used in transactions. So far, HHS has only mandated identifiers for employers (the Employer Identification Number, or EIN) and providers (the National Provider Identifier, or NPI). For more on the NPI, visit the Centers for Medicare & Medicaid Services (CMS) website.