



Alerts

HHS Adopts HIPAA Standards for Electronic Funds Transfers

January 23, 2012

Health Law Alert

On January 10, 2012, the Centers for Medicare & Medicaid Services (CMS) published in the Federal Register an interim final rule with comment period (CMS-0024-IFC) under which the U.S. Department of Health and Human Services (HHS) adopted standards for the Health Care Electronic Funds Transfers (EFT) and Electronic Remittance Advice transaction (ERA) under the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Section 1104 of the Patient Protection and Affordable Care Act (PPACA) (Pub. L. 111-148) 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. On July 8, 2011, CMS published the first regulation, an interim final rule with comment period that puts in place operating rules for two electronic health care transactions that make it easier for providers to determine: (1) whether a patient is eligible for coverage, and (2) the status of a health care claim submitted to a health insurer.

CMS-0024-IFC is the second in the series and establishes EFT standards that require providers to use a standard format when ordering, authorizing or initiating an EFT with their financial institutions, and which outlines the data content to be contained within the EFT. "Remittance advice" is a notice of payment sent to providers that may or may not accompany the payment the provider receives. The objective of the new rule is to help health care providers match EFT payments received with the remittance advice transactions that plans are already sending them under an existing HHS electronic transactions standard. The new standards will ensure that a trace number that connects the payment to the electronic remittance advice is input into a standard EFT format and that it is received without error by the health care provider. According to CMS, when implemented by health plans, the new EFT standards will reduce the cost associated with reconciliation between payments and receipts for providers, and save physician practices and hospitals up to \$4.5 billion over the next 10 years.

Future administrative simplification rules will address adoption of: (1) a standard unique identifier for health plans; (2) a standard for claims attachments; and (3) requirements that health plans certify compliance with all HIPAA standards and operating rules.

Attorneys

Michael A. Dowell



The effective date of the interim final rule is January 1, 2012. Under PPACA, HIPAA-covered entities must adopt and implement the EFT standards on or before January 1, 2014. The deadline for the submission of comments is 60 days after the date of publication in the Federal Register.

[Click here](#) for the interim final rule.

For more information, please contact [Michael A. Dowell](#) or your regular [Hinshaw attorney](#).

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