



# HIPAA Electronic Standards Fact Sheet

TRICARE Management Activity (TMA) Information Management (IM) Division

## Electronic Funds Transfers (EFT) and Remittance Advice (RA) Transaction

### Background:

On January 10, 2012, the Department of Health and Human Services (HHS) published an Interim Final Rule with Comment Period (IFC) entitled: Administrative Simplification: Adoption of Standards for Health Care Electronic Funds Transfers (EFTs) and Remittance Advice (RA). In July 2012, CMS announced that after review of comments received during the 60-day public comment period, they will not change any of the policies established in the IFC, making it a final rule that is in effect now. This rule was adopted under Section 1104(c)(2) of the Patient Protection and Affordable Care Act (ACA). These standards streamline the format and data content of transmissions a health plan sends to its bank when it pays a claim electronically (through an electronic funds transfer) and issues an RA notice. Health care RA is a notice of payment sent to providers and may or may not accompany the payment the provider receives. TRICARE Purchased Care, acting as a health plan/payer, is required to accommodate and be compliant with these transactions. If TRICARE Direct Care elects to use EFT's or electronic RA's in support of its Third Party Collections processes, then Direct Care will have to comply with these HIPAA adopted standards as well. The compliance date for these standards is January 1, 2014.

### What standards are being adopted?

The IFC adopts two standards: A standard for the EFT in the format of the Corporate Credit or Debit Entry (CCD)+Addenda as contained in the National Automated Clearinghouse Association (NACHA) Operating Rules and Guidelines and a standard for RA in the form of the Re-association Trace Number (TRN) Segment implementation specifications in the X12 835 Technical Report Type 3 (TR3) for data content. In the CCD+ file format, the EFT includes information about the transfer of funds such as the amount being paid, the name and identification of the payer and the payee, bank accounts of the payer and payee, routing numbers, and the date of the payment. The implementation specifications for this format were developed by NACHA and are located in their "Operating Rules and Guidelines." Operating Rules for the EFT and RA standards in regards to healthcare, as mandated in Section 1104 of the ACA, are currently under development by the Committee on Operating Rules for Information Exchange (CORE) in association with NACHA and will be published separately with a compliance date of January 1, 2014. Use of these two standards together will enable a trace number that connects the payment to the electronic RA to be inputted into a standard format using standard data.

### Why are standards for EFT and RA needed?

The benefits of using EFT in other industries are well known, but adoption and use of EFT in the health care industry has been slow. According to an HHS Press Release dated January 5, 2012, the new standards for electronic funds transfers in health care, will reduce up to \$4.5 billion off administrative costs for doctors and hospitals, private health plans, states, and other government health plans, over the next ten years. This cost savings is derived from cost avoidance of printing checks, purchasing and stuffing envelopes and manually depositing checks. Increased use of EFT and RA are also expected to help reduce fraud and improve cash flow.

## Whom is impacted and how?

The IFC applies to Covered Entities, including Health Plans, Health Care Clearinghouses, and Health Care Providers (for Providers who engage in these types of electronic transactions). The health care EFT adopted standards apply to transactions that originate from health plans. Since some health care providers choose not to conduct transactions electronically, health plans will only have to use the adopted health care EFT standards if the provider wants to receive health care claim payments via EFT through the Automated Clearing House (ACH), which is an electronic network for financial transactions in the United States. In addition, health plans are ultimately responsible for ensuring compliance with the standards regardless of whether a health plan puts the data into the standard format itself or uses a financial institution to do so.

Implementation of these standards is expected to have a positive impact on patient care as well. By reducing the time and resources that physician practices and hospitals spend on billing and related tasks, more time and resources might be available for spent delivering health care.