



# COUNTY OF LOS ANGELES

## CHIEF INFORMATION OFFICE

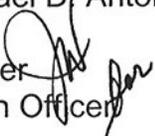
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October 9, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Don Knabe, Chair Pro Tem  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Michael D/ Antonovich

From: Jon W. Fullinwider   
Chief Information Officer

Subject: **HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT –  
STATUS REPORT**

During your meeting of June 19, 2001, your Board directed the Chief Administrative Officer and the Chief Information Officer to report on Health Insurance Portability and Accountability Act of 1996 (HIPAA) initiatives undertaken by the County. The HIPAA rules address the Privacy and Security of Protected Health Information (PHI), health-related Transactions and Code Sets (TCS), and National Identifiers. The Privacy compliance date was April 14, 2003. The TCS compliance date is October 16, 2003, and the Security rules have a compliance date of April 21, 2005. Each set of National Identifiers has its own compliance date. Because the TCS compliance date is so close at hand, this report shall focus exclusively on TCS. I will continue to provide monthly status reports through the TCS compliance date, at which time I will return to the quarterly reporting schedule and expand coverage to other HIPAA rule sets.

The County of Los Angeles is a hybrid entity under the HIPAA Privacy rules. Designation as a hybrid entity limits the administrative and operational impact of HIPAA to those portions of the County, known as the Healthcare Component, that provide healthcare services or administer a health plan and perform any of the HIPAA-covered transactions electronically. The Healthcare Component of the County includes the Department of Health Services (DHS), including its Office of Managed Care (OMC); the Department of Mental Health (DMH); and the Kirby Center within the Department of Probation. Probation's HIPAA TCS-related issues are relatively minor since DMH executes the one HIPAA transaction used by the Kirby Center on Probation's behalf.

Attachment A (Summary of HIPAA Transactions and Code Sets Status) provides a transaction-by-transaction status of the information summarized below.

### **Electronic Transactions and Code Sets**

The Centers for Medicare and Medicaid Services (CMS) announced that it will implement a contingency plan for Medicare providers to accept noncompliant electronic transactions after the October 16, 2003, compliance deadline. The existence of the contingency plan was made public on September 11, 2003, but without a decision on whether the plan would be invoked. The September 23, 2003, announcement that the contingency plan will be in effect on October 16, 2003, permits CMS to continue to accept and process claims in the electronic formats now in use. The CMS Contingency Plan gives Medicare providers additional time to complete the HIPAA Transaction and Code Sets testing process. CMS will regularly assess the readiness of its trading partners to determine how long the contingency plan will remain in effect. In discussing the contingency plan, Tom Grissom, Director of CMS' Center for Medicare Management, stated, "We encourage other plans to assess the readiness of their trading partners and implement contingency plans if appropriate." This statement provides the opportunity for the DHS OMC to invoke a similar contingency plan because of incomplete testing with its trading partners.

CMS decided to implement its contingency plan after reviewing statistics reflecting unacceptably low numbers of compliant claims being submitted by providers. CMS recognized that transactions often require the participation of two covered entities and that non-compliance by one covered entity may put the second covered entity in a difficult position. While the contingency plan applies only to Medicare, a relatively small percentage of County health-related claims transactions, it represents a significant recognition by CMS that, industry wide, HIPAA TCS compliance will be far from universal on October 16, 2003.

CMS had made earlier statements in its guidelines for enforcement that, "during the period immediately following the compliance date, CMS intends to look at both covered entities' good faith efforts to comply with the standards in determining, on a case-by-case basis, whether reasonable cause for the noncompliance exists and, if so, the extent to which the time for curing the noncompliance should be extended."

For Los Angeles County, the primary cause for noncompliance will be delays in achieving compliance at the State of California, the County's largest and most important trading partner for HIPAA transactions. Neither DHS nor DMH can complete their HIPAA testing and execute compliant transactions in advance of the State. The monthly Medi-Cal Update published by the State, the Medi-Cal web site ([www.medi-cal.ca.gov](http://www.medi-cal.ca.gov)), and provider bulletins, indicate that the State will not be fully HIPAA compliant by October 16, 2003. County organizations have been in continuing dialogue with their corresponding State

agencies with regard to how and when to conduct testing and how to conduct business on and after October 16, 2003. The State has consistently provided reassurance that Medi-Cal payments will not be disrupted.

DHS' TCS compliance should be viewed as three separate lines of business: Hospitals and Clinics, Public Health, and the Office of Managed Care (OMC).

DHS hospitals and clinics process the vast majority of their transactions through Accordis, a clearinghouse. Accordis has begun submitting DHS hospital inpatient claims data as part of the State's Phase I beta testing currently underway with Electronic Data Systems (EDS). The State has communicated their intention to be HIPAA compliant for Medi-Cal inpatient claims in October 2003 and DHS expects to be able to submit HIPAA compliant transactions for inpatient claims. For outpatient claims, there are code set issues being addressed with the State that will not be resolved by October 16, 2003.

Of the three business lines, Public Health is the lowest risk area based on percentage of revenue and level of complexity. Public Health is using a combination of an existing clearinghouse relationship and a small amount of custom programming to achieve HIPAA TCS compliance. The one serious obstacle in achieving HIPAA TCS compliance is that the State is, for nearly all involved Public Health organizations, the only trading partner. The County and the State will continue to work through the testing issues necessary to assure a reliable transition to HIPAA-compliant transactions.

As a health plan, OMC is required to have the capability to process the entire suite of HIPAA specified transactions, including some they have never used. OMC and DHS hospitals recently received an interpretation of the TCS rules that requires data now sent to OMC from the hospitals as a simple flat data file to be transmitted as a HIPAA-compliant X.12-837 (health care claim) transaction. Expanded use of clearinghouse resources is anticipated to be part of the solution.

A legal opinion is still pending with regard to whether OMC will be required to accept an inbound X.12-820 (premium payment) transaction and produce its corresponding outbound transaction. This is a low-volume transaction with a number of options available. DHS recently purchased software that is being set up to allow testing these transactions when trading partners are ready to test.

State compliance is only one of several constraints for OMC. OMC may not have every transaction ready for production use by October 16, 2003. However, in the case of some transactions, no trading partner has requested that they conduct business electronically. So long as the transaction continues to be conducted on paper, there is no violation of HIPAA rules. Under the enforcement guidelines issued by CMS, OMC can demonstrate a good faith effort and clear progress towards compliance.

OMC will issue an announcement within the next week to its provider community that it will follow the CMS lead and invoke a contingency plan. The contingency plan allows trading partners to continue to process pre-HIPAA formatted transactions during a transition period following October 16, 2003 to assure that business is not disrupted while OMC and its trading partners complete the testing necessary to assure a reliable transition to HIPAA compliant transactions.

DMH, with the assistance of its contractor, Sierra Systems, Inc., began TCS testing prior to the April 16, 2003 milestone date and continues to remain on track in implementing its TCS compliance tasks. DMH has received the State's assurance that they will continue to accept DMH's transactions in its current format until the State can process compliant transactions. Some of DMH's local trading partners are also having difficulties implementing the TCS provisions by October 16, 2003. Internally, the DMH project remains on schedule and DMH is effectively managing problems related to trading partner readiness. Managing a compliant environment while retaining the capability to transmit pre-HIPAA transaction formats adds complexity to the task.

### **Summary**

DHS and DMH TCS compliance efforts remain constrained by the State's documented schedule for achieving HIPAA TCS compliance. DHS hospitals believe that they are on track to exchange HIPAA compliant inpatient Medi-Cal claims and remittance advice transactions with the State this month. The State has not finalized its plans for Medi-Cal outpatient claims and remittance advice transactions and this will prevent DHS hospitals, their hospital-based clinics and health centers, and Public Health clinics and programs from finalizing their HIPAA TCS preparations.

OMC will be invoking a contingency plan for those transactions for which testing with trading partners is not complete and anticipate no disruption in its ability to conduct business. OMC is preparing to test transactions currently conducted on paper. The actual transaction testing will be scheduled at the request of trading partners.

DMH HIPAA TCS preparations are constrained by the same issues with the State that impact DHS. HIPAA-related modifications to DMH systems and processes are expected to be fully implemented and available for production use by the compliance deadline. However, production use will depend upon the State's availability for testing and cut-over to compliant transactions.

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The next HIPAA Status Report to the Board will be submitted on October 27, 2003.

If you have questions or require additional information, please contact me at (213) 974-2008.

JWF:GD:ygd

Attachments

c: Department Heads  
Chair, Information Systems Commission

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Summary HIPAA Transactions and Code Sets Status

Organization	Transactions	Compliance Strategy	Verified that the Correct Data is Captured	Verified Data Extract with Clearinghouse or Trading Partner	County Complete & Ready To Test	State & Trading Partners Readiness To Test	Testing Complete (9/30/03)	Training (10/7/03)	In Production Use (10/16/03)	Comments
DHS Hospitals and Associated Clinics	Health Care Claim (837) Outbound	Outsource to Clearinghouse (HMS)								Testing with Medicare (UGS). Accordis has begun submitting DHS Hospital inpatient Medi-Cal claims data as part of State's Phase I beta testing currently underway with EDS. Affinity and clearinghouse HIPAA compliant software has been installed and is in use at DHS Hospitals. DHS expects to be ready to send compliant content from the Affinity hospital information system in proprietary format to Accordis. Accordis is expected to be ready to receive this data from DHS hospitals, translate to X12 837I format, convert some local codes to compliant code format, and send to the State. The State does not anticipate being compliant for outpatient CBRC and ER claims in October 2003 and testing for these claim types has not yet begun. State DHS has indicated providers will have the option of continuing to submit outpatient claims with local codes in pre-HIPAA format.
	Remittance Advice (835)	Outsource to Clearinghouse (HMS)								Testing with Medicare (UGS). Medi-Cal plans to be compliant for inpatient Medi-Cal remittance advice transactions in October 2003. LA County has been selected as a test site for submission of the 835 transactions. DHS will begin receiving X.12 835 transactions in compliant format, but with both local and compliant codes. Local codes will be phased out on a schedule to be determined by the State. Continue receiving paper Remittance Advice from programs in which that is the current practice (CHDP, GHPP).
	Eligibility Inquiry & Response (270/271)	QuadraMed Affinity/Provider Advantage 270/271								Testing with Medicare (UGS). The State has indicated that the Point-of-Service (POS) system will not be HIPAA compliant on 10/16/03; current POS system will remain in production on and after 10/16/03. DHS may also log on directly to the LEADER and MEDS systems to obtain Medi-Cal eligibility information. In the interim, DHS has purchased QuadraMed's Affinity 270/271 Tool Set and Provider Advantage system. These two systems will be in production use before the State 270/271 is made available to providers.
DHS Public Health Clinics	Health Care Claim (837) Outbound	Outsource to Clearinghouse (HMS)								State DHS (the only test partner) has indicated that Medi-Cal will not be compliant for outpatient claims by 10/16/03. Accordis (the County DHS clearinghouse vendor) reports that State DHS will instruct providers and clearinghouses to continue submitting claims in some hybrid format after 10/16/03 to ensure that providers are not affected by the State's lack of readiness. LA County has been selected as a test site for submission of the ANSI 837 transactions. Vendor is expecting that the State will require the submission of ANSI 837 transaction using non-compliant codes; vendor is moving forward with PHC data to complete the TCS implementation. Because CMS has extended the time during which local codes are acceptable to December 31, 2003, there is no risk to DHS revenue in submitting the hybrid claim as prescribed by the State.
	Remittance Advice (835)	Paper								No change to existing process.
DHS Alcohol and Drug Programs Administration	Health Care Claim (837) Outbound	Custom coded front-end upgrade to capture the HIPAA data elements. Accordis, a clearinghouse, will process the actual transaction.								ADPA has received the final version of TCS Service Code Crosswalk from State ADP. ADPA generated and forwarded revised test data to Accordis on 9/8/03 to generate the 837P test outbound transactions. On 9/16/03 State ADP informed ADPA that testing was scheduled for the week of September 22, 2003. On 9/19/03, Accordis 837 transaction file was forwarded to State with test results expected from the State during the week of September 22, 2003. On and after 10/16/03 State ADP will process compliant 837 transactions and continue to process transactions in pre-HIPAA format.
	Health Care Claim (837) Inbound	Paper								No change to existing process.
	Remittance Advice Outbound (835)	Paper								No change to existing process.
	Remittance Advice Inbound (835)	Paper								No change to existing process (although the State is considering some changes in the future, after October 16, 2003).



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DHS Office of Managed Care (OMC)	Health Care Claim (837) Inbound	Vendor (HMS) modifying PMS to accept HIPAA compliant claim transactions from their out-of-plan providers.								HMS expects to be ready for Claredi testing 9/30/03 and will be available for trading partner testing shortly thereafter. At this time all out-of-plan trading partners are sending claims on paper and none has requested that we begin testing with them to process claims electronically. It is very unlikely that such a request will be made in the last 4 weeks before the October 16, 2003, compliance date. DHS will be technically compliant simply by virtue of the fact that no trading partner has requested electronic processing of out-of-plan claims.
	Health Care Encounter (837) Inbound	Translator will be acquired to handle this transaction; Using clearinghouse (DDD) to translate incoming proprietary format to HIPAA compliant format (837 encounter) to feed the OMC Data Warehouse								Sending a HIPAA compliant encounter record to OMC involves changed reporting procedures for DHS hospitals and may involve capturing additional data. DHS hospitals must send the 837 Institutional (837I) transaction to OMC. The need for the 837 Professional (837P) transaction is being investigated with County Counsel. DHS hospitals do not now send data equivalent to the 837P and, if that is necessary, it cannot be accomplished by October 16, 2003. Since no equivalent data is being sent now, the 837P simply would not be sent until it can be sent compliant. DHS facilities sent OMC a subset of the 837I and are determining if their information systems have the data to populate a compliant 837I. A clearinghouse will be necessary to format the transaction and DHS staff are investigating whether this is within the scope of existing contracts. DHS met with Accordis on September 22, 2003, regarding handling these transactions as a clearinghouse on behalf of DHS hospitals. Arrangements for Accordis to handle hospital encounter data transactions to OMC cannot be finalized until a decision is reached by attorneys with regard to the 837P. DHS will continue to process transactions in pre-HIPAA format.
	Health Care Encounter (837) Outbound	Translator will be acquired to handle this transaction; Vendor (HMS) will extract data from Data Warehouse and feed the translator to produce HIPAA compliant transaction								HMS needs 60 days upon receipt of the software in order to train staff and perform Claredi testing of the X.12 software. The X.12 software was received on September 19, 2003. LA Care, the trading partner for this transaction, has indicated they will be ready for 837 Professional testing on September 29, 2003, and for 837 Institutional testing shortly thereafter. LA Care has stated that they will continue to support the pre-HIPAA format for a minimum of six months.
	Remittance Advice (835) Outbound	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								The X.12 835 transaction is certified by Claredi, but it has not yet been tested with trading partners. DHS will continue to process this transaction in pre-HIPAA format consistent with the contingency plan until trading partner testing is complete.
	Health Care Enrollment and Disenrollment (834)	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								OMC began testing the 834 transaction with Universal Care on April 7, 2003. Testing was successful; 834 testing will continue with other trading partners. OMC expects to be able to receive and process a compliant X.12 834 transaction by October 16, 2003. State DHS will not meet the compliance deadline of 10/16/03 for this transaction except for the Healthy Families Program; MRMIB has stated that they are in "material compliance."  DHS currently provides its eligibility roster electronically to certain plan providers, including DHS facilities. DHS is seeking a legal opinion as to whether this must be done in a HIPAA X.12 format. Neither the 271 nor the 834 are designed for this purpose, but if required, DHS will implement an 834 format.
	Premium Payment Order / Remittance Advice (820)	The solution will require either a clearinghouse or the use of an X.12 translator.								OMC spoke in September with Ernest Sanchez, Contract Manager for MRMIB regarding the use of the ANSI X.12 820 TCS by October 16, 2003. He stated that since the Healthy Families Program (HFP) is undergoing a transition in Administrative Vendors (EDS is being replaced by Maximus effective January 2004), that they are not planning to implement the ANSI X.12 820 TCS until after the transition. He also stated that MRMIB believes they are "materially in compliance" with the 820 TCS with the current electronic file they are distributing. Mr. Sanchez stated that more information will be forthcoming as MRMIB issues a schedule of the transition in September.  The necessity to receive an X.12 820 transaction appears settled and the need to generate an outbound 820 is being investigated. The LA County Treasurer and Tax Collector (TTC) and the CAPS system are the recipients of the data from the inbound 820, so there is the potential to impact their operations and the CAPS system. Approaches that minimize the impact on the TTC are preferred. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Eligibility Inquiry & Response (270/271)	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								HMS completed testing with Claredi on 8/14/03. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions; hence there has been no testing with trading partners.
	Health Care Claim Status Summary (276/277)	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								HMS completed testing with Claredi on 9/17/03. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions; hence there has been no testing with trading partners.
	Health Care Service Review (278)	Vendor (HMS) modifying PMS to produce HIPAA compliant transactions								HMS completed testing with Claredi on 9/19/03. Trading partners have been contacted, but to date no providers have expressed an interest in using these transactions; hence there has been no testing with trading partners.

**Risk of Non-Compliance**

	LOW
	MODERATE
	HIGH

Summary HIPAA Transactions and Code Sets Status

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	NCPDP	Outsource to Pharmacy Benefit Management Contractor								Contractor (PCN) responsible for HIPAA Compliance of NCPDP transactions.
DHS California Childrens Services	Health Care Claim (837) Outbound	In-house development of 837 transaction output								CCS was informed by EDS that it passed the Submission Test (ANSI Version 4010X Testing), but there are two outstanding issues concerning the error report and the status of the ANSI 1040X Submitter Approval Letter. We are currently attempting to contact Lisa Trujillo Dunn/EDS HIPAA Project Manager to answer our questions and resolve the issues.  Tentative date for EDS to begin accepting production HIPAA 837 TCS files is 09/23/03. If October 16, 2003 date is not met, CCS will continue to process transactions in pre-HIPAA format.
	Health Care Claim (837) Inbound	Paper								No change to existing process (i.e., providers submit paper claims; CCS staff enters claim information into ACMS). However, CCS plans to accept electronic claims in HIPAA compliant format for providers who may decide to do so (design and code are complete; they would have to decide what to pick up from the file). CCS has developed HIPAA compliant output from ACMS. CCS began testing their 837 outbound with EDS and a few errors were identified that EDS is currently attempting to resolve. Tentative date for EDS to begin accepting production HIPAA 837 TCS files is 09/23/03. If date is not met, DHS will continue to process transactions in pre-HIPAA format.
	Remittance Advice (835)	Vendor (EDS) supplied via website								Per EDS, the Remittance Advice will be posted on their Internet web site by October 1, 2003 and will be accessed via Userid and Password.
	NCPDP	Paper								No change to existing process.
DMH	Health Care Claim (837)	Integrated System - Wrapper of MHMIS								State assessment process has started and State has purchased and installed translation software. State plan is to conduct compliant 837 transactions by October 2003, however, testing has not yet started. DMH testing will commence as planned 08/22/03, and State testing 09/08/03. However, there is a risk that State testing may be delayed or State readiness restricted. DMH will be prepared to conduct a HIPAA compliant transaction on October 16, 2003, if the State is ready. If not, DMH will continue to process transactions using the pre-October 16, 2003 format and content until the State is ready.
	Health Care Enrollment and Disenrollment (834)	Integrated System - Wrapper of MHMIS								The Integrated System (IS) under development for DMH by Sierra Systems Group will process compliant 834 transactions with local trading partners. State compliance status is not relevant to this transaction.
	Remittance Advice (835)	Integrated System - Wrapper of MHMIS								State assessment process has started, and State has purchased and installed translation software. State plan is to conduct compliant 835 transactions by November 2003. However, testing has not yet started. DMH will continue to process transactions in pre-HIPAA format until the State is ready.
	Eligibility Inquiry & Response (270/271)	Integrated System - Wrapper of MHMIS								State Medi-Cal will not support compliant eligibility transactions this year. IS has been modified to process compliant 270/271 for local trading partners and convert to non-compliant form for State transactions. DMH is managing for the risk that the State may experience some difficulty in providing necessary eligibility data to counties. DMH will continue to process transactions in pre-HIPAA format.
	Authorization (278)	Integrated System - Wrapper of MHMIS								State Medi-Cal will not support compliant authorization transactions this year. IS will process compliant authorization transactions for trading partners who can use them. However, testing for the DMH business processes that require use of the authorization transactions will not start until 10/31/03. DMH will continue to process transactions in pre-HIPAA format.
	Health Care Claim Status Summary (276/277)	Integrated System - Wrapper of MHMIS								State Medi-Cal will not support compliant status reporting transactions this year. IS will process compliant status transactions for trading partners who can use them. The complexity of managing compliant local data and non-compliant State data will introduce risks of non-compliance in production stages. DMH will continue to process transactions in pre-HIPAA format.
	NCPDP	Integrated System - Wrapper of MHMIS								Retail pharmacies are prepared to conduct the necessary transactions with DMH. State and retail pharmacies are already HIPAA-compliant.

