



Fact Sheet



Health Insurance Portability and Accountability Act (HIPAA)

What Is HIPAA?

In 1996, Congress enacted Public Law 104-19 known as the Health Insurance Portability and Accountability Act (HIPAA). HIPAA was enacted to protect health insurance coverage for workers and their families experiencing employment loss or change, and to simplify the administration of the health care system.

Congress included a provision entitled Administrative Simplification in HIPAA. Administrative Simplification requires the federal Department of Health and Human Services to adopt national standards for electronic health care transactions, and privacy and security rules to protect individual's identifiable health information. The standards are designed to reduce the burden associated with the transfer of health information between organizations and to increase the efficiency of the nation's health care system.

What are the Standards?

The final standards issued by the Department of Health and Human Services include:

Transactions and Code Sets:

- Transactions: Claims, claim status inquiry and response; coordination of benefits, etc.
- Code Sets: Codes used to indicate

diseases, injuries, impairments and medical procedures.

Privacy: Uses and disclosures of protected health information.

Employer Identifier: Establishes a standard for a unique employer identifier and the requirements for its use by covered entities.

Security: Administrative, technical and physical safeguards for electronic health information.

National Provider Identifier: Establishes a national standard identifier for health care providers.

The federal Department of Health and Human Services will also issue additional rules as they are finalized.

Who Must Comply with HIPAA?

All health care providers, health plans, and health care clearinghouses that transmit health information electronically are defined as "covered entities" and are required to comply with HIPAA. A health care provider is any person or organization who furnishes, bills, or pays for health care in the normal course of business. Health care is defined as care, services, or supplies provided to a patient, including assessment and counseling related to the physical or mental condition of an individual.

Since the Department of Alcohol and Drug Programs (ADP) pays alcohol and other drug (AOD) health care providers through the Drug Medi-Cal (DMC) Program, it is considered a covered entity. ADP is in the process of updating its business processes and information systems to comply with the Electronic Data Interchange (EDI). HIPAA requires the standardization of EDI for claims processing, authorization, enrollment, remittance advice and coordination of benefits. All AOD health care providers submitting claims through the DMC Program are required to submit their claims electronically, using the national codes and claims processing requirements of EDI, by January 1, 2006.

ADP is also in the process of developing privacy and security policies to comply with requirements of HIPAA. California's AOD programs are currently required to comply with stringent confidentiality rules under federal regulations. HIPAA will not eliminate or change these rules, only strengthen safeguards for patient confidentiality. The HIPAA Compliance Unit was established to develop and implement policies and procedures to comply with HIPAA requirements. The unit is located within the Program Services Division. The HIPAA Compliance Unit also coordinates with the California Office of HIPAA Implementation, the oversight body for all State programs affected by HIPAA.

When Must We Comply with HIPAA Standards?

Important HIPAA compliance dates:

Transactions and
Code Sets Rule: October 16, 2003

Privacy Rule: April 14, 2003

Employer Identifier Rule: July 30, 2004

Security Rule: April 20, 2005

National Provider
Identifier Rule: May 23, 2007

For more information, go to:

www.ohi.ca.gov
www.adp.ca.gov/hp/hipaa.shtml