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In their article "Monitoring Health Care in the United States—a Challenging Task," Pollock and Rice describe the difficulties involved in monitoring the health status of the population and the functioning of the health care system in the United States. The authors assess the roles of health surveys, claims data, performance measures, and community health information management systems in monitoring and point out the limitations of each.

In a short review of the history of health data standards efforts in the United States, the authors conclude that the slow pace of adoption of standards for health care data has constituted a serious obstacle to monitoring the health system. They raise the hope that recent

legislation, the Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, known before enactment as the Kassebaum-Kennedy bill), will address the standardization issue in the United States.

P.L. 104-191 brings closer the reality that the benefits of health data standards will soon be realized in the United States, in a framework that protects

the privacy and security of health information. Although the primary focus of the law is on private health insurance reform, its provisions on Administrative Simplification outline a new national framework for health data standards and health information privacy in the United States. Enacted with the widespread support of the industry and the bipartisan support of the Congress, the law requires the Secretary of HHS to adopt standards to support the electronic data interchange of a variety of administrative health care transactions within 18 months of enactment. The transactions for which standards are to be adopted deal largely with claims processing and billing and include:

- Health claim or equivalent encounter information;
- Enrollment and disenrollment in a health plan;
- Eligibility for a health plan;

- Health care payment and remittance advice;
- Health plan premium payment;
- First report of injury;
- Health claim status;
- Referral certification and authorization;
- Coordination of benefits among insurers;
- Claims attachments.

In addition, the Secretary is required to adopt a number of supporting standards:

- Code sets and classification systems for some of the data elements of the transactions identified;
- Unique identifiers for individuals, employers, health plans, and health care providers for use in the health care system;
- Security standards and safeguards for electronic information systems involved in the above transactions as well as procedures for the authentication of electronic signatures;
- Standards to ensure the privacy of electronic transactions.

Within 24 months of their adoption by the Secretary, the national standards would be required for use in electronic commerce involving health plans, clearinghouses that process health insurance claims, and providers. Small plans would have an additional 12 months to comply. Penalties for failure to comply with the standards are included in the statute.

The law envisions extensive consultation with the industry, standards development organizations, and state and local governments in the adoption of national standards. In general, standards are to be selected from those that have been developed, adopted, or modified by a standards development organization accredited by the American National Standards Institute (ANSI). The Secretary may adopt a different standard if it will significantly reduce administrative costs to providers and plans compared to alternatives or if no standard setting organization has developed a standard in that area.

The goals of the provisions are twofold: to improve the efficiency and effectiveness of the health care system by standardizing the electronic exchange of administrative and financial data and to protect the security and privacy of transmitted information. The industry estimates that as much as \$9 billion could be saved per year by moving from manual to electronic processing of these transactions.

The Data Standardization Remedy in Kassebaum-Kennedy

National privacy and confidentiality protections for health information play a prominent role in the law as well. The law requires the Secretary to make "detailed recommendations" to the Congress "with respect to the privacy of individually identifiable health information." This must be accomplished within 12 months of enactment. Some guidance is offered in the law on what the recommendations must cover:

- The rights that people who are the subjects of individually identifiable health information should have;
- The procedures that should be established for exercise of those rights;
- The uses and disclosures of health record information that should be permitted.

As a result of the passage of P.L. 104-191, a national framework for the adoption of health data standards and health information privacy will soon become a reality in the United States.

If Congress does not pass legislation for health record privacy within 36 months of enactment of the law, the Secretary is required to issue regulations for privacy standards to protect the information transmitted in connection with the standardized health claims transactions. The regulations are to address the three subjects to be covered in the recommendations, as outlined above. The regulation must not supersede contrary provisions of state law that impose more stringent requirements, standards, or implementation specifications. The law contains penalties for the wrongful use or disclosure of individually identifiable health information.

Several new responsibilities in support of the law are given to the National Committee on Vital and Health Statistics (NCVHS), the public advisory body to DHHS on health data, privacy, and health information policy. Two new members are added to the Committee, one to be appointed by the President *pro tem* of the Senate and the other by the Speaker of the House. NCVHS also would provide advice to HHS on the implementation of the law. For example, the Secretary of HHS is to consult with NCVHS in the development of the recommendations to Congress relating to privacy, and she is to

rely on the advice of the Committee regarding the adoption of standards. In addition, NCVHS is asked to study the issues relating to the adoption of uniform data standards for patient medical record information and the electronic interchange of such information and report to the Secretary within four years on recommendations and legislative proposals for such standards and electronic exchange.

Meaningful and extensive cooperation among the health industry, government, and interested and affected parties will be critical to the success of this national effort. Accordingly, the law envisions extensive collaboration and consultation in the adoption of standards to ensure that the health data standards that are promulgated will be acceptable to the entire health care community as *national* standards.

As a result of the passage of P.L. 104-191, a national framework for the adoption of health data standards and health information privacy will soon become a reality in the United States. The short and long term benefits of data standards to the efficiency and effectiveness of the health system are well recognized, including the utility of systematic and high quality data for monitoring the health system. Adopting and implementing standards to ultimately realize those benefits will take a coordinated and cooperative effort among all participants in the health system.

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