

**DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**

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**ADP BULLETIN**

Title

HIPAA Project Overview and Survey

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JESSE A. MCGUINN

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**PURPOSE**

To provide an overview of the Health Insurance Portability and Accountability Act (HIPAA) and project coordination efforts by the Department of Alcohol and Drug Programs (ADP). In addition, we are asking counties and providers to complete the attached survey to assess the current and anticipated degree of local involvement with this project.

This bulletin is not a substitute for specific legal, fiscal, and programmatic advice. Recipients are urged to consult with their own counsel and other expert resources regarding this law.

**DISCUSSION**

The Health Insurance Portability and Accountability Act of 1996 (August 21), Public Law 104-191, amends the Internal Revenue Service Code of 1986, also known as the Kennedy-Kassebaum Act. HIPAA is designed to:

- Expand health coverage by improving the portability and continuity of health insurance coverage within group and individual markets.
- Combat waste in health care delivery and promote the use of medical savings accounts.
- Improve access to long-term care services and coverage, and lastly
- Simplify the administration of health insurance.

Changes affecting health care transaction and administrative information systems will include:

1. Standardization of electronic patient health, administrative and financial data.
2. Unique health identifiers for individuals, employers, health plans and health care providers.

3. Privacy standards that protect the confidentiality and integrity of "individually identifiable health information," past, present, or future.

All health care organizations will be affected: health care providers, private physician offices, health plans, employers, public health authorities, life insurers, clearinghouses, billing agencies, information systems vendors, service organizations, and universities. Programs that are involved in service delivery, collection and storage of individual health care information, or any distribution processes are impacted. All systems and processes must be reviewed for potential impact issues.

HIPAA calls for severe civil and criminal penalties for noncompliance. Penalties for noncompliance include fines (up to \$25,000) for multiple violations of the same standard within a calendar year and fines (up to \$250,000) and/or imprisonment (up to 10 years) for knowingly misusing individually identifiable health information.

Most entities have **24 months from the effective date of the final rules to achieve compliance**. The Transactions Rule, published on August 17, 2000, was the first rule published. The compliance date is October 16, 2002. This rule applies to entities that perform the following business functions:

- Send or receive health care claims.
- Pay health care services.
- Send or receive eligibility inquiries.
- Conduct provider referrals and service authorizations.
- Perform health plan enrollment.
- Perform coordination of benefits activities.

Through the implementation of the Transactions Rule, HIPAA will eliminate the use of "local codes" (county or provider service codes that are not within the newly adopted federal code sets) and establish new national code sets. The national code sets include medical procedures, health care services, mental health services, and administrative reporting codes. These code sets will be utilized to support key programs within county and provider processes. Once the federal code sets are established, local county and provider programs will need to look for new ways to track and report services currently supported by non-standard codes. A task force was formed to discuss and develop solutions and alternate methods of reporting that will alleviate the negative impact counties may have in administering the HIPAA standard code sets to local programs. This task force is scheduled to meet on November 29, 2001.

The second rule published is the Privacy Rule. The compliance date for this rule is April 14, 2003. The Privacy Rule deals with health information that is individually identifiable and develops standards for viewing, handling and storing patient-identifiable health care information that is written, electronic, faxed, verbal, and when present on a monitor screen. It will require a review and possible revision of many information policies, procedures and practices. HIPAA standards may be more stringent and may require more extensive documentation than what is currently in place. Therefore, programs need to review their privacy policies to ensure compliance.

Due to the critical nature and impact of HIPAA, we are asking counties and providers to complete the attached survey. Please complete and return the attached survey by November 16, 2001.

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For more information regarding HIPAA, refer to <http://aspe.hhs.gov/admsimp/>

## **REFERENCES**

None

## **HISTORY**

N/A

## **QUESTIONS/MAINTENANCE**

If you have any questions or problems, please send an email to dhaddad@adp.state.ca.us or call the Department of Alcohol and Drug Programs' Hotline at (916) 324-3874.

## **EXHIBITS**

Exhibit 1 – Drug and Alcohol Programs - HIPAA Survey

## **DISTRIBUTION**

County Alcohol and Drug Program  
Administrators Director's Advisory Council  
Wagerman Associates, Inc.