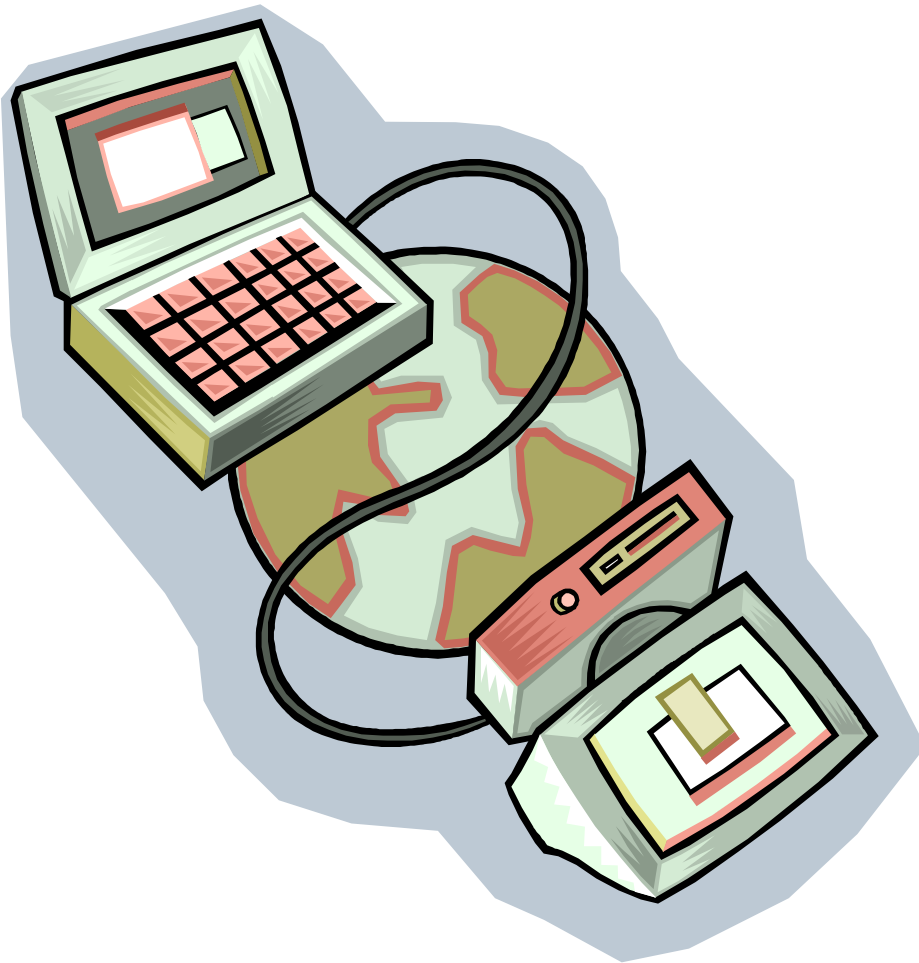


# EDI 101

An introduction to HIPAA-compliant  
electronic data interchange



Oregon DHS  
Division of Medical Assistance Programs  
September 2007

**For more information about using electronic data  
interchange, contact DMAP EDI Support  
888-690-9888 (toll-free inside Oregon)  
503-947-5347 (Salem)**



**Division of Medical Assistance Programs**  
500 Summer Street N.E., E 44  
Salem, OR 97301-1079

# Table of contents

<b>Introduction</b>	<b>1</b>
HEALTH CARE IN THE HIPAA ERA	1
CONTINGENCY PLAN	1
<b>Overcoming barriers to EDI</b>	<b>3</b>
BARRIER 1: INTERNET CONNECTION	3
BARRIER 2: COST OF APPLICATIONS	3
BARRIER 3: NOT KNOWING HOW TO BEGIN	5
<b>Getting started</b>	<b>6</b>
CHOOSE YOUR MEDIUM	6
SIGN A TRADING PARTNER AGREEMENT	6
BEGIN PROGRAMMING AND TESTING	7
THIRD PARTY TESTING	7
BUSINESS-TO-BUSINESS TESTING	7
<b>In production</b>	<b>9</b>
SENDING CLAIMS ELECTRONICALLY FOR PAYMENT	9
REMITTANCE ADVICE	9
ELECTRONIC FUNDS TRANSFER	10
VERIFYING OHP CLIENT ELIGIBILITY	10
NATIONAL PROVIDER IDENTIFIER (NPI)	11
WHERE DO I GET AN NPI?	11

WHEN DO I NEED TO HAVE MY NPI?	11
DOES DMAP WANT MY NPI?	12
CAN I SEND MY NPI IN MY 837 CLAIMS? <b>ERROR! BOOKMARK NOT</b>	<b>DEFINED.</b>
TAXONOMY CODES	12
<b>Finding technical assistance</b>	<b>13</b>
<b>DHS HIPAA WEB PAGES</b>	<b>14</b>
<b>GLOSSARY</b>	<b>15</b>
<b>GUIDELINES TO SELECTING TRANSACTIONS BY PROVIDER</b>	<b>16</b>
<b>TYPE</b>	

# Introduction

## Health care in the HIPAA era

When Congress passed the Health Insurance Portability and Accountability Act (HIPAA) in 1996, it changed the way the health care industry does business in the United States.

HIPAA Title I protects health insurance coverage for workers and their families when they change or lose their jobs.

Title II covers HIPAA administrative simplification. These provisions require the [U.S. Department of Health and Human Services \(DHHS\)](#)<sup>1</sup> to establish national standards for electronic health care transactions and national identifiers for providers, health plans, and employers. It also addresses the security and privacy of health data.

Adopting these standards will improve the efficiency and effectiveness of the nation's health care system by encouraging the widespread use of electronic data interchange (EDI).

## Contingency plan

The Oregon Department of Human Services (DHS) started converting the Division of Medical Assistance Programs (DMAP) business practices into the new, HIPAA-compliant, electronic formats when HIPAA was first implemented. When Oregon could not comply with the original federal deadline for complete compliance in 2003, we signed a Contingency Plan with the DHHS Centers for Medicare and Medicaid Services (CMS) stating that Oregon DHS would be fully compliant by December 2005. Failure to switch from former electronic

*DHS was HIPAA-compliant by December 2005.*

---

<sup>1</sup> If you're reading this electronically, click on blue text to follow the links. URLs referenced throughout this document are spelled out in the [Assistance](#) section at the end.

formats to the new secure formats would have resulted in enormous consequences for DHS. The state would have to pay back 90 percent of the start-up money that CMS seeded us in 2003. But we made it!

To achieve a working, compliant, electronic data interchange system on time, DHS encouraged our providers who formerly billed us electronically to also convert to HIPAA-compliant formats. DHS discontinued business practices that included the former electronic formats, (*e.g.*, the Host on Demand, Bulletin Board, or “O” screens).

DHS is grateful to those providers who helped us test and implement the new systems. Those pioneers currently bill and receive EDI payments successfully. Now DMAP invites all its enrolled health care providers to join the growing number of providers billing via the new electronic means.

# Overcoming barriers to EDI

## Barrier 1: Internet connection

Most of DMAP's communications and provider tools are posted to the DHS Web site. EDI transactions also require Internet access.

For several Oregon Health Plan (OHP) providers, Internet access is a barrier to conducting electronic business with DMAP. Some frontier counties didn't have Internet access as soon as the rest of the state. Several small medical offices don't think they can afford Internet access.

For other providers, the Internet has proved to be too big a temptation for a few employees. A handful of providers have reported denying access to specific staff members because of inappropriate use of the Internet. Other offices have policies limiting Internet access during work hours.

In order to stay current, some providers subscribe to Internet service at home and bring OHP news or resources to work. Others depend on sister providers or other community partners to keep them in the loop.

Most facilities are catching the wave of the future and using Web-based tools to conduct business and adjusting their practices accordingly. Private insurance companies have moved to HIPAA-approved electronic billing methods. Medicare is already requiring use of electronic data interchange (EDI) for processing their claims. Just as e-mail is replacing so many other types of business communications, EDI will eventually replace most paper transactions.

## Barrier 2: Cost of applications

Admittedly, there is a start-up cost associated with either purchasing software or using billing services or clearinghouses. Some small medical/dental offices don't feel they can ever afford to invest in the computerized systems necessary.

Consider, however, the cost of billing on paper. Let's assume you've been billing DMAP with paper claims such as the CMS 1500, UB-04 or ADA 2006

*Why should I submit medical claims electronically?*

*It's faster, more accurate and cost effective than paper billing. It's the way of the future and the future is here!*

forms. Do you know that it takes five times longer to process a paper claim than one submitted electronically? By the time someone fills out the form, prints and mails it, your office has invested an estimated \$4.60 for each claim. According to the New England Journal of Medicine, 43.7 percent of a physician's professional gross income is paid out for billing expenses and overhead costs. After a paper claim leaves your office, it may take several days to reach the correct unit within the department. The DHS Office of Document Management receives an average of over 16,000 claims a week. Staff members pre-screen paper forms to be sure some basic information is entered in mandatory fields. If data is missing or incorrectly listed, they will return the

form rather than entering the mistakes and omissions into the system to be denied.

Paper claims that pass the pre-screening process are receipted, batched, scanned and many are manually keyed into the DHS Medicaid Management Information System (MMIS), allowing more potential for errors. Payment can be delayed for weeks if you send DHS a claim form containing missing or incorrect information. What you put on the form is what our data entry staff enters into our payment system. If claims are returned or denied because of human or system errors, the delays can cause serious cash flow problems, especially for small offices.

By contrast, as you enter data electronically, the software will prompt you when data is missing or entered in the wrong field. You can make corrections immediately and have instant notification that DMAP has accepted your claim. Thus, you have a better chance of getting a timely response. The department adjudicates most EDI claims within a week.

Over time, the cost savings in having a faster, more accurate claims payment system may outweigh the initial investment.



### Barrier 3: Not knowing how to begin

Now let's assume you want to join the march into the future and you want to convert to electronic data interchange (EDI) formats. Many OHP providers agree that electronic billing is the way to go, but haven't a clue where to begin.

It's not a matter of filling out a CMS 1500 on your computer and e-mailing it to us. The security/privacy rules HIPAA put in place require coding the message before it's transmitted. The string of letters and figures looks like nonsense to the naked eye and must be decoded again at the other end.

Basically you have three options to do this: buy your own software; contract with a billing service or use a clearinghouse to do the coding (or translating) for you.

DMAP invited several dozen vendors to display their wares at an EDI Vendor Fair in July 2005. If you missed that opportunity, you may still check out which vendors participated by looking at the [DHS HIPAA Web pages](#). Several Web resources are listed in the [Assistance](#) section of this document. There is also a list of questions to ask the vendors online.

**Note:** DMAP cannot endorse or recommend one company over another. You need to do your own market research before entering into any financial obligation.

*I thought I was already communicating with DMAP electronically. Can I continue to use my present vendor?*

*Check with your vendor to see what accommodations you need to make for compliance with HIPAA regulations.*

# Getting started

## Choose your medium

You have a choice of how you will send and receive electronic data. Because HIPAA requires secure transmissions to protect personal medical information, we can no longer use e-mail or old formats such as DMAP's Host on Demand, Bulletin Board or the "O" screens to exchange patient information. HIPAA calls for new ways of encrypting information, then translating it back into meaningful data at your end.

In order to participate in electronic exchanges with DMAP, either you need to:

- Contract with a clearinghouse that can translate your data into proper EDI format, or
- Hire a billing service that can appropriately process EDI transmissions for you, or
- Invest in HIPAA-compliant interface software installed on your computer(s) with Internet access.

## Sign a trading partner agreement

The second step is to sign a trading partner agreement (TPA) with DHS prior to testing your chosen system. The TPA is a contract designed to identify the two relationships DHS must understand: (1) who the provider or trading partner is and (2) who will be submitting and receiving the compliant transactions to DHS for payment or adjudication. Your office staff may want to make the eligibility or claim status inquiries, while your billing service handles the actual claims. That information all needs to be reflected on your TPA.

You may download a copy of the TPA and its accompanying exhibits, called an [EDI registration packet](#), online. See the list of [Web addresses](#) at

the end of this document. The department also answers some common questions about TPAs on its [Web site](#).

## Begin programming and testing

Depending on which medium you choose, you will either have to install software or learn to work with your new vendor or service provider. In any event, you will enter a training phase in your new means of billing. Admittedly, there's a whole new vocabulary (see the [Glossary](#)) to learn as well.

*We're used to all the former terms and codes. How do we know what to call things now?*

*We have created several crosswalks and a glossary to help you convert. See the [Assistance](#) section on page 14.*

### Third party testing

When you've completed the registration process, the DMAP EDI Testing Team will invite you to begin sending test transactions between your business and a practice Internet site. This is called third-party testing. Trading Partners, vendors, and submitters verify that their transactions meet HIPAA and DMAP implementation requirements during this phase.

Whoever submits your test claims will practice by sending previously adjudicated claims. Test data must be no more than 365 days from the original date of service and must include 25 claims per data file tested. (If you don't have that many claims, talk to the DHS EDI Support team.)

DMAP will examine the data files you submitted to verify they meet DHS requirements. The team will then invite the provider via e-mail to begin business-to-business testing and provide you with specific instructions.

### Business-to-business testing

Business-to-business (B2B) testing is just that — your data system exchanging electronic data with our data system to complete a business transaction. DMAP uses compliance applications during this phase to validate structure and baseline compliance. As with the third party testing, test files are sent for testing. DMAP will run the file through various edits. If it does not pass error free, the subsequent error information will be

forwarded via e-mail to the submitter for correction and resubmission. If the file passes the structural and data requirements, DMAP will process the file in our test environment and generate an error report that is forwarded to the submitter.

If the file has an error rate of less than ten percent, the provider/submitter would be approved to move to a “production status.” That means the provider can start submitting claims to DMAP electronically.

If the file has an error rate greater than ten percent, the provider/submitter needs to review the error report, modify their system and resubmit test claims/transactions until the error rate is 10 percent or less.

# In production

## Sending claims electronically for payment

Once the provider achieves a production status in the B2B testing phase, DMAP will send an invitation to begin sending claims for EDI processing. You will no longer be using “forms” now; instead, you’ll be sending and receiving electronic “transactions.” The equivalent [form/transaction chart](#) follows the glossary.

DMAP is exchanging the following transactions electronically with OHP providers:

- 837 professional, institutional, and dental claims
- 835 remittance advice
- 270/271 eligibility inquiry/response (one at a time instantly or in batches within 24 hours)
- 276/277 claim status inquiry/response (one at a time instantly or in batches within 24 hours)
- Coordination of benefits, or crossover claims
- Electronic funds transfers

## Remittance advice

The electronic remittance advice (RA) is called an 835 transaction. You’ll notice that the CMS remittance advice reason codes are different than DMAP’s paper RA codes. You can obtain a list of CMS codes on the [Washington Publishing Web site](#).

If you submit claims solely on paper, you will continue to receive paper RAs from us. For now, new electronic submitters will receive both an electronic 835 and a paper RA so providers can get used to the new system. In the near future, however, DMAP will stop sending paper RAs to

electronic submitters. So it's to your advantage to start using EDI soon in order to take advantage of the dual RA system.

You can designate in your Trading Partner Agreement who will receive the RAs — you or your billing provider or a clearinghouse.

### Electronic funds transfer

Once you've been successfully submitting bills and receiving payments via the electronic interchange for a while, DMAP will offer you another convenience. Many of our providers take advantage of the direct deposit option called electronic funds transfer (EFT), which transmits payments right into the business bank account you designate. The application form for EFT is also available on the [DMAP Web site](#) under the EFT heading. Please submit to DMAP the completed form along with a cancelled check and an original, authorized signature (*i.e.*, no signature stamps or faxed copies).

### Verifying OHP client eligibility

There are multiple ways to check client eligibility for Oregon Health Plan (Medicaid) services:

- Look at the dates of coverage on the client's DMAP Medical Care Identification or temporary ID.
- Call the free Automated Information System (AIS)<sup>1</sup> on your touch-tone phone or use the Web-based (Internet)<sup>2</sup> version.
- Invest in Electronic Eligibility Verification Services (EEVS)<sup>3</sup> from an DMAP-contracted vendor.
- Call the client's DHS branch office.<sup>4</sup>
- Send a 270<sup>5</sup> eligibility query transaction electronically.

- <sup>1</sup> AIS phone access is 1-800-522-2508.
- <sup>2</sup> AIS Web-based registration is online at <https://register.fhsc.com/webreg/> .
- <sup>3</sup> Vendors listed at [www.oregon.gov/DHS/healthplan/tools\\_prov/electrconverify.shtml](http://www.oregon.gov/DHS/healthplan/tools_prov/electrconverify.shtml).
- <sup>4</sup> The worker's code and telephone number are fields 5-6 on the DMAP Medical Care ID.
- <sup>5</sup> See the EDI glossary in [Assistance](#) section below.

## National provider identifier (NPI)

The administrative simplification provisions of HIPAA mandated the adoption of standard unique identifiers for all health care providers. The purposes of these provisions are to improve the efficiency and effectiveness of the electronic transmission of health information. The NPI numbers are ten digits in length and have no embedded intelligence. They were created to replace all unique numbers that have been assigned by payers, such as DMAP's six-digit provider number, for covered entities.

### Where do I get an NPI?

The Centers for Medicare and Medicaid Services (CMS) established the National Plan and Provider Enumeration System (NPPES) to assign these unique identifiers. You may apply online by logging onto the [CMS Web](#) site or print out the application you find there and mail it in. Please follow the directions on their Web site to complete the application.

### When do I need to have my NPI?

You will need to check with each of the payers you bill, for their specific implementation dates. DMAP began requiring use of NPIs on the CMS deadline of May 23, 2007. We have a contingency plan in place for providers experiencing hardships complying, but that will end December 31, 2007. If you are a small health care provider, you might be subject to a

later deadline of May 23, 2008. Please refer to the rules within the [Federal Register](#) to determine your specific status.

### Does DMAP want my NPI?

Yes, DMAP is collecting NPIs. We have a crosswalk between providers' DMAP unique number and their NPIs so we can ensure accurate payments. Once you receive a federal NPI, let us know what it is. Please include your DMAP provider number, NPI and the taxonomy code(s) you selected.

DMAP began requiring use of NPIs May 23, 2007.

We have a registration form, [DMAP 1038](#), online that you can complete and send to us. If you submit a claim using your NPI before you register it with us, the claim may be denied.

### Taxonomy codes

When you apply for an NPI, CMS will require you to choose a taxonomy code or codes. The taxonomy codes divide health care providers into groupings by type, classification, and specialization, and then assign a code to each group. The taxonomy codes consist of two categories: individuals (*e.g.*, physicians) and non-individuals (*e.g.*, ambulatory health care facilities).

All codes are alphanumeric and ten characters in length. These codes are not "assigned" to health care providers; rather, physicians and other providers select the taxonomy code(s) that most closely represents their education, license, or certification. In cases when more than one taxonomy code applies, a payer may prefer that the health care provider use one rather than another when submitting claims for certain services.



## Finding technical assistance

We realize you'll have questions. The department has staff ready to advise you at every step of the way. We want you to succeed!

The **EDI Support Team** oversees the outreach and electronic biller registration processes as well as providing ongoing support. They help you

### **DMAP Contacts**

**EDI Support, 888-690-9888**

**or e-mail us at**

**[DHS.EDIsupport@state.or.us](mailto:DHS.EDIsupport@state.or.us)**

**Provider Services, 800-336-6016**

**for policy clarification or paper claims help**

**[DMAP.providerservices@state.or.us](mailto:DMAP.providerservices@state.or.us)**

complete your Trading Partner Agreements and check your documentation. They also conduct third-party testing and register your NPIs and crosswalk them to unique DMAP provider numbers. Team members are ready to answer all your electronic

transaction questions.

**Provider Services** staff can help answer questions about general DMAP policy and procedures, such as what we pay for or what requires prior authorization. They can help you troubleshoot problem claims.

EDI Web pages

CMS HIPAA info	<a href="http://www.cms.hhs.gov/HIPAAGenInfo/07_OtherHIPAAResources.asp">http://www.cms.hhs.gov/HIPAAGenInfo/07_OtherHIPAAResources.asp</a>
DMAP Intro to EDI	<a href="http://www.oregon.gov/DHS/admin/hipaa/edi.shtml">http://www.oregon.gov/DHS/admin/hipaa/edi.shtml</a>
DMAP Companion Guides & Manuals	<a href="http://www.oregon.gov/DHS/admin/hipaa/guides_man.shtml">http://www.oregon.gov/DHS/admin/hipaa/guides_man.shtml</a> (includes crosswalks & individual transaction requirements)
DMAP EDI Trading Partner Agreement Packet	<a href="http://www.oregon.gov/DHS/admin/hipaa/testing_reg.shtml">http://www.oregon.gov/DHS/admin/hipaa/testing_reg.shtml</a> (contract with DMAP to conduct electronic business)
Links for resources & links outside DHS	<a href="http://www.oregon.gov/DHS/admin/hipaa/links.shtml">http://www.oregon.gov/DHS/admin/hipaa/links.shtml</a>
DMAP HIPAA Reports, Publications & Monthly Updates	<a href="http://www.oregon.gov/DHS/admin/hipaa/publications.shtml">http://www.oregon.gov/DHS/admin/hipaa/publications.shtml</a>
Washington Publishing	<a href="http://www.wpc-edi.com/hipaa/HIPAA_40.asp">http://www.wpc-edi.com/hipaa/HIPAA_40.asp</a> (implementation guides & HIPAA code lists)
Clearinghouses	<a href="http://www.oregon.gov/DHS/admin/hipaa/clearinghouses.pdf">http://www.oregon.gov/DHS/admin/hipaa/clearinghouses.pdf</a>
EDI vendors	<a href="http://www.oregon.gov/DHS/admin/hipaa/links.shtml#orglinks">http://www.oregon.gov/DHS/admin/hipaa/links.shtml#orglinks</a>
CMS NPI registration site	<a href="https://nppes.cms.hhs.gov/NPPES/Welcome.do">https://nppes.cms.hhs.gov/NPPES/Welcome.do</a> .
Register NPI with DMAP	<a href="http://dhsforms.hr.state.or.us/Forms/Served/OE1038.pdf">http://dhsforms.hr.state.or.us/Forms/Served/OE1038.pdf</a>
DMAP Electronic Funds Transfer (EFT) registration	<a href="http://oregon.gov/DHS/admin/hipaa/edi.shtml#eft">http://oregon.gov/DHS/admin/hipaa/edi.shtml#eft</a>
Federal Register	<a href="http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2004/pdf/04-1149.pdf">http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2004/pdf/04-1149.pdf</a>

Glossary

**GLOSSARY OF ELECTRONIC BUSINESS TERMS**

Electronic data interchange (EDI)	The exchange of business documents from application to application and among trading partners in a standardized format
EDI Submitter	The trading partner that establishes an electronic connection with DHS to submit/receive an electronic data transaction on behalf of a trading partner
Electronic funds transfer (EFT)	Direct deposit of payment into a provider's bank account
Health Insurance Portability and Accountability Act (HIPAA)	Federal legislation governing healthcare electronic billing submissions and responses that went into effect 10/16/2003
National Provider Identifier (NPI)	A single, national identifier assigned by CMS to all health care providers.
Trading partner	Provider, clinic, prepaid health plan or allied agency conducting electronic business (with DMAP)
Trading partner agreement (TPA)	Binding agreement between Oregon Department of Human Services (DHS) and any trading partner
Registered transaction	HIPAA-compliant electronic exchanges replacing forms, verifications, claim queries and responses, etc.

**Get started at**  
[http://www.oregon.gov/DHS/admin/hipaa/testing\\_reg.shtml](http://www.oregon.gov/DHS/admin/hipaa/testing_reg.shtml)

Form name	Electronic transaction equivalent	Description
CMS 1500	837 P (professional)	Medicaid health care billing
DMAP 505	837 P (professional)	Crossover or COB claims
UB-04	837 I (Institutional)	Hospitals, etc. claim
ADA 2006	837 D (Dental)	Dental claim
Remittance advice (RA)	835	Explanation of how a claim was processed

**Questions?**  
 Call DMAP EDI Support at 888-690-9888 or  
 e-mail [DHS.EDIsupport@state.or.us](mailto:DHS.EDIsupport@state.or.us)

### Guidelines to selecting transactions by provider type

DHS provides this table to help each provider choose the appropriate transactions for your provider type. If you have any questions, please contact the EDI Support team.

√ = MUST be selected    O = Optional section    X = strongly encouraged

Provider type	270	271	276	277	820	834	835	837P	837 I	837 D	NCPDP
AA	X	X	X	X			X	√			
AM	X	X	X	X			X	√			
AS	X	X	X	X			X	√			
BC	X	X	X	X			X	√			
BP	X	X	X	X			X	√			
CP (DCO)	X	X	X	X	√	√	√			√	
CP (CDO)	X	X	X	X	√	√	√	√			
CP (MHO)	X	X	X	X	√	√	√	√	O		
CR	X	X	X	X			X	√			
DC	X	X	X	X			X	√			
DM	X	X	X	X			X			√	
DO	X	X	X	X			X	√			
DS	X	X	X	X			X	√			
DT	X	X	X	X			X	√			
FC	X	X	X	X			X	√			
HE	X	X	X	X			X	√			
HI (FCHP)	X	X	X	X	√	√	√	√	√		√
HI (PCO)	X	X	X	X	√	√	√	√	√		√
HO	X	X	X	X			X		√		
HP	X	X	X	X			X	√			
IH	X	X	X	X			X	√			
KD	X	X	X	X			X	√			
MD	X	X	X	X			X	√			
MM	X	X	X	X			X	√			
NA	X	X	X	X			X	√			
ND	X	X	X	X			X	√			
NM	X	X	X	X			X	√			
NP	X	X	X	X			X	√			
OD	X	X	X	X			X	√			
OP	X	X	X	X			X	√			

Provider type	270	271	276	277	820	834	835	837P	837 I	837 D	NCP DP
OT	X	X	X	X			X	√			
PB	X	X	X	X			X	√			
PH	X	X	X	X			X	√			
PX	X	X	X	X			X	√			
PY	X	X	X	X			X	√			
RA	X	X	X	X			X	√			
RN	X	X	X	X			X	√			
RT	X	X	X	X			X	√			
SH	X	X	X	X			X	√			
SM	X	X	X	X			X	√			
ST	X	X	X	X			X	√			
TC	X	X	X	X			X	√			
WC	X	X	X	X			X	√			

There are several other provider types that submit claims to DHS for payment, but DHS is not ready to support their claims in the 837 transaction format. This situation does not prevent these providers from requesting the 270/271 (eligibility verifications) and/or the 276/277 (claim status) transactions:

Provider type	Provider type description
EC	Extended Care Facility
GH	Group Care Home
HA	Home for the Aged-ICF
LF	Assisted Living Facility
MS	ICF/MR
NF	Nursing Facility
SL	Specialized Living Facility