

September 26, 2001

The Honorable William Thomas  
Chairman, House Ways and Means Committee  
2208 Rayburn House Office Building  
Washington DC 20515

Dear Chairman Thomas:

We appreciate that Congress is appropriately focused on the aftermath of the September 11 tragedy. We offer this letter for your consideration at the appropriate time.

The undersigned organizations, representing a broad spectrum of the nation's hospital community, are concerned about any legislation to delay the administrative simplification requirements under section 1176 of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The legislation, S. 836 and H.R. 1975, specifically would delay the electronic transactions standards and related requirements, other than medical privacy, until 24 months after all required regulations had been issued in final form by the Department of Health and Human Services (HHS). Since, to date, only the electronic transactions standards and medical privacy regulations have been issued in final form, the delay imposed under S. 836 and H.R. 1975 effectively would be open-ended.

Any legislative delay of the electronic transactions standards would unfairly penalize hospitals and health systems that have made the significant commitment of financial and staff resources necessary to meet the current October 2002 compliance deadline for those requirements. In enacting HIPAA, Congress deliberately sought predictability and ways to reduce the costs

and burden of meeting the widely different health care claims form and content requirements of many different payers. According to HHS, there are some 400 different formats for electronic claims processing. HIPAA's electronic transactions standards are intended to standardize these formats and thus significantly reduce hospitals' administrative burden over time.

Because of their potential for long-term efficiencies and cost savings, Congress should not delay the electronic transactions standards beyond the October 2002 compliance date.

Specifically:

Such a delay would not appear even to be necessary for health plans; the HIPAA statute itself provides that small health plans (as defined by the Secretary) have an additional year (until October 2003) to be in compliance with the electronic transaction standards.

To the extent that some hospitals need additional time to comply, whether because of financial or practical difficulties, HHS can and should use its enforcement discretion to effectively grant delays tailored to the circumstances of individual or similarly situated hospitals.

This is similar to the approach recommended by one of the Secretary's HIPAA advisory bodies-the National Committee on Vital and Health Statistics (NCVHS)-in its June 29, 2001 letter to the Secretary.

... [citation omitted]

We recognize the concern that financial pressures, or practical difficulties in making necessary modifications to their information systems, could impede some hospitals' ability to fund or otherwise attain full compliance with the electronic transactions standards by October 2002. However, those concerns are best addressed by HHS through a carefully considered policy

to grant hospitals tailored compliance flexibility with the electronic transactions standards.

The nation's hospital community strongly urges that HHS and Congress work together to develop an administrative policy that provides appropriate incentives for the entire health care field to expedite implementation of the electronic transactions standards, and that allows flexibility for those hospitals that might need some additional time to achieve full compliance by the October 2002 deadlines.

If you have any questions about this letter, please contact Melinda Hatton, Vice President and Chief Washington Counsel for the American Hospital Association at (202) 626-2336.

Sincerely,

American Hospital Association  
Association of American Medical Colleges  
Cleveland Clinic Foundation  
Federation of American Hospitals  
Premier, Inc.  
VHA Inc.

Senate Finance Committee  
Senate Health, Education, Labor and Pensions Committee  
House Ways and Means Committee  
House Energy and Commerce Committee  
Tommy Thompson, Secretary, Department of Health and Human Services