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The Honorable Tommy Thompson
Secretary of Health and Human Services
440D Hubert Humphrey Building
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Thompson,

On behalf of the WEDI Board of Directors, we request a meeting with you in March to discuss industry readiness relating to Administrative Simplification and our recommendations regarding implementation of the HIPAA regulations. The Workgroup for Electronic Data Interchange (WEDI) is the health care industry representative designated in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) as an advisor to the Secretary of Health and Human Services on Administrative Simplification provisions.

WEDI began in November 1991 when then HHS Secretary Louis Sullivan convened a forum of national healthcare leaders to discuss the challenges of reducing administrative costs in the U.S. healthcare system. WEDI prepared reports in 1992 and 1993 establishing aggressive goals to simplify healthcare administrative processes and reduce the related costs.

Since enactment of HIPAA in August of 1996, WEDI has formed a collaborative relationship between government and the private sector to foster the achievement of Administrative Simplification. This relationship is important because HIPAA applies to all health plans and other Covered Entities, not just the government programs. WEDI meets periodically with the Department to discuss key issues with the Deputy Secretary. HHS staff has been actively participating in WEDI education and consensus based industry forums. Their continued participation is very helpful in meeting our common objectives.

In April 2000, WEDI established the Strategic National Implementation Process (SNIP) to coordinate and facilitate Administrative Simplification implementation. More than 2,000 individuals are participating in this program. Over 30 state and local SNIP organizations are working collaboratively to facilitate implementation of HIPAA Administrative Simplification provisions.

To assess the healthcare industry's preparedness for achieving successful Administrative Simplification implementation, WEDI convened public hearings on February 19-20, 2001. Fifty-seven organizations, including health plans (Medicare, Medicaid, and others), clearinghouses, providers, vendors, and WEDI SNIP representatives, presented testimony.

WEDI has analyzed this testimony, and we believe our findings, conclusions and recommendations are critical to the successful implementation of Administrative Simplification. WEDI requests a meeting with you in March, to present its recommendations.

As you reminded the HHS staff in January, "We must sail sometimes with the wind and sometimes against it. But we must sail, and not drift, nor lie at anchor." Jim Schuping, WEDI Executive Vice President, will follow up with you to schedule this timely discussion at your earliest convenience. WEDI knows that you share its commitment to Administrative Simplification.

Cordially,

Steven S. Lazarus, Ph.D., FHIMSS
Chair, Board of Directors

WEDI Recommendations

Based on the testimony presented at the WEDI HIPAA Success Hearings and the WEDI SNIP activities, WEDI recommends the following:

1. The health care industry must maintain an aggressive and realistic schedule toward Administrative Simplification implementation. To facilitate this schedule occurring, HHS should;
2. Assure Administrative Simplification success by committing staff resources adequate to meet the goal of item 4 below. In addition, we ask for continued HHS staff participation in WEDI Administrative Simplification implementation forums and sufficient resources to release new NPRM's and final rules in a timely fashion.
3. Designate WEDI as the forum to facilitate overall healthcare industry participation and cooperation with resolving key issues that have been identified regarding implementation.
4. Publish the Security, National Provider Identifier (NPI), and Employer Identifier Final Rules by April 30, 2001, with effective dates as discussed below.
5. Synchronize the implementation and enforcement timeframes for Privacy and Security.
 - Resolve key Privacy issues as identified by WEDI (through its Privacy Policy Advisory Group (PAG) that met on February 26-27, 2001) and others in the industry through the thirty-day comment period ending March 30, 2001.
 - Set the same enforcement dates for both the Privacy and Security regulations, based on the timing of resolution of the key issues. The two-year timeframe from the time that the key issues are resolved is reasonable, assuming that there are no surprises in the final Security regulation.
6. Synchronize the implementation and enforcement timeframes for Transactions and Code Sets, NPI and Employer Identifier.

Based on the modifications to the Transactions regulation that HHS will be considering in 2001 and publishing in the *Federal Register* later this year, HHS should establish a revised implementation schedule. This schedule would include recommended milestones for health plan readiness. Overall, WEDI recommends the following:

- Health plans shall be ready to exchange the standard transactions with any requesting trading partner beginning October 16, 2002. Health plans and their trading partners then would be permitted one year to complete the implementation of the transactions and code sets.
 - Enforcement should include no significant financial penalty for health plans, providers, or clearinghouses demonstrating a good faith effort to complete full implementation of transaction standards by October 16, 2003.
7. Continue to support industry education and awareness efforts.

The 1993 WEDI Report recommended a two-year implementation schedule. WEDI is modifying that recommendation in part because the original report assumed:

- All of the initial regulations would be issued as a package at the same time, and
- There would be adequate government and private sector resources to respond to the NPRM comments in a timely manner so that momentum would build from NPRM to final regulations to implementation without excessive delays.

We have made significant progress since 1996, but the scheduled dates have been missed. All of those testifying supported Administrative Simplification, but significant segments of the industry have not yet begun preparations for Administrative Simplification implementation. Some are waiting for release of all final regulations, others are stalled on key unresolved issues, and many are questioning HHS's commitment to Administrative Simplification.

Now is the time to reaffirm Secretary Louis Sullivan's original goal of Administrative Simplification and reinvigorate Administrative Simplification implementation by quickly resolving the key issues, putting adequate infrastructure in force to assure success, and establishing an achievable schedule that can be met by the industry.

WEDI Board of Directors
February 28, 2001

NOTE: This communication represents the views of the majority of the WEDI Board of Directors. Individual representatives of the Board may not agree with some or all of these statements.

PROPOSED AGENDA

1. Introductions
2. Overview of WEDI and our Role
 - HIPAA
 - Health care e-commerce
3. The Industry State of HIPAA Readiness
4. Recommendations
 - Issue the final Security, NPI, and Employer Identifier Regulations by April 30, 2001
 - Packaging of Regulations
 - Timeframe
 - Key issues that require resolution for success
5. Discussion
6. Next Steps

