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COMPLIANCE ALERT 2014-02

Self-Funded Health Plans Must Obtain a Health Plan Identifier Number

To meet federal requirements large health plans must obtain a national health plan identifier number (HPID) by November 5, 2014. For this requirement, a large health plan is one with more than $5 million in annual receipts. The Department of Health and Human Services (HHS) has said that since health plans don't have receipts, insured plans should look at premiums for the prior plan year and self-funded plans should look at claims paid for the prior plan year. Small health plans have until November 5, 2015, to obtain an HPID.

Although this requirement applies to all health plans, as a practical matter the insurer will obtain the identifier number for fully insured plans. All self-funded plans will need to obtain the number, even if they use a third party administrator (TPA) to pay claims.

What is an HPID?

An HPID is an all-numeric, 10-digit identifier that will be used as the plan's unique identification number for all HIPAA-covered transactions.

Why must health plans obtain an HPID?

One of the goals of the Health Insurance Portability and Accountability Act (HIPAA) is to pay claims more efficiently. Efficient electronic processing requires standardization, and the HPID requirement is part of that standardization and automation effort. Plans will be required to use HPIDs in specified HIPAA standard transactions by November 7, 2016.

Which health plans must obtain an HPID?

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"Controlling Health Plans" (CHPs) are required to obtain an HPID. "Subhealth Plans" (SHPs) may obtain an HPID. A CHP is defined as a health plan that either:

- Controls its own business activities, actions, or policies; or
- Is not controlled by an entity that is not a health plan, and if it has one or more subhealth plans, exercises sufficient control over the subhealth plan to direct its business activities, actions, or policies.

An SHP is defined as a health plan whose business activities, actions, or policies are directed by a controlling health plan.

These definitions were written with insurance companies in mind, since they will be the ones obtaining and using most of the HPIDs. Applying them to self-funded plans can be a bit confusing. In general, for self-funded plans, the self-funded major medical plan will be the CHP. If the employer uses a master "wrap" plan document that includes several different benefits, the employer will need to decide whether it wishes to use a single CHP number for all of the health benefits included under the wrap plan, or if some of those benefits should be treated as SHPs. The employer may want to discuss options with its claims administrator(s). Health flexible spending arrangements (FSAs) typically will not need an HPID.

How does a self-funded plan obtain an HPID?

An employer will apply for its HIPD through the Centers for Medicare and Medicaid Services (CMS) website. Most employers will need to register and set up a health insurance oversight system (HIOS) account at https://portal.cms.gov/wps/portal/unauthportal/home/.

Once the account is in place, the employer can apply for the plan identification number(s). Detailed information on this process is available at: http://www.cms.gov/Regulations-and-Guidance/HIPAA-Administrative-Simplification/Affordable-Care-Act/Health-Plan-Identifier.html and at http://www.cms.gov/Regulations-and-Guidance/HIPAA-Administrative-Simplification/Affordable-Care-Act/Downloads/HPOESTrainingSlidesMarchSlideDeck.pdf. We will provide a step-by-step guide when the due date is closer.

How will the HPID be used?

HIPAA-covered entities (health plans, health care clearinghouses, and health care providers) that electronically transmit health information relating to a covered transaction will be required to use the plan's HPID beginning in November 2016. Covered transactions include the payment of health care claims, health care claim status, health plan eligibility, and the payment of health plan premiums.

If the covered entity does not engage in standard transactions (which is usually the case with self-funded plans), the covered entity must require that its business associates use an HPID whenever they are involved in a standard transaction on its behalf. This means that the self-funded plan must:

- Provide its HPID to its TPA/business associate, and
- Verify that the business associate is using an HPID or other acceptable identifier as required. Because TPAs are often not considered health plans, they will not obtain HPIDs. Instead they typically will obtain an "Other Entity Identifier" (OEID) which they will use in the same manner as an HPID. Health plans that act as their own TPA must obtain an HPID and use it when they engage in standard transactions.

What steps should self-funded plans take to comply with this

requirement?

The employer needs to determine which major medical plan is its CHP and if there are any other health plans that could or should be considered an SHP, or another CHP. If health benefits are administered through another entity, like a TPA, the employer may wish to consult with the claims administrator to determine whether the benefits administration process would benefit from having an SHP. After the organization has determined how many HPIDs are needed, it will need to identify which parties will be designated in and responsible for completing the applications.

Once the HPID(s) are received, the employer needs to provide them to its claims administrator, and any other TPA that provides help with covered transactions. Employers also should review their business associate agreements to ensure that the business associate is required to include HPIDs in any covered transaction.

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