



HIPAA Electronic Standards Fact Sheet

Defense Health Agency (DHA) Information Management (IM) Division

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Electronic Funds Transfers (EFTs) and Remittance Advice (RA) Transaction

Background:

On 10 January 2012, the Department of Health and Human Services (HHS) published an Interim Final Rule with Comment Period (IFC) entitled: Administrative Simplification: Adoption of Standards for Health Care Electronic Funds Transfers (EFTs) and Remittance Advice (RA). In July 2012, CMS announced that after review of comments received during the 60-day public comment period, they would not change any of the policies established in the IFC, making it a final rule that became effective 1 January 2014. This rule was adopted under Section 1104(c)(2) of the Patient Protection and Affordable Care Act (ACA). These standards intended to streamline the format and data content of transmissions a health plan sends to its bank when it pays a claim electronically (through an electronic funds transfer) and issues an RA notice. Health care RA is a notice of payment sent to providers and may or may not accompany the payment the provider receives. TRICARE Managed Care Support Contractors (MCSCs), acting as a health plan/payer, are required to accommodate and be compliant with these transactions. If TRICARE Direct Care elects to use EFT's or electronic RA's in support of its Third Party Collections processes, then Direct Care would have to comply with these HIPAA adopted standards as well.

What standards were adopted?

The IFC adopted two standards: (1) a standard for the EFT in the format of the Corporate Credit or Debit Entry (CCD)+Addenda as contained in the National Automated Clearinghouse Association (NACHA) Operating Rules and Guidelines and (2) a standard for RA in the form of the Re-association Trace Number (TRN) Segment implementation specifications in the X12 835 Technical Report Type 3 (TR3) for data content. In the CCD+ file format, the EFT includes information about the transfer of funds such as the amount being paid, the name and identification of the payer and the payee, bank accounts of the payer and payee, routing numbers, and the date of the payment. The implementation specifications for this format were developed by NACHA and are located in their "Operating Rules and Guidelines." Operating Rules for the EFT and RA standards in regards to health care, as mandated in Section 1104 of the ACA, were developed by the Committee on Operating Rules for Information Exchange (CORE) in association with NACHA; the EFT and RA Operating Rules, known as CORE Phase III, also required a compliance date of 1 January 2014. Use of these two standards together provides for a trace number to be inputted into a standard format using standard data that connects the payment to the electronic RA.

Why were standards for EFT and RA needed?

The benefits of using EFT in other industries are well known, but adoption and use of EFT in the health care industry has been slow. EFT and RA standards:

1. Make it easier for providers to enroll in EFT and RA across different health plans by requiring a standard enrollment form.
2. Eliminate costly manual reconciliation of EFT and RA by requiring a trace number that links the two transactions.
3. Enable providers to receive a RA transaction via the Internet.

Who is impacted and how?

The IFC applies to Covered Entities, including Health Plans, Health Care Clearinghouses, and Health Care Providers (for Providers who engage in these types of electronic transactions). The health care EFT adopted standards apply to transactions that originate from health plans. Since some health care providers choose not to conduct transactions electronically, health plans only have to use the adopted health care EFT standards if a provider wants to receive health care claim payments via EFT through the Automated Clearing House (ACH), which is an electronic network for financial transactions in the United States. In addition, health plans, including TRICARE and its Managed Care Support Contractors, are ultimately responsible for ensuring compliance with the standards regardless of whether a health plan puts the data into the standard format itself or uses a financial institution to do so.