

Electronic Data Interchange (EDI) FAQ's

HIPAA is the single most significant Federal legislation affecting the health care industry since the creation of the Medicare and Medicaid programs in 1965. Title I of the Act improved the portability and continuity of health insurance coverage for millions of American workers and their families. Title II, Administrative Simplification, required the development of standards for the electronic exchange of medical, administrative and financial information. Administrative simplification also specified the privacy of personal health information and the establishment of security requirements to protect that information and the development of standard identifiers. HIPAA specified that entities covered by its provisions, except small health plans, be compliant by October 16, 2002. However, H.R. 3323 allowed for a one year extension. Additionally, Medicare and Ohio Medicaid implemented contingency plans which granted extensions. Ohio Medicaid's contingency plan concluded on June 30, 2004. At that time, trading partners were required to submit transactions via EDI.

Q: What is EDI?

A: EDI (electronic data interchange) is the direct, application-to-application transmission of business documents between business partners. EDI can significantly reduce the timeline required from initial claim submission to final payment by sending actionable information without the need for re-keying at any step along the way.

Q: Why use EDI?

A: By using EDI, your company can send business documents directly from your internal computer applications to your trading partner's computer system, without human intervention. EDI minimizes staff involvement and reduces the delays and errors that accompany the manual processing of business documents. By simplifying and streamlining business procedures, EDI can help your organization control costs, increase efficiency and improve customer service levels.

Q: How does EDI work?

A: EDI extracts information from your applications and transmits paperless, computer-readable business documents via telephone lines and other telecommunications devices. At the receiving end, the data can be fed directly into the trading partner's computer system where it can be automatically processed by the receiver's internal applications. All of this is accomplished in minutes.

Your company's computer system may already serve as a repository for the health care data needed to support the required EDI transactions. EDI extends the value of the investment you've made in business application software. Creating, sending, receiving and processing EDI business documents can be automated and integrated with your existing internal computer applications.

Q: What are the benefits of EDI?

- A:** The most general benefits of EDI are improved speed, economy and accuracy in handling business documents. More specifically, EDI offers:
- ✓ Convenient exchange of business documents during business or non-business hours
 - ✓ Reduced business transaction costs
 - ✓ Reduced information float
 - ✓ Improved customer service
 - ✓ Quick, accurate and automatic reconciliation of documents
 - ✓ More efficient data flow at both intra- and inter-company levels
 - ✓ More productive trading partner relationships

Q: What are the EDI standards?

- A:** An EDI standard establishes the guidelines for the series of uniform message formats used to create electronic, computer-readable versions of traditional paper documents. Many of the earliest standard message formats were first created and adopted by specific industries for the exchange of documents within that particular industry or by specific companies for the exchange of documents with their many suppliers. As EDI has evolved, the use of industry-specific or company-specific standards (also known as proprietary standards) has lessened in favor of public standards. HIPAA specifies the standards that covered entities must use.

Q: What computer hardware works best with EDI?

- A:** A wide range of mainframe, midrange or microcomputer (PC) systems can be used. Many companies find they are able to exchange EDI documents using their existing computer hardware. To determine which platform best serves your company's EDI needs, you should consider such things as: the volume of anticipated transactions, the kind of data expected and the number of EDI trading partners.

Q: What is EDI Management software?

- A:** EDI management software extracts outgoing data from and inserts incoming data into your internal computer applications. Translation software enables your computer to "speak the language of EDI." When coupled with the appropriate communications software, EDI translation software allows sending and receiving computers to communicate EDI transactions accurately and efficiently. The best EDI translation software accommodates many EDI standards and includes features and functions that help manage your company's overall EDI activity. Some companies choose to develop their own EDI translation software, but many find their needs are best met with an "off the shelf" software package.

Q: Where can I obtain EDI Management software?

- A:** There are several software companies that create EDI Management software. They may be found by searching on the internet.