



THE SECRETARY OF HEALTH AND HUMAN SERVICES
Washington, D.C. 20201

JAN 16 2003

Ms. Synthia Molina
Chief Executive Officer
Alternative Link
P.O. Box 30168
Albuquerque, NM 87190

Dear Ms. Molina:

Thank you for your letter requesting an exception from the use of HIPAA code sets to test a proposed modification to those standards. Specifically, you propose to test the use of the ABCcode set to describe the products and services delivered by Complementary and Alternative Medicine and nursing practitioners. Your application indicates that the current adopted standard code sets do not contain adequate or specific elements to describe a number of alternative therapies and procedures. Our understanding is that the ABCcode set would be used in conjunction with HCPCS codes. I am pleased to approve this request, subject to the conditions set out below. Yours was the first request we received for an exception under section 45 CFR 162.940, and this process is critical in order for the HIPAA standards to improve and evolve over time. Please note that the conditions set out several additional pieces of information that you will need to supply prior to commencing the pilot. In addition, we have enclosed some guidance for your use in establishing an evaluation methodology.

Conditions of Approval

1. This approval covers the use of the ABCcode set by HIPAA-covered entities (health care providers, health plans, and health care clearinghouses) to describe products and services in HIPAA transactions. Any use of the codes by noncovered entities or for purposes other than conducting HIPAA transactions is not governed by the HIPAA regulations.
2. The start date of the pilot will be determined by you after consultation with the pilot participants. You may begin at any time prior to October 16, 2003. The duration of the pilot will be 2 years from the start date. You must notify us of your proposed start date and of the actual start date within 30 days of that date.
3. Participants must include health care providers and at least one health plan, and electronic transactions must also be included.
4. You must identify all pilot participants within 60 days of the date of this letter. Please provide a complete list including name, address, and tax identification number. This information is needed in the event that a complaint is submitted against a participant related to the participation in the pilot project. You may not add participants after submitting the list.

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5. The pilot evaluation must be conducted in accordance with the criteria in 45 CFR 162.940. If the pilot participants include noncovered entities or the code set is used for other purposes than conducting HIPAA transactions, the evaluation must clearly differentiate the costs and benefits from those.

We look forward to seeing the results of this pilot. We encourage you to submit your evaluation methodology for our review prior to starting the pilot, and would be happy to meet with you to review it. You should submit the additional information requested to Jared Adair, Director, Office of HIPAA Standards at (410) 786-4160, and contact her if you have any further questions. I also will provide this response to Ms. Melinna Giannini.

Sincerely,

Tommy G. Thompson

Enclosure

Evaluating Results of the ABC Code Pilot

Below is a list of some of the specific criteria from section 162.940 with our recommendations for addressing them in the evaluation. The evaluation must separately quantify the costs and benefits of the use of ABC codes in HIPAA transactions between covered entities from any other costs and benefits.

162.940 (a) (1) (i) Improve the efficiency and effectiveness of the health care system by leading to cost reduction for, or improvements in benefits from, electronic health care transactions.

Your documentation states that because ABC codes are more precise their use reduces administrative burdens which in turn reduces costs, and that ABC codes allow stakeholders to manage access, quality, and cost of CAM and nursing care by using business processes identical to those used to manage conventional physician services. Please provide clarification from your testing on how costs would be reduced or benefits improved with 3 to 5 specific examples comparing ABC codes with other adopted standard codes.

162.940 (a) (1) (ii) Meet the needs of the health data standards user community, particularly health care providers, health plans, and health care clearinghouses.

Pilot participants should include providers, health plans, and if possible at least one clearinghouse. The evaluation should document the volume of transactions, and specifically the volume of electronic transactions conducted, which transactions were used, and any problems encountered.

162.940 (a) (1) (iv) Have low additional development and implementation costs relative to the benefits of using the standard.

The pilot participants should include covered entities that have not previously used the ABC codes, as well as entities that have already adopted them. The evaluation should study the implementation costs of these two groups separately.

162.94 (a) (1) (vi) Have timely development, testing, implementation, and updating procedures to achieve administrative simplification benefits faster.

Your documentation explains the development of a new term and corresponding code but does not provide details on the openness of ABC code maintenance. Please provide a description of how the update process worked throughout the pilot.

162.940 (a) (1) (vii) Be technologically independent of the computer platforms and transmission protocols used in electronic health transactions, unless they are explicitly part of the standard.

The evaluation should demonstrate that ABC codes can work on different computer platforms.

162.940 (a) (1) (viii) Be Precise, unambiguous and as simple as possible

Provide sample instructions that participants used to train coders, as well as data regarding the time needed to train coders on ABC use, error rates, etc..

162.940 (a) (1) (ix) Result in minimum data collection and paperwork burdens on users.

The CAM and Nursing Coding Manual includes a number of undefined codes. Please provide an explanation of how the undefined codes are tracked and from 1-3 sample reports of ABC code use during your testing that demonstrate reduction in data collection and paperwork burdens.