

# NCPDP HIPAA STANDARDS IMPLEMENTATION TIMELINES

## **VERSION 2.0**

*This paper offers guidance to the pharmacy industry in preparing for the implementation of versioning changes to the HIPAA-named standards and to newly-named NCPDP HIPAA standards.*

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# **NCPDP HIPAA Standards Implementation Timelines**

## **Version 2.0**

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The writers of this paper will review and possibly update their recommendations should any significant changes occur.

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## **1. PURPOSE**

Entities such as health care providers, health plans, health care clearinghouses as well as business associates such as pharmacy benefit managers (PBMs) and vendors that support all of these entities need adequate time to modify business processes, develop and test system and software changes for implementation of the NCPDP HIPAA-named standards.

The NCPDP SNIP Committee developed this White Paper as guidance to the pharmacy industry in preparing for the implementation of versioning changes to the HIPAA-named standards and to newly-named NCPDP HIPAA standards.

## **2. SCOPE**

The implementation timelines put forth in this document are based on the HIPAA 2009 Modifications to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) Electronic Transaction Standards Final Rule (<http://edocket.access.gpo.gov/2009/pdf/E9-740.pdf>) and recommendations of the SNIP committee.. The intent of the timeline is to provide early action and sufficient time for the industry to implement compliant processes in a timely manner. HHS stated in the final rule that there will be no contingency period. .

### **3. DEFINITIONS**

The definitions of various terms used within this document are provided to provide clarity and insure expectations are fully understood.

#### ***3.1 REGULATORY EFFECTIVE DATE***

The date the final rule becomes effective

#### ***3.2 WITHIN AN ENTITY***

##### **3.2.1 INTERNAL TESTING**

Certification of development and compliance of transactions within an entity. This is usually completed before “external testing with trading partners”, but may continue through this phase as problems are discovered and resolved.

##### **3.2.2 PARALLEL TESTING**

Submission of the same functionally equivalent transactions using the old version and new version within an entity. These transactions are both sent into a test environment that mimics the production environment with enhancements for the new version. This testing includes an equivalency comparison of the old and new version transactions.

#### ***3.3 WITH TRADING PARTNERS***

##### **3.3.1 TESTING WITH TRADING PARTNERS**

Formal or informal certification testing between HIPAA-covered entities, business associates, and vendors to validate compliant transactions.

###### ***3.3.1.1 INFORMAL TESTING***

The receiver provides a general testing environment against which senders may test transactions. This does not result in a formal approval from the receiver.

###### **3.3.1.1.1 Parallel Testing**

Submission of the same functionally equivalent transactions using the old version and new version with trading partners. These transactions are both sent into a test environment that mimics the production environment with enhancements for the new version. This testing includes an equivalency comparison of the old and new version transactions.

###### ***3.3.1.2 FORMAL CERTIFICATION TESTING***

The receiver provides documentation and a test plan that must be executed by the sender. This results in a formal approval from the receiver.

##### **3.3.2 TRANSITION TO FULL USE OF UPGRADED NCPDP TRANSACTIONS**

Entities transition from old to new version in production mode. If needed, they can fall back to the old version while they are addressing issues found on the new version. Both old and new transactions are processed in production mode.

##### **3.3.3 NCPDP RECOMMEND FULL USE OF UPGRADED TRANSACTIONS**

Date that the SNIP committee recommends that all entities be in compliance with the final rule thus giving time to work with non-compliant entities prior to the regulatory compliance date.

### **3.3.4 REGULATORY COMPLIANCE DATE**

The old version is no longer supported in production mode for HIPAA transactions.

## **4. TELECOMMUNICATION AND BATCH STANDARDS**

### **4.1 TIMELINE**

Each column shown below indicates the items that should occur within a given period. It was determined that an eighteen-month development period was needed. In order to facilitate testing and certification and to insure a high degree of interoperability across trading partners, NCPDP recommends that the HIPAA-named NCPDP standards (Telecommunication and Batch), as applicable to business cases, be implemented at the same time and that all functions (i.e. Compound Processing, Coupon Processing, etc.), as applicable to business cases, be implemented at the same time.

<b>Start Date</b>	<b>August 2008</b>	<b>January 2009</b>	<b>March 17, 2009</b>	<b>July 2010</b>	<b>January 2011</b>	<b>July 2011</b>	<b>January 1, 2012</b>
	Business Planning	Development	Regulatory Effective Date	Formal and Informal Testing	Transition To Full Use of Upgraded NCPDP Standards	NCPDP Recommended Full Use of Upgraded Transactions	Regulatory Compliance Date
<b>Length of Time</b>	5 Months	18 Months		6 months	6 months	6 months	

#### **4.1.1 BUSINESS PLANNING**

The business planning activities include such items as:

- Determine the Scope
- Define the Business Requirements
- Identify Budget Requirements including Resources
- Perform Risk Assessment

#### **4.1.2 DEVELOPMENT**

Examples of processes that should be completed within this time period are:

- Systems analysis
- Coding
- Internal testing (may include parallel testing)
- Infrastructure planning
  - Hardware
  - Software
  - Network

#### **4.1.3 REGULATORY EFFECTIVE DATE**

The date the final rule becomes effective.

#### **4.1.4 TESTING WITH TRADING PARTNERS (FORMAL AND INFORMAL)**

During this time frame, trading partners participate in testing designed to demonstrate the ability of their systems to comply with the requirements of the standard(s). No trading partner should require another trading partner to begin testing prior to the start of this period. Parallel testing may occur at this time. Upon completion of successful testing, if trading partners mutually agree, they may immediately move to the transition to full compliance period. No trading partner can require another trading partner to use the newly mandated version of a standard during this period for submission of production transactions.

#### **4.1.5 TRANSITION TO FULL USE OF UPGRADED NCPDP TRANSACTIONS**

NCPDP recommends that trading partners support both versions of the standards during this period for production transactions. No trading partner should force exclusive use of the newly mandated version during this period. Entities should implement the revised standards during this period in a timely manner to assure that they are prepared to meet the regulatory compliance date.

#### **4.1.6 NCPDP RECOMMENDED FULL USE OF UPGRADED TRANSACTIONS**

All entities should have completed testing and be transmitting the new mandated versions of existing HIPAA-named standards.

#### **4.1.7 REGULATORY COMPLIANCE DATE**

The date by which all processes above must be completed and the industry must transition to the newly mandated versions of existing HIPAA-named standards.

### **4.2 RECOMMENDATIONS**

#### **4.2.1 INDUSTRY**

- It is recommended that payer sheets be released by processors to providers, switches and other intermediaries as far in advance of the Informal Testing Period as possible.
- All entities move to the new versions of the standards during the Transition To Full Use of Upgraded NCPDP Transactions as shown in [4.1 Timeline](#).
- To ensure a smooth transition, processors should develop a series of implementation dates as milestones and communicate those dates to the providers who will be impacted. Processors should monitor progress. Processors and Providers should adhere to those communicated milestones.
- NCPDP recommends that the HIPAA-named NCPDP standards (Telecommunication and Batch), as applicable to business cases, be implemented at the same time and that all functions (i.e. Compound Processing, Coupon Processing, etc.), as applicable to business cases, be implemented at the same time.

#### **4.2.2 HHS FINAL RULE AND PREAMBLE**

- The final rule allows entities to begin use of the newly mandated versions of the standards starting on the effective date of the final rule March 17, 2009. . The final rule also precludes health plans from requiring an earlier compliance date than those adopted. Use of Versions 5010 and D.0 in advance of the mandatory compliance date is permissible, based upon mutual agreement by trading partners.
- The final rule dictates all covered entities conduct the newly mandated versions by January 1, 2011. This allows a transition period which transitions all entities to the regulatory compliance date without having the entire industry transition at exactly the same time.
- HHS adopted the recommendations for NCVHS compliance Level I and Level II testing requirements as described in the NCVHS letter of September 26, 2007, *Observation 2, Recommendation 2.1*.
- The billing of supplies from pharmacies will be permitted using the NCPDP Telecommunication Standard vD.0 or Batch Standard v1.2 or ASC X12 837P version 5010. Determination of which standard to be used will be determined by trading partner agreements.
- The billing of professional pharmacy services will be permitted using the NCPDP Telecommunication Standard vD.0 or Batch Standard v1.2 or ASC X12 837P version 5010. Determination of which standard to be used will be determined by trading partner agreements.

## 5. MEDICAID SUBROGATION STANDARD

### 5.1 TIMELINE

Each column shown below indicates the items that should occur within a given period. See below for an explanation of column headings and activities that should occur during that time.

Start Date	August 2008	August 2009	January 1, 2010	February 2011	July 2011	January 2012	January 2013
	Business Planning	Development and Testing	Regulatory Effective Date	Transition to Full Use of new NCPDP Standard	NCPDP Recommended Full use of new Standard	Regulatory Compliance Date (except for Small Health Plans)	Regulatory Compliance Date for Small Health Plans
Length of Time	12 Months	18 Months		5 months	6 months		

#### 5.1.1 BUSINESS PLANNING

The business planning activities include such items as:

- Determine the Scope
- Define the Business Requirements
- Identify Budget Requirements including Resources
- Perform Risk Assessment

#### 5.1.2 DEVELOPMENT AND TESTING

Examples of processes that should be completed within this time period are:

- Systems analysis
- Coding
- Internal testing (may include parallel testing)
- Infrastructure planning
  - Hardware
  - Software
  - Network
- During this time frame, trading partners participate in testing designed to demonstrate the ability of their systems to comply with the requirements of the standard(s). Certification could also occur during this period. Upon completion of successful testing, if trading partners mutually agree, they may immediately move to the transition to full compliance. No trading partner should require another trading partner to use the new standard during this period for submission of production transactions.

#### 5.1.3 REGULATORY EFFECTIVE DATE

The date the final rule becomes effective.

#### 5.1.4 TRANSITION TO FULL USE OF NEW NCPDP STANDARD

No trading partner can force exclusive use of the new standard during this period. Entities should implement the new standard during this period in a timely manner to assure that they are prepared to meet the regulatory compliance date.

#### 5.1.5 NCPDP RECOMMENDED FULL USE OF NEW STANDARD

Date by which NCPDP recommends that all entities be in production with the new Medicaid Subrogation Standard.

### **5.1.6 REGULATORY COMPLIANCE DATES**

The dates by which all processes above must be completed and the covered entities have transitioned to the newly mandated HIPAA-named standard.

### **5.1.7 INDUSTRY**

- Medicaid Subrogation should be implemented into production at the same time as the Telecommunication vD.Ø.
- To ensure a smooth transition, a series of interim implementation steps and dates should be developed as milestones and communicated to the entities that will be impacted. Processors should monitor progress. It is recommended that Processors and Providers should adhere to those communicated milestones.
- It is recommended that processors release companion guides to Medicaid State Agencies, Payers, and Vendors as far in advance of the Informal Testing Period as possible.
- All entities move to the new standard during the Transition to Full Use of New NCPDP Standard as shown in 5.1. This allows a smooth transition which gets all entities to the compliance date without their having to transition at exactly the same time. It is noted that Small Health plans have an additional year to comply with the regulation but it is recommended that they follow the same timeline as shown in 5.1.
- NCPDP recommends that this transaction should not be required prior to February 2011 except by mutual trading partner agreement.

### **5.1.8 HHS FINAL RULE AND PREAMBLE**

- The final rule preamble notes that moving to the new standard ahead of the **compliance dates of January 1, 2012 and January 1, 2013 for small health plans** is based on trading partner agreement.
- HHS set the effective date for Medicaid Subrogation Version 3.0 of 1/1/2010 to accommodate a request submitted through the comment process. Reference Section II. F. Compliance and Effective Dates, page 3303 below.

“We agree that Versions D.0 and 3.0 are tied together by certain data elements necessitating their concomitant or sequential implementation respectively. To accommodate these technical needs, we are making the effective date of Version 3.0 later than the effective date for the other parts of this rule. We are making the effective date for the portion of the rule concerning the adoption of Version 3.0 January 1, 2010, which means that covered entities, except small health plans, must be in compliance with Version 3.0 no later than January 1, 2012.”

## **6. POST ADJUDICATION**

### **6.1 TIMELINE**

Each column shown below indicates the items that should occur within a given period. See below for an explanation of column headings and activities that should occur during that time.

<b>Start Date</b>	<b>August 2008</b>	<b>August 2009</b>	<b>February 2011</b>	<b>September 2011</b>
	Business Planning	Development and Testing	Transition To Post Adjudication Standard Version 2.1	Complete transition
<b>Length of Time</b>	12 Months	18 Months	7 months	

#### **6.1.1 BUSINESS PLANNING**

The business planning activities include such items as:

- Determine the Scope
- Define the Business Requirements
- Identify Budget Requirements including Resources
- Perform Risk Assessment

#### **6.1.2 DEVELOPMENT AND TESTING**

Examples of processes that should be completed within this time period are:

- Systems analysis
- Coding
- Internal testing (may include parallel testing)
- Infrastructure planning
  - Hardware
  - Software
  - Network

During this time frame, trading partners participate in testing designed to demonstrate the ability of their systems to comply with the requirements of the standard(s). Certification could also occur during this period. Upon completion of successful testing, if trading partners mutually agree, they may immediately move to the transition to Post Adjudication Standard Version 2.1.

#### **6.1.3 TRANSITION TO POST ADJUDICATION STANDARD**

Trading partners should review their implementation schedule and determine if during the transition period their proprietary format and the Post Adjudication Standard should be used concurrently. Entities should implement the standard during this period in a timely manner to assure that they are prepared to supply post adjudicated claim data to meet the regulatory compliance date of NCPDP D.0 Telecommunication standard.

#### **6.1.4 COMPLETE TRANSITION**

The date by which all processes above must be completed and the industry has transitioned to the NCPDP standard.

## **6.2 RECOMMENDATIONS**

### **6.2.1 INDUSTRY**

- NCPDP recommends that entities adopt the Post Adjudication Standard Version 2.1.
- NCPDP recommends that those in the industry that are implementing this standard follow the timelines outlined in this White Paper.

- NCPDP has recommended to NCVHS to review the Post Adjudication Standard that was submitted through the DSMO change request process for possible inclusion in a future rule.
- NCPDP recommends the industry implement the Post Adjudication Standard to coincide as close as possible to the timeline of the Telecommunication Standard vD.Ø.
  - Payers and clients of payers would need to change their current format to accommodate field changes/additions/deletions that have occurred in the Telecommunication Standard vD.Ø.
  - The level of effort needed to implement these changes would be significantly reduced if trading partners would adopt the Post Adjudication Standard Version 2.1 at the time the Telecommunication Standard vD.Ø is implemented.
- NCPDP recommends all entities adopting this standard move to the new standard during the Transition to Post Adjudication Standard Period as shown in 6.1.3.
- To ensure a smooth transition, processors and payers/plans/sponsors should work collaboratively to agree upon a series of implementation dates and milestones.

### **6.2.2 HHS**

The Post Adjudication Standard was not adopted under this round of HIPAA regulations as it has not completed the regulatory processes which include industry testimony to NCVHS on the benefits of the new standard, a recommendation letter from NCVHS to HHS, and the HHS rule making process.

## **7. GENERAL DISCUSSION**

### ***7.1 TELECOMMUNICATION STANDARD PAYER SHEET TEMPLATES***

NCPDP has developed Payer Sheet Templates to be used for the NCPDP Telecommunication Standard. These sheets provide critical information that should be shared between pharmacies, payers/processors, clearinghouses/switches to insure consistent and compliant implementation.  
[http://www.ncdp.org/news\\_hipaa\\_snip.asp#PayerST](http://www.ncdp.org/news_hipaa_snip.asp#PayerST)

## **8. APPENDIX A. HISTORY OF CHANGES**

### **8.1 VERSION 1.0**

The initial release of the paper.

### **8.2 VERSION 2.0**

Changes to this version include updating to include the effective and compliance dates of the standards named in the HIPAA Final Rule regulations. The Post Adjudication Standard was not named in this round of HIPAA. This information has been clarified.