Overview

The health insurance plan identification number (HPID) is a unique ten digit health plan identification number that has been implemented by The Department of Health and Human Services (HHS) as part of the implementation process of the Affordable Care Act (ACA). The unique HPID is designed to create efficiency and automation of processes by providing a uniform platform for all HIPAA standard electronic transactions. The HPID will be used to identify covered entities such as health plans, health care clearinghouses, and health care providers during the course of an electronic health care transaction that is subject to HIPAA privacy and security rules.

For health plans to comply with HHS requirements, all qualifying health plans must sign up and receive an HPID. HHS categorizes health plans as “large” or “small” for purposes of compliance. Large health plans, which are defined under HIPAA as having annual billing receipts totaling more than $5 million, are required to obtain an HPID by November 5, 2014. Small health plans are defined as having annual receipts totaling $5 million or less and must obtain an HPID by November 5, 2015. Once a health plan has obtained an HPID, the HHS has given guidance that the full implementation date for all health plans to begin using their HPID in standard HIPAA transactions involving their health plan is by November 7, 2016. Health insurance carriers will obtain the HPID for fully-insured plans and self-funded plan sponsors will obtain the HPID for self-funded plans.

Annual receipts

In order to determine the compliance deadline, self-funded employers must know their plan size - large (more than $5 million in annual receipts) or small ($5 million or less in annual receipts). Generally, self-insured plans should use the total amount that has been paid for health care claims by the employer, plan sponsor, or benefit fund on behalf of the plan during the plan’s last full fiscal year.

For health plans that provide health benefits through a mixture of purchased insurance and self-insurance, these plans should combine any premium paid with the total amount paid for health care claims for the last full fiscal year. It is important to note that the premiums or amounts paid for stop-loss insurance by an employer or sponsor of a self-insured plan should not be included in the totaling amount of receipts.

Do all self-funded health plans need an HPID?

Under the guidance of HHS, a self-funded health plan must determine whether they are a “controlling health plan” (CHP) or a “Subhealth plan” (SHP) as defined by HIPAA regulations. A CHP is a health plan that (1) controls its own business activities, actions, or policies; or (2) is controlled by an entity that is not a health plan. An SHP is a health plan whose business activities, actions, or policies are directed by a CHP.

All health plans classified as CHPs are required to obtain an HPID. SHPs are not required to obtain an HPID, but may apply for an HPID at the direction of its CHP. CHPs when deciding whether to create an HPID for its SHPs should consider whether the SHP will need to be identified in any standard transactions. Self-funded plans have not been given exact guidance on when to obtain one HPID number or potentially multiple HPIDs for multiple benefits offered by one employer. Best practice may indicate that for a “wrap plan” which is a self-funded plan that has multiple benefits plans (medical, dental, or vision plans) that are bundled together by a single employer and files a single Form 5500, to obtain one
HPID for the entire plan. If an employer operates a self-funded plan that offers separate benefit plans (multiple Form 5500 filings) then the best course of action may be to obtain an HPID for each separate benefit offered.

It is important to note that even though Health Reimbursement Arrangements (HRAs) and Health Flexible Spending Accounts (HFSAs) are generally considered to be group health plans, that HHS has given guidance that these types of plans will not need an HPID. Specifically, HRAs will not need to obtain an HPID if the HRA funds are only used to reimburse the deductible or other out-of-pocket costs, such as copays and coinsurance.

Even though employers who have self-funded health plans may not be the entities processing their own HIPAA covered electronic transactions, these employers are still required to obtain their own HPID. An HPID is not necessary for non-group health plans such as life, disability, and health savings accounts.

The information contained in this document is informational only and is not intended as, nor should it be construed as, legal or accounting advice. Neither HORAN nor its consultants provide legal, tax nor accounting advice of any kind. We make no legal representation nor do we take legal responsibility of any kind regarding regulatory compliance. Please consult your counsel for a definitive interpretation of current statute and regulation and their impact on you and your organization.