

Statement of Senator Larry Craig
Senate Special Committee on Aging
“HIPAA Medical Privacy and Transactions Rules:
Overkill or Overdue?”
September 23, 2003

Good morning, and thank you for joining us. Today's hearing will examine an issue of critical importance to the U.S. health care system – and to the 40 million seniors who depend on it.

Seven years ago, Congress enacted the Health Insurance Portability and Accountability Act, otherwise known as HIPAA. At that time, HIPAA's insurance coverage provisions were the pieces that received the lion's share of attention -- and few paid much attention to other, but equally significant, health care changes buried within the bill.

Today, seven years later, two such provisions are at long last emerging from a long and tortuous regulatory process. One of these, a new set of requirements governing medical information privacy, went into effect in April. The other is a bundle of new rules for standardizing medical claims and transactions, which is scheduled to go into effect just three short weeks from now.

Few can argue with the underlying intent of these regulations – namely the streamlining of health care transactions and the protection of medical privacy. However, as is often the case with federal rulemaking, a kernel of congressional intent has grown into a towering tree of regulatory complexity. But even by federal bureaucratic standards, HIPAA is extraordinary. The privacy provisions in the original law, for example, numbered just 337 words, whereas the final HHS regulation now runs upwards of 101,000 words.

I have heard from many Idaho doctors, patients, and others who are deeply troubled by the confusion, disruption, and uncertainty these new rules are creating in the health care system.

Most ominously, the looming HIPAA transactions rules, if they are not reasonably implemented by CMS, threaten to trigger what some say may be a “train wreck” of stopped payments, cash-flow disruptions, denied care, or even a widespread reversion from electronic back to paper claims, precisely the opposite effect Congress intended. Legislation I sponsored in the last Congress postponed implementation of the transactions rules by one year, but it is clear that grave problems remain.

Meanwhile, the new HIPAA privacy rules are continuing to cause confusion among patients, providers, and insurers. Stories of hospitals turning away family members seeking information about their loved ones, as well as other illogical and disruptive effects, are common among the letters I receive from my constituents.

Also disheartening is the fact that these new regulations are costing doctors, hospitals, health plans, and – inevitably – patients millions if not billions in compliance costs. We would be remiss if we failed to ask: Are the benefits from these new regulations worth

the heavy bite they are taking out of our country's already squeezed health care budgets? Are needed resources being diverted from the rendering of quality patient care? And equally important, is HHS doing everything it can to make implementation as smooth and reasonable as possible?

Here today are senior officials from HHS to answer some of these questions - as are representatives of provider, insurer, and patient perspectives. I look forward to your testimony. Thank you.