

**MOA MEMBERS
FROM SUE A. WEINGARTNER, EXECUTIVE DIRECTOR
SEPTEMBER 3 2010**

MEDICARE UPDATE

JUST RELEASED – How to Protect Your Identity Using the Provider Enrollment, Chain and Ownership System (PECOS)

If you are enrolled, or plan to enroll in Medicare, it is important that you protect your Medicare identity from getting into the hands of dishonest and unscrupulous people – personal identity thieves and those intending to commit fraud in the Medicare Program. The Centers for Medicare & Medicaid Services (CMS) has developed “How to Protect Your Identity Using the Provider Enrollment, Chain and Ownership System (PECOS)” as the next in a series of Medicare enrollment fact sheets. This fact sheet provides step-by-step instructions to help Fee-For-Service (FFS) providers protect their identity in Internet-based PECOS and is available in downloadable format at http://www.cms.gov/MLNProducts/downloads/MedEnroll_ProtID_FactSheet_ICN905103.pdf on the CMS website. Stay tuned for updates from the Medicare Learning Network (MLN) as future installments of fact sheets designed to educate FFS providers about important Medicare enrollment information are released!

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**Initial Electronic Health Record Certification Bodies Named**

*Key step in national initiative toward adoption of electronic health records (EHRs)*  
The Certification Commission for Health Information Technology (CCHIT), Chicago, Ill. and the Drummond Group Inc. (DGI), Austin, Texas, were named today by the Office of the National Coordinator for Health Information Technology (ONC) as the first technology review bodies that have been authorized to test and certify electronic health record (EHR) systems for compliance with the standards and certification criteria that were issued by the U.S. Department of Health and Human Services earlier this year. Announcement of these ONC-Authorized Testing and Certification Bodies (ONC-ATCBs) means that EHR vendors can now begin to have their products certified as meeting criteria to support meaningful use, a key step in the national initiative to encourage adoption and effective use of EHRs by America’s health care providers.

Applications for additional ONC-ATCBs are also under review.

Certification of EHRs is part of a broad initiative undertaken by Congress and President Obama under the Health Information Technology for Economic and Clinical Health (HITECH) Act, which was part of the American Recovery and Reinvestment Act (ARRA) of 2009. HITECH created new incentive payment programs to help health providers as they transition from paper-based medical records to EHRs. Incentive

payments totaling as much as \$27 billion may be made under the program. Individual physicians and other eligible professionals can receive up to \$44,000 through Medicare and almost \$64,000 through Medicaid. Hospitals can receive millions.

For the complete press release, go to [Initial EHR Certification Bodies Named](#) .

For more information about the ONC certification programs visit

<http://healthit.hhs.gov/certification> .

For information about the Medicare and Medicaid incentive programs, visit

[www.cms.gov/EHRincentiveprograms](http://www.cms.gov/EHRincentiveprograms) .

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National Correct Coding Initiative Dear State Medicaid Director Letter

Today CMS issued the first in a series of Dear State Medicaid Director (SMD) Letters intended to provide guidance on Section 6507 of the Affordable Care Act, regarding the implementation of the Mandatory State Use of National Correct Coding Initiative (NCCI).

The Affordable Care Act requires CMS to take specific actions by September 1, 2010. Specifically, CMS must: 1) notify States of NCCI methodologies that are “compatible” with claims filed with Medicaid; 2) notify States of the NCCI methodologies that should be incorporated for claims filed with Medicaid for which no national correct coding methodology has been established for Medicare and 3) inform States as to how they must incorporate these methodologies for claims filed on or after October 1, 2010 under Medicaid.

CMS has taken the first step in meeting the statutory requirements and determined that five NCCI methodologies currently in place in Medicare are compatible methodologies for claims filed in Medicaid. By providing information today, States can begin the process of editing claims against NCCI methodologies, promote correct coding, protect against improper coding, work to reduce the payment error rate, and potentially accrue savings for Medicaid programs nationwide.

For specific information regarding the NCCI methodologies and the steps CMS has taken today to implement this important provision of the Affordable Care Act, please see the attached letter.

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## **REVISED Special Edition MLN Matters Article #MM7021 - Guidance on Implementing Section 3109 of the Patient Protection and Affordable Care Act (ACA)**

The Centers for Medicare & Medicaid Services (CMS) has revised *Special Edition MLN Matters Article #MM7021 (Guidance on Implementing Section 3109 of the Patient Protection and Affordable Care Act)* to add an updated hyperlink to the DMEPOS

Accreditation webpage and to update the article's associated newsflash to be relevant to DMEPOS Competitive Bidding. This article is informational in nature and reinforces existing policy; it does not present new policy. For more details, please read the article at <http://www.cms.gov/MLN MattersArticles/downloads/MM7021.pdf> on the CMS website.

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A new "twist" in the law makes it easier to save on your prescription drug costs.

<http://www.ssa.gov/prescriptionhelp/>

Under a new law, more Medicare beneficiaries could qualify for Extra Help with their Medicare prescription drug plan costs because some things no longer count as income and resources. The Extra Help is estimated to be worth an average of \$3,900 per year. To qualify for the Extra Help, a person must be on Medicare, have limited income and resources, and reside in one of the 50 states or the District of Columbia.

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**Center for Medicaid, CHIP, and Survey & Certification**

SMD #: 10-017

ACA#: 7

September 1, 2010

**Re: National Correct Coding Initiative**

Dear State Medicaid Director:

This letter is one of a series intended to provide guidance on the implementation of the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148), as amended by the Health Care and Education Recovery Act of 2010 (P.L. 111-152), together referred to as the Affordable Care Act. Specifically, this letter provides initial guidance regarding Title VI – Transparency and Program Integrity, Subtitle F – Additional Medicaid Program Integrity Provisions, Section 6507 – Mandatory State Use of National Correct Coding Initiative (NCCI).

For ease of reference, this letter is organized into the following subject areas:

- Statutory Requirements;
- Definitions of NCCI, NCCI Methodologies, and the Application of NCCI Methodologies in Medicare;
- Implementation of NCCI Methodologies in Medicaid;
- Resources for Implementing NCCI Methodologies in State Medicaid Programs;
- Additional Important Distinctions between Medicaid and Medicare NCCI Methodology Files<sup>1</sup>;
- Funding for State Implementation of NCCI Methodologies in Medicaid and the Use of the Advanced Planning Document (APD);
- Report to Congress;
- Commercial Off-the-Shelf (COTS) Software and Its Application to Medicaid NCCI Methodologies; and
- Contacts for States.

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<sup>1</sup> Enclosure B contains a section discussing the differences between Medicaid NCCI and MUE files and those of Medicare. This information may be of interest to individuals familiar with the Medicare NCCI/MUE edits.

### Statutory Requirements

Section 6507 of the Affordable Care Act amends section 1903(r) of the Social Security Act (the Act). Section 1903(r)(4) of the Act, as amended, requires CMS to take three specific actions by September 1, 2010. First, CMS must notify States of NCCI methodologies that are “compatible” with claims filed with Medicaid to promote correct coding and control improper coding leading to inappropriate payment of claims under Medicaid. Second, CMS must notify States of the NCCI methodologies (or any successor initiative to promote correct coding and to control improper coding leading to inappropriate payment) that should be incorporated for claims filed with Medicaid for which no national correct coding methodology has been established for Medicare. Third, CMS must inform States as to how they must incorporate these methodologies for claims filed under Medicaid. By March 1, 2011, CMS must submit a report to Congress that includes the September 1, 2010, notice to States and an analysis supporting these methodologies. Section 1903(r)(1)(B)(iv), as amended, requires that States incorporate compatible methodologies of the NCCI administered by the Secretary and such other methodologies as the Secretary identifies, effective for Medicaid claims filed on or after October 1, 2010.

### Definitions of NCCI, NCCI Methodologies and Edits, and the Application of NCCI Methodologies in Medicare

- NCCI. The NCCI is a CMS program that consists of coding policies and edits. Providers report procedures/services performed on beneficiaries utilizing Healthcare Common Procedure Coding System (HCPCS) codes. These codes are submitted on claim forms to Fiscal Agents for payment. NCCI policies and edits identify procedures/services performed by the same provider for the same beneficiary on the same date of service. This program was originally implemented in the Medicare program in January 1996 to ensure accurate coding and reporting of services by physicians. The coding policies of NCCI are based on coding conventions defined in the American Medical Association’s Current Procedural Terminology Manual, national and local Medicare policies and edits, coding guidelines developed by National societies, standard medical and surgical practice, and/or current coding practice.
- NCCI Methodologies. NCCI methodologies have four components: 1) a set of edits; 2) definitions of types of claims subject to the edits; 3) a set of claims adjudication rules for applying the edits; and 4) a set of rules for addressing provider/supplier appeals of denied payments for services based on the edits.
- NCCI edits. The NCCI edits are defined as edits applied to services performed by the same provider for the same beneficiary on the same date of service. They consist of two types of edits: 1) NCCI edits, or procedure-to-procedure edits that define pairs of HCPCS/Current Procedural Terminology (CPT) codes that should not be reported together for a variety of reasons; and 2) Medically Unlikely Edits (MUEs), or units-of-service edits that define for each HCPCS/CPT code the number of units of service beyond which the reported number of units of service is unlikely to be correct (e.g., claims for excision of more than one gallbladder or more than one pancreas).

Application of NCCI methodologies in Medicare. The CMS developed NCCI for Medicare to promote national correct coding methodologies and to control improper coding that leads to inappropriate payment of Part B (practitioner) fee-for-service claims. Enclosure A provides a history of the NCCI in Medicare.

Currently, CMS has five methodologies for Medicare Part B. Specifically, these are:

- (1) NCCI procedure-to-procedure edits for practitioner and ambulatory surgical center (ASC) services.
- (2) NCCI procedure-to-procedure edits for outpatient hospital services (including emergency department, observation, and hospital laboratory services) incorporated into the Medicare outpatient code editor (OCE) for hospitals reimbursed through the hospital outpatient prospective payment system (OPPS). These same edits in OCE are applied to all facility therapy services billed to the Medicare Fiscal Intermediary (Part A Hospital/Part B Practitioner Medicare Administrative Contractors (A/B MACs) processing claims with the Fiscal Intermediary Shared System (FISS)). They do not apply to hospitals not reimbursed through the OPPS (e.g., Critical Access Hospitals (CAHs)).
- (3) MUE units-of-service edits for practitioner and ASC services.
- (4) MUE units-of-service edits for outpatient hospital services for hospitals reimbursed through the OPPS and for CAHs.
- (5) MUE units-of-service edits for supplier claims for durable medical equipment.

#### Implementation of NCCI Methodologies in Medicaid

##### **Compatible Methodologies for Medicaid**

After careful consideration, we have determined that the five NCCI methodologies listed above currently in place in Medicare are compatible methodologies for claims filed in Medicaid. Thus, consistent with the statute, by September 1, 2010, CMS will make available to States all five NCCI methodologies compatible with Medicaid. In addition, we have determined that there are currently no other methodologies compatible for Medicaid since there are no other national correct coding methodologies being used by Medicare. States must incorporate all five methodologies into their Medicaid Management Information Systems (MMISs) and begin the process of editing claims against these five NCCI methodologies effective for claims filed on or after October 1, 2010.

Since the Medicaid methodology files will contain confidential information about Medicare NCCI/MUE edits that is not public information, State Medicaid agencies should **NOT** share the Medicaid NCCI methodology files with vendors or other parties which are not State-contracted Fiscal Agents (or State-contracted entities that perform claims processing activities on behalf of State Agencies, or “State-contracted entities” for purposes of this letter.)

In considering the current financial status of States and the savings that are possible as a result of proper coding, CMS continues to evaluate the application of NCCI methodologies, where the methodologies are not applied by Medicare, but are found to be compatible with Medicaid.

These methodologies may be developed later, and CMS will update States regarding the progress of NCCI methodologies in Medicaid, as appropriate, moving forward.

### **State Flexibility in Incorporating “Edits”**

We realize that States are in different stages in implementing correct coding edits into their Medicaid programs. Some States have fully incorporated procedure-to-procedure and MUE units of service edits into their Medicaid claims. Some States have incorporated edits for particular sets of services, while other States are just beginning to explore these edits for Medicaid. The five Medicare NCCI methodologies currently contain approximately 1.3 million procedure to procedure and MUE units of service edits. We understand the challenges that many States would face in entirely incorporating these edits into their Medicaid claims processing systems.

Consequently, CMS has provided flexibility in implementing NCCI in Medicaid. All five Medicaid NCCI methodologies must be incorporated into Medicaid MMISs effective for claims filed on or after October 1, 2010. However, CMS has withheld a small number of edits from the five Medicare NCCI/MUE methodologies because of concerns about their compatibility with the Medicaid program. We also recognize that there may be additional incompatible edits. If a State Fiscal Agent (or State-contracted entities) identifies such incompatible edits, please report them to our contractor, Correct Coding Solutions, LLC, as soon as they are identified. (See the Contacts for States section of this guidance for more information regarding Correct Coding Solutions, LLC.)

Additionally, CMS continues to review NCCI/MUE edits and as we move forward to update files quarterly, additional compatible or incompatible edits will be added to or deleted from Medicaid NCCI/MUE files, as appropriate.

### **State Flexibility in Deactivating Edits**

States may consider edits on an individual State by State basis. That is, if a State has determined that some portion of the 1.3 million edits conflict with State laws, regulations, administrative rules, payments policies, and/or level of operational readiness, CMS will allow State deactivation of edits. This flexibility is granted until such time as the earlier of:

1. April 1, 2011; or
2. The date at which the State has an Advanced Planning Document (APD) approved by CMS that documents such conflict with State laws, regulations, administrative rules, payment policies, and/or the State’s level of operational readiness.

### **Requesting Deactivation of Edits**

CMS will use the MMIS-APD to approve State deactivation of edits after review of the submission of State documentation confirming that the use of certain procedure-to-procedure or MUE units of service edits is in direct conflict with State laws, regulations, administrative rules, payment policies, and/or the State’s level of operational readiness. States must submit an APD to CMS by no later than March 1, 2011, for review and approval of deactivation of edits, if they want to continue after March 31, 2011, to deactivate relevant edits. States will not be afforded the flexibility to deactivate edits after March 31, 2011, because of lack of operational readiness. If States are not deactivating edits after March 31, 2011, States are not required to submit an APD to CMS for this purpose.

While MCDNCCI files will be updated on a quarterly basis, States will not be required to submit to CMS for review and approval an APD each quarter to deactivate edits that remain in conflict with State laws, regulations, administrative rules, and/or payment policies. States will, however, be required to update APDs each quarter and as otherwise necessary if changes to State laws, regulations, etc. occur and/or if States wish for CMS to approve additional/revised edits to be deactivated.

### **State Flexibility to Incorporate NCCI Methodologies/Edits beyond CMS' Requirements**

States can apply additional NCCI methodologies to service types not currently implemented in the Medicare context, in order to promote correct coding and reduce the error rate for claim payments. For example, in reviewing the Medicare model, CMS considered that the Medicare NCCI methodologies are applicable to types of service: procedure-to-procedure and MUE edits for practitioner services, ASC services, outpatient hospital services, and so forth.

Currently, Medicare NCCI methodologies are not in place for facility claims from long term care facilities, Medicare Advantage plans, or other hospitals that are not paid using OPPS (e.g., CAHs). States should contact CMS to discuss/receive approval to incorporate additional NCCI methodologies and/or edits in their claims processing systems.

Enclosure B provides further information on the nature and structure of the NCCI methodologies in Medicaid, including the definition of the NCCI methodology, a description of NCCI procedure-to-procedure edits and MUE units-of-service edits, a description of the five Medicaid NCCI methodologies (herein referred to as the MCDNCCI) for implementation by State Medicaid programs, identification of the edits included in the five MCDNCCI methodologies, and a discussion of the significant differences between MCDNCCI and Medicare NCCI/MUE.

### **Resources for Implementing NCCI Methodologies in State Medicaid Programs**

The MCDNCCI methodology files will be available for download only to States by September 1, 2010, and only on the Medicaid Integrity Institute's (MII) secure Web site known as "Workspace." Quarterly updates of the MCDNCCI files will be posted to Workspace.

Currently, each State has only one user license for Workspace. For information regarding who in your State has access to this Web site, please contact Mr. Robb Miller, Director of the Division of Field Operations, Medicaid Integrity Group, Center for Program Integrity, at 312-353-0923 or via e-mail at [Robb.Miller@cms.hhs.gov](mailto:Robb.Miller@cms.hhs.gov). For the time being, we will not be able to issue any additional user licenses. You may, however, choose to reassign your State's user license to another individual.

The MCDNCCI files will be available in three file formats: ASCII.TXT, Excel 2007 (.xlsx), and tab-delimited text (.txt) with column headings.

Further technical guidance entitled the *Medicaid NCCI (MCDNCCI), MCDNCCI File Names and Formats, Algorithms for Processing Claims, and Characteristics of Edits* is provided to States' information systems staff to facilitate download and correct use of the MCDNCCI ASCII.TXT files. This information is necessary to understand each field in each edit. The claims adjudication algorithm will assist information systems staff to program their systems to correctly adjudicate NCCI and MUE edits against claims. It will also be very helpful to medical

review staff, appeals staff, medical directors, fraud and abuse contractors, and others who need to know the details about how NCCI edits and MUEs are applied to claims.

This technical guidance also provides a description of the edit files. This information will be available on both the MII and on a new Medicaid NCCI webpage on the CMS Web site.

The Excel 2007 (.xlsx) file and the tab-delimited text (.txt) file with column headings will also be available on the Medicaid NCCI webpage by October 1, 2010.

It is important for State Medicaid programs and their Fiscal Agents (or State-contracted entities), to avoid three common errors that result in incorrect application of NCCI/MUE edits.

- Common Error 1: The edits apply only to services by the same provider, to the same beneficiary, on the same date of service. If an MCDNCCI edit is applied to any situation other than the same provider, the same beneficiary, and the same date of service, it should NOT be attributed to the MCDNCCI.
- Common Error 2: NCCI procedure-to-procedure edits with a modifier indicator of “1” must allow use of NCCI-associated modifiers to bypass the edit. This requirement is described further in the *Medicaid NCCI (MCDNCCI), MCDNCCI File Names and Formats, Algorithms for Processing Claims, and Characteristics of Edits* technical guidance. This document also includes information regarding NCCI-associated modifiers.
- Common Error 3: MUE units-of-service edits are claim-line edits. They are not edits for an entire claim or entire date of service. Each claim line must be adjudicated separately against the MUE value for the HCPCS/CPT code on the claim line. All units-of-service for the same code on the entire claim or the same date of service should NOT be summed and compared to the MUE value. See also the *Medicaid NCCI (MCDNCCI), MCDNCCI File Names and Formats, Algorithms for Processing Claims, and Characteristics of Edits* technical guidance.

Reimbursement for a claim denied due to an NCCI/MUE edit may be appealed. The *MCDNCCI Claim Appeals Process* guidance provides separately the rules for adjudicating appeals of denied reimbursement due to MCDNCCI edits. This guidance document will be posted to the MII and to the Medicaid NCCI webpage.

The CMS is developing a separate policy manual for Medicaid services derived from the *National Correct Coding Initiative Policy Manual for Medicare Services*. The *National Correct Coding Initiative Policy Manual for Medicaid Services* will be available to Fiscal Agents (or State-contracted entities), on the Medicaid NCCI webpage on the CMS Web site by October 1, 2010. This manual will be helpful in understanding the policies that the NCCI and MUE edits are based on and will assist customer service, medical review, and appeals staffs.

The CMS will also post the *NCCI Correspondence Language Manual* to the new Medicaid NCCI webpage on the CMS Web site. Each NCCI edit and MUE has a “Correspondence Language Example Identification Number” (CLEID). The *NCCI Correspondence Language Manual* must be used with the CLEID for correspondence related to the policy rationale for each edit. This information will also be posted to the MII and to the Medicaid NCCI webpage. The *NCCI Correspondence Language Manual* is helpful to the claims processing staffs of Medicaid

Fiscal Agents (or State-contracted entities), in explaining the basis of an edit when responding to correspondence and to staff handling appeals.

The CMS will also make available Frequently Asked Questions for NCCI and for MUE as well as a Medicare Modifier 59 Article. Enclosure C provides States implementing NCCI methodologies in State Medicaid programs with a list of these resources and the timeframes and methods for securing these resources.

#### Additional Important Distinctions between Medicaid and Medicare NCCI Methodology Files

In order to ensure that States have the NCCI methodology files in a timely manner, for the start of this program, the Medicaid NCCI methodology files will lag the corresponding Medicare NCCI/MUE files by one calendar quarter with two exceptions:

- The Medicaid NCCI methodology file for outpatient hospital services will not lag by one calendar quarter. The Medicaid and Medicare files for these services will be synchronous.
- Medicaid will incorporate into its NCCI methodology files Medicare NCCI and MUE edit deletions or modifications on a synchronous basis with Medicare.

Beginning with the calendar quarter starting January 1, 2011, all Medicaid NCCI methodology files will be synchronous with Medicare NCCI and MUE edit files. This would mean that for version 2.0 (January 1, 2011) and all subsequent versions of the MDCNCCI, the files will be available on the MII approximately 15 days prior to the beginning of the calendar quarter.

#### Funding for State Implementation of NCCI Methodologies in Medicaid and the Use of the APD

Section 1903(r) of the Act requires State MMISs to include Medicaid NCCI methodologies as part of their functionality. Section 1903(a)(3) of the Act provides CMS with the authority to provide 90-percent Federal financial participation (FFP) to States for design, development, and installation, and 75-percent FFP for maintenance and operations of the State's MMIS system. Thus, in considering revisions to a State's MMIS, CMS is authorized to provide FFP to States to incorporate Medicaid NCCI methodologies into the State's MMIS system.

States should utilize the current MMIS-APD process for requesting such funding for a State MMIS. Additionally, if a State can verify to CMS that the State was involved in making changes to its MMIS to incorporate NCCI methodologies prior to the release date of this letter, retroactive FFP may be available for APD-approved activities, but for no earlier than March 23, 2010. States should work with their respective Regional Offices to submit APDs and to request FFP.

#### Report to Congress

The CMS is required by section 1903(r)(4)(B) of the Act (as added by section 6507 of the Affordable Care Act) to submit to Congress, no later than March 1, 2011, a report that includes the September 1, 2010 notice to States and an analysis supporting the identification of the methodologies for Medicaid. States will be required to report through the APD to CMS:

- how many edits were deactivated;
- what types of edits were deactivated;
- the rationale for deactivating certain edits;
- the process and the workload for State staff that deactivating edits created;
- how many claims would have been denied if it were not for the deactivations;
- how many claims would have gone to appeal if it were not for the deactivations;
- the total amount of dollars that were paid as a result of the deactivations;
- the total number of providers that would have had denied claims if it were not for the deactivations; and
- any additional information that is necessary in order to determine the impact that deactivation of edits has had on providers and States alike.

Additionally, States will be required to report the savings accrued as a result of the NCCI initiative in Medicaid.

The CMS will convene a multi-disciplinary team to review APDs submitted by States. Further, CMS plans to develop an MMIS-APD template specific to NCCI for State convenience. Once the APD template is developed, we will provide information for retrieving the document.

#### COTS Software and Its Application to Medicaid NCCI Methodologies

CMS provides information describing the requirements for COTS software and vendors implementing NCCI methodologies on behalf of the State on the MII and on the Medicaid NCCI webpage.

CMS requires that, for those States that use COTS vendors to perform claims processing activities on behalf of the State Agencies that receive NCCI methodologies in advance of the general public, confidentiality agreements must be in place to ensure the confidentiality of all information not available to the general public contained in the NCCI methodology files. Further, any requests for confidential information, including the release of edits received by State fiscal agents or State-contracted entities performing claims processing activities on behalf of the State agencies, must be reported to the State agency.

We wish to remind States that they have a responsibility to ensure that any entities that contract with them comply with all contract requirements, including issues of confidentiality. If it is found that COTS vendors that perform claims processing activities on behalf of State Agencies have used Medicaid NCCI file information for other than Medicaid business, or have shared confidential edits with other third parties, States must consider imposing penalties against such vendors. Vendors and the general public will have access to the Medicaid NCCI methodology edits each quarter when they are posted on the new Medicaid NCCI webpage on the CMS Web site on the first day of each calendar quarter. However, the MCDNCCI edit file information available on the CMS Web site will not contain all information in the MCDNCCI methodology files provided to the States.

Contacts for States

Below is a list of contacts for States to use in implementing this program. Specifically, for questions related to:

- the MCDNCCI program, please contact Rick Friedman, Director, Division of State Systems, Center for Medicaid, CHIP and Survey & Certification, at 410-786-4451;
- individual claims, please contact your Fiscal Agent (or State-contracted entities); and
- reconsideration of MCDNCCI edits, please contact Correct Coding Solutions, LLC (CCS LLC).

States may also direct questions to the CMS Medicare NCCI contractor, CCS LLC, who can be contacted at:

Medicaid National Correct Coding Initiative  
Correct Coding Solutions, LLC  
P.O. Box 907  
Carmel, IN 46082-0907  
Facsimile: 317-571-1745

Additionally, CMS will post information to the CMS Web site and to the MII, including further instruction regarding such issues as the effective date of edits that have been deactivated by States.

The CMS looks forward to working with you to implement this important legislation.

Sincerely,

/s/

Cindy Mann  
Director

Enclosure A – History of the NCCI in Medicare  
Enclosure B – Nature and Structure of Medicaid’s NCCI  
Enclosure C – Resources for States in Implementing National Correct Coding Initiative  
Methodologies in Medicaid

cc:

CMS Regional Administrators

CMS Associate Regional Administrators  
Division of Medicaid and Children's Health

Rick Fenton  
Acting Director  
Health Services Division  
American Public Human Services Association

Joy Wilson  
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Christine Evans, M.P.H.  
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Alan R. Weil, J.D., M.P.P.  
Executive Director  
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## HISTORY OF THE NCCI IN MEDICARE<sup>2</sup>

On December 19, 1989, the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) was enacted. Section 6102 of P.L. 101-239 amended Title XVIII of the Social Security Act (the Act) by adding a new section 1848, “Payment for Physicians' Services”. This section of the Act provided for replacing the previous reasonable charge mechanism of actual, customary, and prevailing charges with a resource-based relative value scale (RBRVS) fee schedule that began in 1992.

With the implementation of the Medicare Physician Fee Schedule, it was important to ensure that uniform payment policies and procedures were followed by all carriers (A/B MACs processing practitioner service claims), so that the same service would be paid similarly in all carrier (A/B MAC processing practitioner service claims) jurisdictions. Accurate coding and reporting of services by physicians is a critical aspect of assuring proper payment.

The NCCI replaced and is more comprehensive than the “rebundling” program instituted by CMS, formerly HCFA, in 1991. Since the NCCI is a CMS program, its policies and edits represent CMS national policy. However, NCCI policies and edits do not supersede any other CMS national coding, coverage, or payment policies.

The coding policies are based on coding conventions defined in the American Medical Association's *Current Procedural Terminology (CPT) Manual*, national and local Medicare policies and edits, coding guidelines developed by national societies, standard medical and surgical practice, and/or current coding practice. Medicare carriers implemented NCCI edits within their claim processing systems for dates of service on or after January 1, 1996.<sup>3</sup>

Although the NCCI was initially developed for use by Medicare Carriers (A/B MACs processing practitioner service claims) to process Part B practitioner/ASC claims, many of the edits were added to the Outpatient Code Editor (OCE) in August, 2000, for use by Fiscal Intermediaries (A/B MACs processing outpatient hospital service claims) to process claims for Part B outpatient hospital services. Some of the edits applied to outpatient hospital claims through OCE differ from the comparable edits in NCCI. Effective January 2006, all therapy claims paid by Fiscal Intermediaries (A/B MACs processing outpatient hospital service claims) were also subject to NCCI edits in the OCE.

NCCI edits incorporated into OCE appear in OCE one calendar quarter after they appear in NCCI. Hospitals like physicians and other providers must code correctly even in the absence of NCCI or OCE edits. For example, new category I CPT codes are generally effective on January 1 each year, and many new edits for these codes appear in NCCI on January 1. However, the new edits for these codes do not appear in OCE until the following April 1. Hospitals must code correctly during the three-month delay.

On January 1, 2007, CMS incorporated Medically Unlikely Edits (MUEs) into the NCCI program. These edits are applicable to claims submitted to Carriers (A/B MACs processing

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<sup>2</sup>Centers for Medicare & Medicaid Services (CMS), [NCCI Policy Manual for Medicare Services, Version 15.3 – Effective October 1, 2009](#), pp. viii – ix.

<sup>3</sup><http://www.cms.gov/NationalCorrectCodInitEd/>

practitioner service claims), A/B Medicare Administrative Contractors (MACs), Durable Medical Equipment Medicare Administrative Contractors (DME MACs), and Fiscal Intermediaries (FIs) A/B MACs processing outpatient hospital service claims).

## ENCLOSURE B

### NATURE AND STRUCTURE OF MEDICAID'S NCCI

The Patient Protection and Affordable Care Act (the Affordable Care Act) requires Medicaid to adopt NCCI methodologies. An NCCI methodology consists of four components:

- (1) A set of edits.
- (2) Definition of types of claims subject to the edits.
- (3) A set of claims adjudication rules for applying the edits.
- (4) A set of rules for addressing provider/supplier appeals of denied services based on the edits.

This Enclosure B addresses the edit sets and types of claims subject to the edits. The claim adjudication rules are posted to the new Medicaid NCCI webpage and the rules for adjudicating appeals of denied services are on this webpage as well.

NCCI methodologies only apply to services performed by a single provider to a single beneficiary on the same date of service.

NCCI methodologies consist of two types of edits:

- (1) NCCI procedure-to-procedure edits are pairs of HCPCS/CPT codes consisting of a column one code and a column two code. The edit defines two codes that should not be reported together for a variety of reasons. If both codes are reported, the column one code is eligible for payment and the column two code is denied. However, for many edits, there are circumstances where both the column one code and column two code are eligible for payment. These circumstances are identified by the modifier indicator for each edit which is discussed in the Edit Characteristics Document provided on the Medicaid NCCI webpage.
- (2) MUE units of service edits define for each HCPCS/CPT code the number of units of service that are unlikely to be reported if the claim is reported correctly. MUEs are applied separately to each line of a claim, NOT all units of service for a code on a single date of service. If more units of service are reported for the HCPCS/CPT code on a claim line than the MUE value for the code on that claim line, the entire claim line is denied. The claims processing contractor during the automated processing of the claim should NOT pay any units of service on the claim line if the MUE is triggered for a claim line. The provider/supplier will have to resubmit the claim if the Fiscal Agent (or the State-contracted entity that performs claims processing activities on behalf of the State Agency), permits this process or will have to appeal the claim line denial to receive payment for any units of service denied based on an MUE. For some procedures (e.g., colectomy), the MUE is an absolute limit. However, for other procedures, providers/suppliers may occasionally report units of service in excess of the MUE value by reporting the same code on more than one line of a claim with appropriate coding modifiers.

CMS is developing the Medicaid NCCI (MCDNCCI) edits based on Medicare NCCI and MUE edits and their underlying principles. Pursuant to the requirements of the Affordable Care Act, Medicaid is adopting most Medicare NCCI and MUE edits and the policies on which they are based. Since there is not adequate time to review all Medicare policies forming the basis for Medicare NCCI and MUE edits prior to the September 1, 2010 deadline for providing MCDNCCI to the States, CMS anticipates that it will review many of the underlying policies in the future and has the option to modify some of them and the edits based on them for Medicaid.

The CMS has identified five NCCI methodologies for implementation in State Medicaid programs:

- (6) NCCI procedure to procedure edits for practitioner and ambulatory surgical center (ASC) services derived from Medicare NCCI for practitioners and ASCs.
- (7) NCCI procedure to procedure edits for outpatient hospital services and all facility therapy services derived from Medicare NCCI edits for outpatient hospital services incorporated into Medicare OCE (outpatient code editor) for OPPS (outpatient prospective payment system) hospitals.
- (8) MUE units of service edits for practitioner and ASC services derived from Medicare MUE for practitioners and ASCs.
- (9) MUE units of service edits for outpatient hospital services derived from Medicare MUE for outpatient hospital services.
- (10) MUE units of service edits for supplier claims for durable medical equipment derived from Medicare MUE for durable medical equipment.

The MCDNCCI available to States on September 1, 2010, will contain most Medicare NCCI/MUE edits for each of the five methodologies. MCDNCCI methodology files will be updated each calendar quarter. The first version is labeled version 1.3. The second version for January 1, 2011, will be version 2.0.

## **DIFFERENCES BETWEEN MEDICAID NCCI AND MEDICARE NCCI/MUE**

Individuals familiar with Medicare NCCI/MUE will note two significant differences in Medicaid NCCI methodologies.

- (1) Medicaid NCCI procedure-to-procedure edits for each of the two methodologies will have a single CCE (Column one/Column Two Correct Coding Edit) file rather than separate CCE and ME (mutually exclusive) edit files as Medicare utilizes. Medicaid combined the Medicare CCE and ME files into a single CCE file. This change simplifies the use of MCDNCCI files posted on the CMS Web site. It also simplifies the use of MCDNCCI methodology files for Fiscal Agent (or State-contracted entity staff that perform claims processing activities on behalf of the State Agency), customer service, medical review, and appeals staff.
- (2) Medicaid NCCI procedure to procedure edits do not have a re-bundling (previous edit) indicator as Medicare edits have. This indicator is used by Medicare to indicate that an edit was included in the Medicare Rebundling project from the early 1990s. This concept is not relevant to the Medicaid program.

Although the Medicaid NCCI methodology files initially only include edits also in Medicare NCCI/MUE, CMS anticipates that in the future MCDNCCI will include additional edits for codes not paid by Medicare, but paid by Medicaid.

The initial Medicaid NCCI methodology files do not include all edits in Medicare NCCI/MUE (i.e., MCDNCCI does not include certain groups of edits that require further evaluation by CMS).

**RESOURCES FOR STATES IN IMPLEMENTING NATIONAL  
CORRECT CODING INITIATIVE METHODOLOGIES IN MEDICAID**

| <b><u>Name</u></b>                                                                                                                           | <b><u>When Will<br/>Resource Be<br/>Available</u></b> | <b><u>How States Will<br/>Obtain Resources</u></b>                          |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------------------|
| Medicaid NCCI Methodology Files for State Medicaid Agencies and Fiscal Agents to Download                                                    | September 1, 2010                                     | Medicaid Integrity Institute                                                |
| Medicaid NCCI Methodology Files on CMS Website (Excel and Tab Delimited TXT files)                                                           | October 1, 2010                                       | Medicaid NCCI page on the CMS Web site                                      |
| Medicaid NCCI and MUE Claims Processing Rules, File Names and Formats, Characteristics of Edits, Use of CLEID, and Appeal Adjudication Rules | September 1, 2010                                     | Medicaid Integrity Institute and the Medicaid NCCI page on the CMS Web site |
| MCDNCCI Claim Appeals Process                                                                                                                | September 1, 2010                                     | Medicaid Integrity Institute and the Medicaid NCCI page on the CMS Web site |
| Correspondence Language Example Identification Number (CLEID)                                                                                | September 1, 2010                                     | Medicaid Integrity Institute and the Medicaid NCCI page on the CMS Web site |
| <i>National Correct Coding Initiative Policy Manual for Medicaid Services</i>                                                                | October 1, 2010                                       | Medicaid Integrity Institute and the Medicaid NCCI page on the CMS Web site |
| <i>Correspondence Language Manual (Utilizes CLEID)</i>                                                                                       | October 1, 2010                                       | Medicaid Integrity Institute and the Medicaid NCCI page on the CMS Web site |
| Frequently Asked Questions - NCCI                                                                                                            | Published upon availability                           | Medicaid Integrity Institute and the Medicaid NCCI page on the CMS Web site |
| Frequently Asked Questions - MUE                                                                                                             | Published upon availability                           | Medicaid Integrity Institute and the Medicaid NCCI page on the CMS Web site |
| Medicare Modifier 59 Article                                                                                                                 | September 1, 2010                                     | Medicaid Integrity Institute and the Medicaid NCCI page on the CMS Web site |