

National Committee on Vital and Health Statistics

TESTIMONY ON NATIONAL CORRECT
CODING INITIATIVE (NCCI)

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Good morning. Thank you Chairwoman Carr and members of the National Committee on Vital and Health Statistics for allowing me to provide testimony regarding the National Correct Coding Initiative (NCCI) and its possible role in establishing a uniform set of edits for use by third-party payers other than Medicare and Medicaid.

Background Information on Presenter and Correct Coding Solutions, LLC:

My name is Niles Rosen. I am a licensed physician, board certified in pathology, and have been the national contractor medical director for the Centers for Medicare & Medicaid Services (CMS) National Correct Coding Initiative, referred to as NCCI, since 1997.

Today, I am providing testimony on behalf of Correct Coding Solutions, LLC and CCS WP LLC, collectively referred to as CCS, of which I am the majority owner. CCS has been the CMS contractor for the NCCI since December 2005. Previously, I was employed by AdminaStar Federal, Inc. in the same capacity.

NCCI, CMS, and CCS:

CMS owns NCCI and determines its contents. CCS, as the NCCI contractor, advises CMS about NCCI issues, develops new edits, modifies existing edits as necessary, produces quarterly edit file updates, and handles correspondence related to the NCCI program and its edits. CMS has separate Medicare and Medicaid NCCI Workgroups which meet on a regular basis with CCS to discuss NCCI edits and issues. The Workgroups are composed of CMS physicians, certified coding specialists, program integrity staff, program management staff, and CCS medical and certified coding staff.

Definition of an Edit:

In a very general sense, an edit is a claims processing rule used by Medicare, Medicaid, or other health insurers during the claims adjudication process. NCCI consists of two types of edits which I will discuss in a moment, but there are many other types of edits that may be utilized by payers, including Medicare and Medicaid to ensure appropriate claims payment. For example, NCCI does not include edits or rules to verify that the insured is eligible for coverage on the date of service reported on the claim or that all the appropriate fields on the claim form contain data.

Purpose of NCCI:

The purpose of NCCI is to promote correct coding and reduce paid claims error rates. The Medicare edits are based on CMS coding and payment policies. Although CMS coding policies generally align with the coding policies of national healthcare organizations such as the American Medical Association’s CPT coding guidelines, there are occasional differences. The Medicaid edits are based on the Medicare NCCI edits. However, some edits which were not compatible with State Medicaid programs were eliminated and other edits were created for services not covered by Medicare but covered by State Medicaid programs.

Types of NCCI Edits:

The NCCI focuses on services provided by the same provider to the same beneficiary on the same date of service which are billed with HCPCS codes, including CPT codes. The NCCI consists primarily of two types of edits. The first type of edit is a procedure-to-procedure (PTP) edit consisting of pairs of HCPCS codes that should not be reported together. This type of edit is termed either an “NCCI edit” or an “NCCI PTP edit”. For example, it would not be appropriate to bill both a vaginal hysterectomy CPT code and an abdominal hysterectomy CPT code since a hysterectomy on a patient may be performed by either, but not both, approaches. The second type of edit is a units of service edit which defines the maximum number of units of service for a given HCPCS code that should be reported on a single date of service under most circumstances. The units of service edits are termed Medically Unlikely Edits or MUEs because it would be medically unlikely to bill more than the defined number of units of service. For example, billing 4 units of service for a cataract extraction procedure would be medically unlikely as there are only 2 eyes. There are over 1.3 million PTP and MUE edits in Medicare NCCI and about the same number in the Medicaid NCCI.

The Medicare and Medicaid NCCI programs publish separate NCCI coding policy manuals which describe the basis or rationale for establishing NCCI edits for each program. There are twelve major criteria for NCCI PTP edits and twenty major criteria for MUE edits.

History of NCCI and Types of Service Impacted:

CMS first implemented the NCCI in the Medicare program on January 1, 1996. It consisted of only NCCI PTP edits for practitioner services. All Medicare contractors processing fee-for-service practitioner claims are required to use the edits in their claims processing systems.

In August 2000, CMS expanded NCCI PTP edits to Medicare’s outpatient hospital claims subject to the Outpatient Prospective Payment System (OPPS) methodology. All Medicare contractors processing fee-for-service outpatient hospital claims subject to OPPS are required to use the edits in their claims processing systems.

In 2006, CMS began applying the Medicare NCCI OCE PTP edits to additional therapy services billed by providers to the Medicare Fiscal Intermediaries.

On January 1, 2007, CMS implemented the Medicare MUE edits for practitioner services, outpatient hospital services, and durable medical equipment claims. All Medicare contractors processing fee-for-service claims for these services are required to use the MUEs in their claims processing systems.

The most recent expansion of NCCI resulted from enactment of the Patient Protection and Affordable Care Act of 2010 (section 6507), which required that State Medicaid programs implement NCCI methodologies by October 1, 2010. It is important to note that NCCI *methodologies* differ from the NCCI PTP and MUE edit sets in that the methodologies define the claims adjudication rules and provider types subject to the edits in addition to the edit sets. CMS issued instructions to the State Medicaid programs on September 1, 2010, regarding implementation of section 6507. The Secretary of the Department of Health and Human Services submitted a Report to Congress on the implementation of NCCI methodologies in State Medicaid programs on March 1, 2011.

Quarterly Updates, Edit Development Process, Transparency:

The Medicare and Medicaid NCCI PTP and MUE databases are updated the first day of each calendar quarter. Edits may be added, deleted, or modified based on new, deleted, or modified HCPCS/CPT codes, publications of national healthcare organizations, or correspondence received from numerous parties including national healthcare organizations, providers, consultants, and others. Prior to adding or modifying most NCCI PTP and MUE edits, the proposed edit changes are released for a sixty day review and comment period to interested national healthcare organizations. Although some edit proposals may be reviewed by three to five national healthcare organizations, others are reviewed by over one hundred national healthcare organizations. The organizations include the American Medical Association, national medical and surgical specialty societies, healthcare professional organizations, American Hospital Association, Federation of American Hospitals, and numerous national laboratory organizations. CMS reviews all comments received regarding edit proposals. If there are adverse comments, CMS evaluates all the information and makes a final determination about whether the edits should be implemented. In cases where CMS disagrees with an adverse comment and implements the edit(s), a decision letter with rationale is sent by CCS to the commenting national healthcare organization(s).

I believe that the national healthcare organizations consider the process to be transparent and fair.

Edit Reconsideration Process:

The Medicare and Medicaid programs have a process whereby any interested party may request a reconsideration of an NCCI PTP or MUE edit. CMS posts on its website directions for requesting reconsideration and includes the CCS contact information. CCS

researches the reconsideration request and discusses it with CMS during regularly scheduled meetings. CCS then provides a written decision including the CMS rationale to the requestor once a determination is made by CMS.

CMS Publication of NCCI Edits and Other Documents:

Medicare and Medicaid have separate web pages for their NCCI programs. All Medicare and Medicaid NCCI PTP edits are published on the CMS websites. Most Medicare and all Medicaid MUE edits are published on the CMS websites. Medicare has a small number of confidential MUEs which are not published. The edit files and various other NCCI related documents contained on the CMS websites are available for download by providers and other interested parties at no cost.

Use of NCCI by Third-Party Payers Other Than Medicare and Medicaid:

Because the edits utilize HCPCS and CPT codes, recognized by HIPAA as the national standard procedure code set, and because the vast majority of these edits are published by CMS, it might appear that they could be easily used by all third-party payers for code editing. Some third-party payers other than Medicare and Medicaid fee-for-service programs attempt to utilize NCCI either by direct download from the CMS websites or by purchasing it from commercial vendors who have no relationship to CCS or the CMS NCCI program. Unfortunately, CCS occasionally receives complaints from providers regarding the incorrect application of the NCCI methodologies and NCCI PTP and/or MUE edits by these third-party payers. Complaints include, but are not limited to, misapplication of edits, not allowing proper use of modifiers, and payment of the wrong code.

Implications to Federal NCCI Program Resulting From Misuse of NCCI by Other Third-Party Payers:

Use of NCCI by the Medicare and Medicaid programs has been accepted in general by the provider community. The process of edit development, claims adjudication, and reconsideration/appeal of claim denials due to NCCI PTP and MUE edits are generally viewed as fair and transparent. Misuse of NCCI by other third-parties creates dissatisfaction that reflects adversely on the Federal programs' use of NCCI.

Costs Savings and Additional Costs Resulting from Implementation of the NCCI Program by Third-Party Payers Other Than Fee-For-Service Medicare and Medicaid:

If implementation of the NCCI program by third-party payers is uniform with all payers required to use the same edit databases and claims adjudication rules applied to the same types of providers, the administrative simplification could be expected to save money for providers. It would also likely reduce the number of inappropriate claim payments by healthcare plans. However, there are costs associated with implementing the NCCI program. Since NCCI program edits are applied during the electronic claims processing procedure, third-party payers will incur costs of writing and incorporating software into their systems to apply the NCCI program edits. There may also be costs associated with

provider appeals of denied claims. Additionally, there will be administrative costs related to provider education, customer service, edit file maintenance, etc. These costs could be substantial and could create problems for smaller third-party payers.

Transferability Issues:

Many lessons were learned during the process of transferring the Medicare NCCI methodologies to the Medicaid program. It was necessary to define the edit sets, the claim adjudication rules, and applicability to different types of services. Updated quarterly NCCI PTP and MUE edit databases for Medicaid were synchronized to the NCCI changes in the Medicare edit databases. CMS with the assistance of CCS is helping States understand the edits, claim adjudication rules, and applicability of the edits to different types of services. CMS with the assistance of CCS is also developing Medicaid edits for HCPCS codes not used by the Medicare fee-for-service program.

If NCCI methodologies were transferred to third-party payers other than Medicare and Medicaid fee-for-service payers, similar issues would need to be addressed. Some specific issues are worthy of additional comment:

- (1) Whereas the vast majority of NCCI PTP and MUE edits could be applicable to most third-party payers, some edits may not be applicable and could be very problematic for both third-party payer and provider if they are not appropriately deactivated or otherwise modified. Some edits may not be applicable because the third-party insurance plan may have differing payment policies, coding policies/instructions, or claim submission rules. For example, insurers may vary widely with respect to billing codes for “per-month” items. Some may require a single date of service while others may require a span date both of which would be impacted by an MUE value.
- (2) Third-party payers, other than Medicare and Medicaid, use some HCPCS codes not used by the Medicare and/or Medicaid programs. The NCCI PTP and MUE edit databases do not include edits for these codes. If NCCI PTP and MUE edits were to be developed for these codes, they should be based on the same principles as the other NCCI PTP and MUE edits.
- (3) Use of NCCI PTP and MUE edits require that very specific claims adjudication rules be utilized correctly and consistently. For example, third-party payers using NCCI must accept and allow the correct application of modifiers to convey circumstances which allow for the bypass of particular edits. Correct Coding Solutions, LLC has received complaints from providers inappropriately denied payment for a service by a third-party payer, other than fee-for-service Medicare or Medicaid, which claims to be utilizing NCCI methodologies and edits, but is not recognizing/allowing use of NCCI-associated modifiers, such as modifier 59. Thus, services which would have been allowed by Medicare/Medicaid NCCI edits are incorrectly denied by the third-party payer with a reason code inappropriately indicating that the NCCI edits prevented payment.

- (4) Medicare and Medicaid NCCI PTP and MUE edits are applied to specific types of services performed by specific types of providers. They are not applied to all services and all providers. If the edits are applied incorrectly to certain types of services or providers, inappropriate denial of services may occur.

Migrating Medicare/Medicaid NCCI Program to Other Third-Party Payers:

There are several questions that must be considered if Medicare or Medicaid NCCI PTP and MUE edits are to be applied to other third party claims.

- (1) Would other third-party payers accept the CMS and NCCI coding and payment principles upon which the edits are based?
- (2) Would a common edit database need to be developed for the non-Medicare, non-Medicaid NCCI PTP and MUE edits?
- (3) Would changes to the other third-party edit database need to be synchronized to the quarterly updates of Medicare and Medicaid NCCI PTP and MUE databases?
- (4) If third-party payers are allowed to overlay their own unique edits related to same date of service, same provider, same beneficiary PTP or units of service edits, would those edits need to comply with NCCI coding principles? If this were not required, it would reduce the administrative simplicity unless the third-party payer edits were less restrictive than the Medicare/Medicaid edits.
- (5) Would third-party payers be allowed to deactivate edits inconsistent with their payment or coding policies?
- (6) Since healthcare organizations, providers, or other interested parties may request reconsideration of a Medicare or Medicaid NCCI PTP or MUE edit, should there be a similar process for the edits unique to the non-Medicare, non-Medicaid NCCI PTP and MUE edit database?

Conclusion:

The NCCI PTP and MUE edit programs have worked well for the Medicare program and are applied uniformly by Medicare claims processing contractors. The Medicare NCCI methodologies have been transferred into the Medicaid program successfully, but it has required a great deal of effort and many lessons have been learned and continue to be learned as we move forward. While the potential does exist to provide greater uniformity, transparency, and cost savings by transferring the Medicare and/or Medicaid NCCI PTP and MUE edit methodologies to other third-party payers, the task would be challenging, needs to be well planned, and would require the cooperation of a wide variety of stakeholders.