

National Committee on Vital and Health Statistics

TESTIMONY ON NATIONAL CORRECT
CODING INITIATIVE (NCCI)

ORAL TESTIMONY

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Good morning. Thank you Chairwoman Carr and members of the NCVHS 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. Because of time limitations for my testimony, I have submitted separate written testimony which coordinates with my slides and provides a more thorough discussion of each of the issues. In the short amount of time I have, I will explain the Medicare NCCI program and how lessons learned from transferring it to the Medicaid program provides guidance if NCCI were transferred to other third party payers.

Background Information on Presenter:

My name is Niles Rosen. I am a licensed physician, board certified in pathology, and have been the national contractor medical director for the CMS NCCI since 1997.

NCCI, CMS, and CCS:

CMS owns NCCI and determines its contents. The NCCI contractor advises CMS about NCCI issues, develops new edits, modifies existing edits, produces quarterly edit file updates, and handles correspondence.

Definition of an Edit:

An edit is a claims processing rule. NCCI consists of two types of edits which I will discuss in a moment. It does not contain a broad range of different types of edits.

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. The Medicaid edits are based on the Medicare NCCI edits. The NCCI program is utilized for fee-for-service Medicare and Medicaid claims.

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 edit, or PTP edit, which consists of a pair of HCPCS codes that should not be reported together. For example, it would not be appropriate to bill both a vaginal hysterectomy CPT code and an abdominal hysterectomy CPT code since the procedure can be performed in only one way.

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. These 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.

History of NCCI and Types of Service Impacted:

CMS first implemented the NCCI PTP edits in the Medicare program in 1996.

In the year 2000, CMS expanded NCCI PTP edits to Medicare’s outpatient hospital claims subject to the Outpatient Prospective Payment System (OPPS) methodology.

In 2007 CMS implemented the Medicare MUE edits for practitioner services, outpatient hospital services, and durable medical equipment claims

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 **extremely important** to note that NCCI *methodologies* differ from the NCCI edit databases in that the methodologies define **most importantly** the claims adjudication rules and provider types subject to the edits in addition to the edit sets.

Quarterly Updates, Edit Development Process, Transparency:

The Medicare and Medicaid NCCI & MUE edit databases are updated the first day of each calendar quarter.

The edit development process is transparent. Prior to adding or modifying most NCCI edits, the proposed edit changes are released for a sixty day review and comment period to interested national healthcare organizations. Over 100 organizations participate in this process. CMS reviews all comments received regarding edit proposals before edits are implemented.

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 or MUE edit. CMS makes determinations about the requests.

CMS Publication of NCCI Edits and Other Documents:

Medicare and Medicaid have separate web pages for their NCCI programs. Most Medicare and all Medicaid NCCI and MUE edits are published on the CMS websites. The edit files and various other NCCI related documents posted on the CMS websites are available for download by interested parties at no cost.

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

Because the vast majority of these edits are published by CMS, 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 Correct Coding Solutions (CCS) or the CMS NCCI program. Unfortunately,

CCS occasionally receives complaints from providers regarding the incorrect application of the NCCI edits by third-party payers using **incorrect** claim adjudication logic. Claim adjudication logic is one of the three components of an NCCI methodology.

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 and MUE edits are generally viewed as fair and transparent. Misuse of NCCI by other third-party payers using incorrect claim adjudication logic creates dissatisfaction because the third-party payer blames the incorrect claim denial on NCCI when in fact it is due to erroneous use of the NCCI claim adjudication logic by the third party payer. This reflects adversely on the Federal programs' use of NCCI.

Transferability Issues:

Many lessons were learned during the process of transferring the Medicare NCCI methodologies to the Medicaid program. Similar issues would need to be addressed if NCCI methodologies were transferred to other third party payers.

- (1) Would a separate edit database need to be developed? Just as some Medicare NCCI edits were not appropriate for Medicaid programs, some Medicare NCCI edits might not be appropriate for other third party payers. Additionally edits would need to be added for HCPCS codes used by other third party payers that are not used by Medicare or Medicaid State programs.
- (2) It would be **absolutely necessary** that NCCI methodology claims adjudication rules be utilized correctly and consistently? Otherwise, incorrect claim denials are likely to occur. **Misuse of these rules is the most common complaint about misuse of NCCI by other third party payers.**
- (3) Would third party payers be required to apply the NCCI edits to appropriate types of services? Otherwise, incorrect claim denials are likely to occur.

- (4) Updated quarterly NCCI edit databases for Medicaid are synchronized to the NCCI changes in the Medicare edit databases. Would the same synchronization be done for the edit databases for other third party payers?
- (5) Would third-party payers be allowed to deactivate edits inconsistent with their payment or coding policies?
- (6) Would third party payers be allowed to overlay their own unique edits related to same date of service, same provider, same beneficiary PTP or units of service edits, and if so, would those edits need to comply with NCCI coding principles?

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 third-party payers were required to use the NCCI edit databases, NCCI claims adjudication rules, and apply them to the appropriate types of providers, the administrative simplification could be expected to save money for providers. It would 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 electronic claims processing, third-party payers will incur costs of writing and integrating 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.

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. While the potential does exist to provide greater uniformity, transparency, and cost savings by transferring the Medicare and/or Medicaid NCCI edit

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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.

I would be pleased to answer questions. Thank you.