

**Questions and Answers**  
**Section 6507 of the Affordable Care Act, NCCI Methodologies**  
**August 2010**  
**Updated January 2012**

**Q. What guidance is State Medicaid Director Letter (SMDL) #10-017 implementing?**

**A.** This SMDL is one of a series intended to provide guidance on the implementation of the Patient Protection and Affordable Care Act (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”, which were signed into law on March 23, 2010. In this SMDL, the Centers for Medicare & Medicaid Services (CMS) is providing guidance and establishing policy in support of implementation of section 6507, “Mandatory State Use of National Correct Coding Initiative (NCCI)”, in Subtitle F, “Additional Medicaid Program Integrity Provisions”, Title VI, “Transparency and Program Integrity”.

**Q. What does section 6507 of the Affordable Care Act require of State Medicaid programs?**

**A.** Section 6507 of the Affordable Care Act requires each State Medicaid program to implement compatible methodologies of the NCCI, to promote correct coding, and to control improper coding leading to inappropriate payment. Specifically, 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, required that CMS notify States by September 1, 2010, of the NCCI methodologies that are “compatible” with claims filed with Medicaid, in order to promote correct coding and to control improper coding leading to inappropriate payment of claims under Medicaid.

CMS was also required to 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. In addition, CMS was required to inform States on how they must incorporate these methodologies for claims filed under Medicaid.

Section 1903(r)(1)(B)(iv), as amended, also required that States incorporate by October 1, 2010, compatible methodologies of the NCCI administered by the Secretary and other such methodologies as the Secretary identifies. This means that States were required to incorporate these methodologies for Medicaid claims filed on or after October 1, 2010.

CMS was also required to submit a report to Congress by March 1, 2011, that includes the September 1, 2010, notice to States and an analysis supporting these methodologies.

**Q. What is the NCCI?**

**A.** 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) / Current Procedural Terminology (CPT) codes. These codes are submitted on claim forms to Fiscal Agents for payment. NCCI policies and edits address 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.

**Q. What are NCCI methodologies and are these methodologies compatible with the Medicaid program?**

**A.** The NCCI methodologies include both NCCI Procedure-to-Procedures (PTP) edits and Medically Unlikely Edits (MUEs). The NCCI methodologies are made up of the following four components:

- a set of edits;
- a definition of types of claims subject to the edits;
- a set of claims adjudication rules for applying the edits; and
- a set of rules for addressing provider / supplier appeals of denied payments for services based on the edits.

CMS issued SMDL #11-003 on April 22, 2011, to state CMS policy on the requirement for appeals of claims for which payment was denied due an NCCI edit. The nature of the appeals process in each State is left to the discretion of the State's Medicaid agency.

CMS currently has five methodologies for Medicare Part B. These methodologies are the following:

1. NCCI PTP edits for practitioner and ambulatory surgical center (ASC) services.

2. NCCI PTP edits for outpatient hospital services (including emergency department, observation, and hospital laboratory services) for hospitals reimbursed through the hospital outpatient prospective payment system (OPPS). Edits are applied to all facility therapy services billed to the Medicare Fiscal Intermediary (Part A Hospital / Part B Practitioner Medicare Administrative Contractors processing claims with the Fiscal Intermediary Shared System).
3. MUE units-of-service edits for practitioner and ASC services.
4. MUE units-of-service edits for outpatient hospital services.
5. MUE units-of-service edits for supplier claims for durable medical equipment.

After review, CMS determined that these same five NCCI methodologies are compatible methodologies for claims filed in Medicaid.

**Q. What NCCI methodologies did CMS find that are not compatible with Medicaid that are currently being utilized in the Medicare program?**

- A. After extensive review, CMS found that all five of the NCCI methodologies currently used in Medicare are compatible for the Medicaid program. Therefore, CMS determined that the five NCCI methodologies currently in place in Medicare are compatible methodologies for claims filed in Medicaid and that these five methodologies must be incorporated in a State's Medicaid Management Information System (MMIS) to begin the process of editing provider's claims for claims filed on and after October 1, 2010.

CMS is working with the NCCI contractor to identify specific edits within the five methodologies which need to be modified or deleted for Medicaid. Also, additional methodologies specific to the Medicaid program are in development given the benefits available in Medicaid, but not in Medicare.

**Q. What if a new methodology is discovered that was not identified in SMDL #10-017?**

- A. CMS fully anticipates, and will continue to evaluate the application of, additional NCCI methodologies and / or edits that will achieve additional savings that are possible as a result of proper coding. Additional methodologies may be developed later and, if so, CMS will update States regarding the progress of NCCI methodologies in Medicaid moving forward.

**Q. What is an NCCI edit and how does it differ from an NCCI methodology?**

- A. NCCI edits are one component of the NCCI methodologies. The five NCCI methodologies currently contain approximately 1.3 million PTP edits and MUEs. The NCCI edits are defined as edits applied to claims for services performed by the same provider, for the same beneficiary, on the same date of service. Providers report procedures / services performed on beneficiaries utilizing HCPCS / CPT codes. These codes are submitted on claim forms to Fiscal Agents for payment.

The NCCI methodologies contain two types of edits:

1. NCCI procedure-to-procedure (PTP) edits define pairs of HCPCS / CPT codes that should not be reported together for a variety of reasons. These edits consist of a column one code and a column two code. If both codes are reported, the column one code is eligible for payment and payment for the column two code is denied. However, each PTP edit has an assigned modifier indicator, which provides information about whether a PTP-associated modifier may be used to bypass the edit, in appropriate circumstances, and allow payment for both the column one and column two codes. An indicator of “0” means that a modifier cannot be used to bypass the edit. An indicator of “1” means that a PTP-associated modifier, such as 25, 59, RT, LT, etc., may be used, if appropriate, to bypass the edit. An indicator of “9” means the edit has been deleted and the modifier indicator is not relevant.
2. Medically Unlikely Edits (MUEs) define for many HCPCS / CPT codes the maximum allowable number of units of service by the same provider, for the same beneficiary, for the same date of service, on the same claim line. Reported units of service greater than the MUE value are unlikely to be correct (e.g., a claim for excision of more than one gallbladder or more than one pancreas). Billed claim lines with a unit-of-service value greater than the established MUE value for the HCPCS / CPT code are denied payment in their entirety.

**Q. Upon analysis by States, what if an edit is found to be in conflict with a State law or regulation, but is currently included within an NCCI methodology?**

- A. CMS allows States to consider edits on an individual State-by-State basis. If a State determines that some portion of the 1.3 million edits in the Medicaid NCCI methodologies conflict with one or more State laws, regulations, administrative rules, or payment policies, CMS may allow a State to deactivate the conflicting edit(s). States are not afforded the flexibility to deactivate edits after March 31, 2011, because of a lack of operational readiness.

The first time that a State requests CMS approval for the State to deactivate a Medicaid NCCI edit, the State must submit to its CMS Regional Office a Medicaid NCCI Advance Planning Document (APD) with sufficient primary source documentation of the State law, regulation, administrative rule, or payment policy the edit conflicts with. Subsequent requests do not require an APD.

**Q. Upon analysis by States, what if one or more edits are found that are necessary to improve correct coding within a State's Medicaid program, but are not currently included within an NCCI methodology?**

A. States are free to apply their own edits, in addition to the Medicaid NCCI edits, that meet the intent of the statute and would improve correct coding within their Medicaid programs. If such State edits result in additional savings to the State's Medicaid program by promoting correct coding and reducing the error rate for claims payments, the State should recommend that CMS add these edits to one or more of the sets of Medicaid NCCI edits.

**Q. What does CMS provide to States in order to implement NCCI in Medicaid?**

A. The CMS provides States the Medicaid NCCI edit files for downloading on a quarterly basis. These files are available for downloading by States on the Medicaid Integrity Institute (MII) website on a secure portal (RISSNET), which is funded by the U.S. Department of Justice. The files are available in three file formats: Fixed-width ASCII text, Tab-delimited ASCII text, and Excel 2007. The files are complete replacements of the files for the previous calendar quarters.

CMS also provides files identifying the additions, deletions, and revisions to the NCCI edits from the previous quarter to the current quarter. These files are posted to the MII website on the RISSNET portal in Excel 2007 and tab-delimited ASCII text formats.

The following public documents are posted on the Medicaid NCCI webpage on the Medicaid.gov website.

- **NCCI Edit Files.** The most recent versions are posted in tab-delimited ASCII text and Excel 2007 file formats. These documents are intended for use by other interested parties, e.g., providers.
- **Change Reports.** These documents identify the changes to the NCCI edits from the previous quarter to the current quarter. These reports are posted in Excel 2007 and tab-delimited ASCII text formats.
- *NCCI Edit Design Manual.* This manual describes in detail the contents of the NCCI edit files that are posted to the MII and Medicaid.gov websites. It also includes information about file names, edit characteristics, and claim adjudication algorithms.
- *National Correct Coding Initiative Policy Manual for Medicaid Services.* This manual is helpful in understanding the policies on which the PTP edits and MUEs are based and will assist staffs in customer service, medical review, and appeals.

- *NCCI Correspondence Language Manual*. This manual provides information about the Correspondence Language Example Identification Number (CLEID), which is associated with each PTP edit and MUE. The CLEID provides general information about the rationale for the edits, which can be used to help educate providers about the edits.
- Modifier 59 Article. This article provides information about the appropriate use of this modifier in relation to NCCI PTP edits.

**Q. What funding is available to States to implement section 6507 of the Affordable Care Act?**

- A.** Section 1903(r) of the Social Security Act (the Act), as amended by section 6507 of the Affordable Care Act, describes the functionality of a State's MMIS system or a State's information retrieval and automated claims payment processing system. With the enactment of this section, State MMISs must include Medicaid NCCI methodologies as part of their functionality. Section 1903(a)(3) of the Act provides CMS with the authority to provide enhanced Federal financial participation (FFP) to States for the design, development, installation, and maintenance of the State's MMIS system. Thus, in considering revisions to a State's MMIS, CMS is authorized to provide 90 percent FFP to States to incorporate Medicaid NCCI methodologies into the State's MMIS.

CMS will utilize the current APD process for requesting such funding for a State MMIS. States should work with their respective CMS Regional Offices to request enhanced FFP through submission of a Medicaid NCCI APD.