

Questions and Answers
Section 6507 of the Affordable Care Act, NCCI Methodologies
August 2010
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Q. What guidance is State Medicaid Director Letter (SMDL) #10-017 implementing?

A. This SMDL is one of a series of SMDLs 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 are made up of the following four components:
- sets of edits;
 - definitions of types of claims subject to the edits;
 - sets of claim-adjudication rules for applying the edits; and
 - sets of rules for addressing provider / supplier appeals of denied payments for services based on the edits.

The NCCI methodologies include both NCCI Procedure-to-Procedures (PTP) edits and Medically Unlikely Edits (MUEs).

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 to 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 services (including emergency department, observation, and hospital laboratory services) in 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 services in hospitals.
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. A sixth methodology was added in 2013 for Medicaid: NCCI PTP edits for Durable Medical Equipment (DME).

Q. What NCCI methodologies did CMS find that are not compatible with Medicaid and 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 claims filed on and after October 1, 2010.

CMS works with the NCCI contractor to identify specific edits within the five methodologies which need to be modified or deleted for Medicaid. Also, edits are developed for the Medicaid NCCI program for services and items that are not covered or not separately *payable* by Medicare. A sixth methodology was added in 2013 for Medicaid: NCCI PTP edits for Durable Medical Equipment (DME).

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 six Medicaid NCCI methodologies currently contain over one 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 on 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 number of units of service that are under most circumstances billable by the same provider, for the same beneficiary, on the same date of service. 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 an edit in the Medicaid NCCI methodologies conflicts with one or more state laws, regulations, administrative rules, or payment policies, the state can request permission from CMS to deactivate the conflicting edit. States are not afforded the flexibility to deactivate edits after March 31, 2011, due to 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. However, these state-specific edits should not be characterized as NCCI edits. 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. 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). 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.

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), not by state Medicaid agencies.
- **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 rules.
- ***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.
- NCCI FAQs update. Frequently-asked questions regarding Medicaid NCCI.
- *Report to Congress on Implementation of the National Correct Coding Initiative in the Medicaid Program.* An overview of the Medicaid NCCI program.

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. 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 states to request such funding for a state’s MMIS. States should work with their respective CMS Regional Offices to request enhanced FFP through submission of a Medicaid NCCI APD.

Q: Are all Medicaid Procedure-to-Procedure (PTP) edits and Medically Unlikely Edits (MUEs) published and available to states and providers on the CMS website?

- A:** All currently active and previously active Medicaid Procedure-to-Procedure (PTP) edits are published on the Medicaid.gov website. Medicaid Medically Unlikely Edits (MUEs) that are active for dates of service in the current quarter are published on the Medicaid.gov website; previous MUEs with deletion dates prior to the current quarter are not included.

States and providers must be aware that there are a number of differences between Medicaid and Medicare NCCI edits. For example:

- Medicare has some non-published / confidential MUEs. However, there are NO confidential or non-published edits in the Medicaid NCCI program at this time.
- MUEs for the same code may have different values in the Medicare and Medicaid NCCI programs.
- The Medicaid NCCI program has PTP edits for durable medical equipment; the Medicare NCCI program does not.

- The Medicaid NCCI program has PTP edits and MUEs for codes that are not covered or not separately payable by the Medicare program.

It is important that states and providers use the correct website to obtain the Medicaid PTP edit and MUE files. States and providers sometimes access the Medicare NCCI section of the CMS.gov website to obtain the NCCI edit files, rather than the Medicaid NCCI section of the Medicaid.gov website. It is important to note, there are two separate NCCI pages, one for each program. Conducting a general search of “NCCI” or “National Correct Coding Initiative” directly from the CMS.gov website will take the user to the Medicare page, not the Medicaid page. States and providers should be directed to the Medicaid.gov website to obtain Medicaid-related NCCI information and edit files. The specific link to the NCCI section of the Medicaid.gov website is: <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Data-and-Systems/National-Correct-Coding-Initiative.html>. The edit files are located in hyperlinks in the section of the Medicaid NCCI webpage entitled “Medicaid NCCI Edit Files”.

States should ensure that they or their vendor are using the appropriate Medicaid NCCI edits to adjudicate Medicaid claims.

Q: If a provider receives a denial that is attributed to an NCCI PTP edit or MUE, can the provider verify the edit on the Medicaid NCCI webpage on the Medicaid.gov website?

A: As discussed above, all currently active Medicaid PTP edits and MUEs are published on the Medicaid NCCI webpage on the Medicaid.gov website – i.e., all edits that are applicable to claims with dates of service in the current calendar quarter.

- The PTP edit files that are posted on the Medicaid NCCI webpage on the Medicaid.gov website also contain historical information – i.e., they contain the effective date of every edit and the deletion date of prior edits. This information can be used to verify whether a particular PTP edit was valid on the date of service (DOS) of the claim in question and whether use of a PTP-associated modifier would allow the claim to bypass the edit.
- The MUE files on the Medicaid NCCI webpage on the Medicaid.gov website identify the edits that are applicable to claims processed in the current quarter and with dates of service in the current quarter. They do not contain historical information – i.e., they do not contain the effective dates of current edits nor do they include prior edits that have been deleted or revised. However, that information is available to the states in the files that a state downloads from the MII website. Providers who want to verify whether there was an MUE and what the value was for that MUE on a DOS prior to the current quarter would need to contact the state.

As discussed above, it is imperative that providers access the Medicaid NCCI edit files on the Medicaid NCCI webpage on the Medicaid.gov website and not the Medicare NCCI edit files, as there are significant differences between the two sets of files.

If providers are reporting NCCI-related denials that are not appearing in the Medicaid NCCI edit files, the state should contact their vendor or check their system to determine the origin of the edit. If the edit is not part of the Medicaid NCCI PTP edit or MUE file sets, the denial may not be attributed to NCCI. States have the flexibility to create other procedure-to-procedure edits or units-of-service edits, but should be using state-specific denial messages for these edits, not NCCI-related denial messages.

Q: Some vendors have been referring state Medicaid agencies to page 8 of State Medicaid Director Letter #10-017 regarding confidentiality and the differences between the CMS website and the NCCI data files. This statement appears to indicate that the data on the CMS website does not contain all information in the NCCI data files.

“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 Medicaid NCCI edit file information available on the CMS website will not contain all information in the Medicaid NCCI methodology files provided to the states.”

A: As discussed above, the Medicaid edit files that are found on the Medicaid NCCI webpage on the Medicaid.gov website contain all Medicaid PTP edits and MUEs that are active for dates of service in the current quarter. There are currently no “confidential” Medicaid NCCI edits. The above statement continues to be true to the extent that it refers to the actual edits themselves, not as it relates to certain data fields.

Note: States or Medicaid COTS vendors should not need to access the complete PTP edit and MUE files that are posted on the Medicaid.gov public website. Those files are intended for use by providers and other interested parties. States should download the complete Medicaid NCCI edit files for PTP edits and MUEs that are posted on the MII website on the RISSNET portal on a quarterly basis and use those as a complete replacement for the prior quarter’s set of edits. If a state uses a COTS vendor to implement its NCCI edits, the state should provide the vendor with the files that the state downloads from the MII website.