

# Payment Policy: Code Editing Overview

Reference Number: LA.PP.011

Effective Date: 08/2020

[Coding Implications](#)

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[Revision Log](#)

[See Important Reminder at the end of this policy for important regulatory and legal information.](#)

## Policy Overview

The purpose of this policy is to serve as a reference guide for general coding and claims editing information.

## Application

This policy applies to facility and professional claims.

## Policy Description

### Code Editing Overview

Louisiana Healthcare Connections uses HIPAA-compliant code editing software for physician and outpatient facility coding verification. The software detects, corrects, and documents coding errors on provider claims prior to payment by analyzing CPT, HCPCS, ICD-10, modifier and place of service codes against correct coding guidelines. These principles are aligned with a correct coding “rule.” When the software audits a claim that does not adhere to a coding rule, a recommendation known as an “edit” is applied to the claim.

While code editing software is a useful tool to ensure provider compliance with correct coding, it does not wholly evaluate all clinical patient scenarios. Consequently, the Health Plan uses clinical validation by a team of experienced nursing and/or coding experts to further identify claims for potential billing errors. Clinical validation allows for consideration of exceptions to correct coding principles and may identify where additional reimbursement is warranted. For example, clinicians review all claims billed with modifiers -25 and -59 for clinical circumstances which justify separate reimbursement for the service performed.

### CPT and HCPCS Coding Structure

CPT codes are a component of the Healthcare Common Procedure Coding System (HCPCS). The HCPCS system was designed to standardize coding to ensure accurate claims payment and consists of two levels of standardized coding. Current Procedural Terminology (CPT) codes belong to the Level I subset and consist of the terminology used to describe medical terms and procedures performed by health care professionals. CPT codes are published by the American Medical Association (AMA). CPT codes are updated (added, revised or deleted) on an annual basis.

1. **Level I HCPCS Codes (CPT):** This code set is comprised of CPT codes that are maintained by the AMA. CPT codes are a 5-digit, uniform coding system used by providers to describe medical procedures and services rendered to a patient. These codes are then used to bill health insurance companies.

2. **Level II HCPCS Codes:** The Level II subset of HCPCS codes is used to describe supplies, products and services that are not included in the CPT code descriptions (durable medical equipment, orthotics, prosthetics, etc.). Level II codes are an alphabetical coding system and are maintained by CMS. Level II HCPCS codes are updated on an annual basis.
3. **Miscellaneous/Unlisted Codes:** These codes are a subset of the Level II HCPCS coding system and are used by a provider or supplier when there is no existing CPT code to accurately represent the services provided. Claims submitted with miscellaneous codes are subject to a manual review. To facilitate the manual review, providers are required to submit medical records with the initial claims submission. If the records are not submitted, the provider receives a denial indicating that medical records are required. Providers billing miscellaneous codes must submit medical documentation that clearly defines the procedure performed including, but not limited to, office notes, operative report, and pathology report and related pricing information. Once received, a registered nurse reviews the medical records to determine if there was a more specific code(s) that should have been billed for the service or procedure rendered. Clinical validation also includes identifying other procedures and services billed on the claim for correct coding that may be related to the miscellaneous code. For example, if the miscellaneous code is determined to be the primary procedure, then other procedures and services that are integral to the successful completion of the primary procedure should be included in the reimbursement value of the primary code.
4. **Temporary National Codes:** These codes are a subset of the Level II HCPCS coding system and are used to code services when no permanent, national code exists. These codes are considered *temporary* and may only be used until a permanent code is established. These codes consist of G, Q, K, S, H and T code ranges.
5. **HCPCS Code Modifiers:** Modifiers are used by providers to include additional information about the HCPCS code billed. On occasion, certain procedures require more explanation because of special circumstances. For example, modifier -24 is appended to evaluation and management services to indicate that a patient was seen for a unrelated to a previously billed surgery for which there is a global period, by the same physician or other qualified health care professionals.
6. **International Classification of Diseases (ICD-10):** These codes represent classifications of diseases. They are used by healthcare providers to classify diseases and other health problems.
7. **Revenue Codes:** These codes represent the location where services were performed in a hospital or the type of services received. These codes are billed by institutional providers. HCPCS codes may be required on the claim in addition to the revenue code.

## **Reimbursement**

### **Code Editing and the Claims Adjudication Cycle**

Code editing is the final stage in the claims adjudication process. Once a claim has completed all previous adjudication phases (such as benefits and member/enrollee/provider eligibility review), the claim is ready for analysis.

As a claim progresses through the code editing cycle, each service line on the claim is processed through the code editing rules engine and evaluated for correct coding. As part of this

evaluation, the prospective claim is analyzed against other codes billed on the same claim as well as previously paid claims found in the member/enrollee/provider history.

Depending upon the code edit applied, the software may make the following recommendations:

**Deny:** Code editing rule recommends denial of a service line. The appropriate explanation code is documented on the provider's explanation of payment along with reconsideration/appeal instructions.

**Pend:** Code editing rule recommends that the service line pend for clinical review and/or validation. This review may result in a pay or deny recommendation. The appropriate decision is documented on the provider's explanation of payment along with reconsideration/appeal instructions.

**Replace and Pay:** Code editing rule recommends the denial of a service line and a new line is added and paid. In this scenario, the original service line is left unchanged and a new line is added to reflect the software's recommendations. For example, an incorrect CPT code is billed for the member's/enrollee's age. The software denies the original service line billed by the provider and add a new service line with the correct CPT code, resulting in a paid service line. This action does not alter or change the provider's billing, as the original billing remains on the claim.

### **Claims Editing Software Updates**

The claims editing software is updated quarterly to incorporate the most recent medical practices, coding principles, industry standards and annual changes to the CPT and CMS guidelines

### **Edit Sources**

The claims editing software application contains a comprehensive set of rules addressing coding inaccuracies such as: unbundling, frequency limitations, fragmentation, up-coding, duplication, invalid codes, mutually exclusive procedures and other coding inconsistencies. Each rule is linked to a generally accepted coding principle. Guidance surrounding the most likely clinical scenario is applied. This information is provided by clinical consultants, health plan medical directors, research and etc.

The software applies edits that are based on the following sources:

- Centers for Medicare & Medicaid Services' (CMS) National Correct Coding Initiative (NCCI) for professional and facility claims. The NCCI edits include column 1/column 2, medically unlikely edits (MUE), mutually exclusive and outpatient code editor (OCE) edits. These edits were developed by CMS to control incorrect code combination billing contributing to incorrect payments.
- Public domain specialty society guidance (i.e., American College of Surgeons, American College of Radiology, American Academy of Orthopedic Surgeons).
- CMS Claims Processing Manual
- CMS Medicaid NCCI Policy Manual
- State Provider Manuals, Fee Schedules, Periodic Provider Updates (bulletins/transmittals)
- CMS coding resources, such as HCPCS Coding Manual, National Physician Fee Schedule, Provider Benefit Manual, Claims Processing Manual, MLN Matters and Provider Transmittals
- AMA resources
  - CPT Manual
  - AMA Website

- Principles of CPT Coding
- Coding with Modifiers
- CPT Assistant
- CPT Insider's View
- CPT Assistant Archives
- CPT Procedural Code Definitions
- HCPCS Procedural Code Definitions
- Billing Guidelines Published by Specialty Provider Associations
  - Global Maternity Package data published by the American Congress of Obstetricians and Gynecologists (ACOG)
  - Global Service Guidelines published by the American Academy of Orthopedic Surgeons (AAOS)
- State-specific policies and procedures for billing professional and facility claims
- Health Plan policies and provider contract considerations

### **Code Editing Software**

- ClaimsXten
  - ClaimsXten™ is a rule-based software application that edits submitted claims for adherence to Louisiana Healthcare Connections medical coverage policies, reimbursement coverage policies, benefit plans, and industry-standard coding practices based mainly on Centers for Medicare & Medicaid Services (CMS) and American Medical Association (AMA) guidelines.
  - ClaimsXten facilitates accurate claim processing for medical and behavioral claims submitted on a CMS 1500 claim form and for certain claims submitted on a UB04 claim form. Code editing within ClaimsXten is based on assumptions about the most common clinical scenarios for services performed by a health care professional for the same patient, and the logic within ClaimsXten is based on a thorough review by doctors of current clinical practices, specialty society guidance, and industry standard coding.
- Cotiviti
  - Cotiviti PCI offers claims editing solutions that validate, identify and review claims to comprehensively address Fraud Waste and Abuse.
  - Cotiviti PCI claim review reduces waste and improves payment accuracy. This process detects common errors such as duplicates, improper frequency, the unbundling of services, and inappropriate modifier use.
  - Cotiviti PCI uses clinical validation by a team of experienced nursing and coding experts to further identify claims for potential billing errors. Clinical validation allows for consideration of exceptions to correct coding principles and may identify where additional reimbursement is warranted. For example, clinicians review all claims billed with modifiers -25 and -59 for clinical scenarios which justify payment above and beyond the basic service performed.

### **Claims Editing Principles**

Unbundling:

*CMS National Correct Coding Initiative*

<https://www.cms.gov/Medicare/Coding/NationalCorrectCodInitEd/index.html>

CMS developed the correct coding initiative to control erroneous coding and prevent inaccurate claims payment. CMS NCCI edits consist of Procedure to Procedure (PTP) edits for physicians and hospitals and Medically Unlikely Edits for professionals and facilities.

***PTP Practitioner and Hospital Edits***

CMS has designated certain combinations of codes that should not be billed together. CMS developed the Procedure to Procedure (PTP), also known as Column I/Column II, edits to detect incorrect claims submitted by medical providers. The column I procedure code is the most comprehensive code and reimbursement for the column II code is subsumed into the payment for the comprehensive code. The column II code is considered an integral component of the column I code. While these codes should not typically be billed together, there are circumstances when an NCCI modifier may be appended to the column II code to identify a significant and separately identifiable or distinct service. When these modifiers are billed, clinical validation will be performed.

PTP for practitioner edits are applied to claims submitted by physicians, non-physician practitioners and ambulatory surgical centers (ASC). PTP hospital edits apply to hospitals, skilled nursing facilities, home health agencies, outpatient physical therapy and speech-language pathology providers and comprehensive outpatient rehabilitation facilities.

***Medically Unlikely Edits (MUEs) for Practitioners, DME Providers and Facilities***

MUEs reflect the maximum number of units that a provider would typically bill for a single member/enrollee on a single date of service. These edits are based on CPT/HCPCs code descriptions, anatomic specifications, the nature of the service/procedure, the nature of the analyte, equipment prescribing information and clinical judgment.

***Code Bundling Rules Not Sourced To CMS NCCI Guidelines***

Many specialty medical organizations and health advisory committees have developed rules around how codes should be used in their area of expertise. These rules are published and are available for use by the public domain. Procedure code definitions and relative value units are considered when developing these code sets. Rules are specifically designed for professional and outpatient facility claims editing.

***Procedure Code Unbundling***

Two or more procedure codes are used to report a service when a single, more comprehensive should have been used. The less comprehensive code is denied.

***Mutually Exclusive Editing***

These are combinations of procedure codes that may differ in technique or approach but result in the same outcome. The procedures may be impossible to perform anatomically. Procedure codes may also be considered mutually exclusive when an initial or subsequent service is billed on the same date of service. The procedure with the highest RVU is considered the reimbursable code.

***Incidental Procedures***

These are procedure code combinations that are considered clinically integral to the successful completion of the primary procedure and should not be billed separately.

**Global Surgical Period Editing/Medical Visit Editing**

CMS publishes rules surrounding payment of an evaluation and management service during the global surgical period of a procedure. The global surgery data is taken from the CMS Medicare Fee Schedule Database (MFSDB).

Procedures are assigned a 000, 010 or 090-day global surgical period.

Procedures assigned a 90-day global surgery period are defined as major procedure. If an Evaluation and Management services is provided on the same date of service as a major surgical procedure to decide to perform the surgical procedure, then the E/M service would be separately reportable with using the Modifier 57, decision for Surgery. Any other E/M service provided on the same date of service are not separately reportable and would be included in the payment for the surgical procedure under the global period. E/M services for a major procedure (90-day period) that are reported 1 day preoperatively on the same date of service or during the 90-day postoperative period are not recommended for separate reimbursement.

Procedures assigned a 000 or 010 global surgical period are defined as minor procedures. E/M services that are reported with minor surgical procedures on the same date of service or during the 10-day global surgical period are not recommended for separate reimbursement. E/M services for established patients that are reported with surgical procedures that have a 0-day global surgical period are not recommended for reimbursement on the same day of surgery because there is an inherent E/M service included in all surgical procedures.

***Global Maternity Editing***

Global periods for maternity services are classified as “MMM” when an evaluation and management service is billed during the antepartum period (270 days), on the same date of service or during the postpartum period (45 days). E/M services are not recommended for separate reimbursement if the procedure code includes antepartum and/or postpartum care.

**Diagnostic Services Bundled to Inpatient Admission (3-Day Payment Window)**

This rule identifies outpatient diagnostic services provided to a member/enrollee within three days prior to and including the date of an inpatient admission. When these services are billed by the same admitting facility or an entity wholly owned or operated by the admitting facility, they are considered bundled into the inpatient admission and therefore are not separately reimbursable.

**Multiple Code Rebundling**

This rule analyzes if a provider billed two or more procedure codes when a single more comprehensive code should have been billed to represent all of the services performed.

**Frequency and Lifetime Edits**

The CPT and HCPCS manuals define the number of times a single code can be reported. There are also codes that are allowed a limited number of times on a single date of service, over a given

period of time or during a member’s/enrollee’s lifetime. State fee schedules also delineate the number of times a procedure can be billed over a given period of time or during a member’s/enrollee’s lifetime. A frequency edit is applied when the procedure code is billed in excess of these guidelines.

**Duplicate Edits**

Code editing evaluates prospective claims to determine if there is a previously paid claim for the same member/enrollee and provider in history that is a duplicate to the prospective claim. The software also looks across different providers to determine if another provider was paid for the same procedure, for the same member/enrollee on the same date of service. Finally, the software analyzes multiple services within the same range of services performed on the same day. An example of this scenario would be if a nurse practitioner and physician bill for office visits for the same member/enrollee on the same day.

**National Coverage Determination Edits**

CMS establishes guidelines that identify whether some medical items, services, treatments, diagnostic services or technologies can be paid under Medicare. These rules evaluate diagnosis to procedure code combinations.

**References:**

1. <https://www.cms.gov/files/document/medicare-ncci-policy-manual-2024-chapter-13.pdf>
2. <https://www.cdc.gov/nchs/icd/icd10.htm>
3. <https://www.cms.gov/files/document/mln907166-global-surgery-booklet.pdf>
4. <https://www.cms.gov/Regulations-andGuidance/Guidance/Manuals/downloads/clm104c12.pdf#page=36>
5. <https://www.cms.gov/medicare/payment/fee-schedules/physician/global-surgery-datacollection>
6. <https://www.cms.gov/Regulations-andGuidance/Guidance/Manuals/Downloads/clm104c12.pdf#page=67>

Revision Log	Revision Date	Approval Date
Converted corporate to local policy	03/2021	
Annual Review; Removed clinical and added payment policy in “Important Reminder” section	08/2022	
Annual Review; changed member to member/enrollee.	07/2023	9/13/2023
Annual Review; Updated paragraph 2 to include and/or; Updated Modifier 24 verbiage to meet AMA guidelines; Updated AMA & CMS Annual change process; Updated Global Surgery paragraph for clarification; Added references & links for support.	05/2024	7/16/2024

**Important Reminder**

This payment policy has been developed by appropriately experienced and licensed health care professionals based on a review and consideration of currently available generally accepted standards of medical practice; peer-reviewed medical literature; government agency/program approval status; evidence-based guidelines and positions of leading national health professional

organizations; views of physicians practicing in relevant clinical areas affected by this payment policy; and other available clinical information. LHCC makes no representations and accepts no liability with respect to the content of any external information used or relied upon in developing this payment policy. This payment policy is consistent with standards of medical practice current at the time that this payment policy was approved.

The purpose of this payment policy is to provide a guide to medical necessity, which is a component of the guidelines used to assist in making coverage decisions and administering benefits. It does not constitute a contract or guarantee regarding payment or results. Coverage decisions and the administration of benefits are subject to all terms, conditions, exclusions and limitations of the coverage documents (e.g., evidence of coverage, certificate of coverage, policy, contract of insurance, etc.), as well as to state and federal requirements and applicable LHCC administrative policies and procedures.

This payment policy is effective as of the date determined by LHCC. The date of posting may not be the effective date of this payment policy. This payment policy may be subject to applicable legal and regulatory requirements relating to provider notification. If there is a discrepancy between the effective date of this payment policy and any applicable legal or regulatory requirement, the requirements of law and regulation shall govern. LHCC retains the right to change, amend or withdraw this payment policy, and additional clinical policies may be developed and adopted as needed, at any time.

This payment policy does not constitute medical advice, medical treatment or medical care. It is not intended to dictate to providers how to practice medicine. Providers are expected to exercise professional medical judgment in providing the most appropriate care, and are solely responsible for the medical advice and treatment of members/enrollees. This payment policy is not intended to recommend treatment for members/enrollees. Members/Enrollees should consult with their treating physician in connection with diagnosis and treatment decisions.

Providers referred to in this payment policy are independent contractors who exercise independent judgment and over whom LHCC has no control or right of control. Providers are not agents or employees of LHCC.

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