ADVANCE PLANNING DOCUMENT (APD) TEMPLATE FOR IMPLEMENTATION OF THE NATIONAL CORRECT CODING INITIATIVE (NCCI) IN A STATE'S MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS)

Name of State: _____

Name of State Medicaid Agency: _____

Name of Contact in State Medicaid Agency: _____

E-Mail Address of Contact in State Medicaid Agency: _____

Telephone Number of Contact in State Medicaid Agency: _____

Date of Submission to CMS Regional Office: _____

DISCLAIMERS

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information by an agency of the Federal government, unless it displays a valid OMB control number.

For the definition of an Advance Planning Document (APD) in Federal regulations, see 45 CFR, Part 95, Subpart F.

A State is requested to submit this APD to its CMS Regional Office in accordance with:

- the State Medicaid Director letter, SMD #10-017, ACA #7, dated September 1, 2010, on the NCCI and

- the following Federal law and regulations regarding Medicaid systems operations and conditions for Federal financial participation (FFP):

    - Federal Social Security Act, Title XIX, 42 USC 1396 et seq.
    - 45 CFR Part 92
    - 45 CFR Part 95, Subpart F
    - 42 CFR Part 433, Subpart C
    - Part II, Section 11 of the Medicaid Manual
    - 45 CFR 205.37(a)(1)-(8)
    - 45 CFR 307.15.

The time required to complete this information collection is estimated to average one hour per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection.

A State must obtain prior written approval from the appropriate, authorized Federal agency before expending any funds that may be eligible for Federal financial participation (FFP).

45 CFR allows CMS a maximum of 60 days to review APDs before providing a response to a State.

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INTRODUCTION

The purpose of this document is to provide information and a template to States for submitting an Advance Planning Document (APD) to their CMS Regional Offices for implementing the National Correct Coding Initiative (NCCI) in their Medicaid programs. The process and requirements for implementing the NCCI in Medicaid are described in the State Medicaid Director letter on the NCCI, SMD #10-017, ACA #7, dated September 1, 2010.

This APD template incorporates both "planning" and "design, development, installation, and enhancement" activities for incorporating the NCCI into a State's Medicaid Management Information System (MMIS). It combines a "planning" APD and an "implementation" APD into one template. This template only applies to the NCCI.

To ensure that you have all required content for submission of this APD, please contact your CMS Regional Office.

A State should submit an APD to its CMS Regional Office with a cover letter signed by the appropriate State official who is authorized to commit State financial and other resources.

Part I of this APD template is to be used by a State to request CMS approval of Federal financial participation (FFP) for its expenditures for planning and implementing the Medicaid NCCI methodologies in its MMIS for the period March 23, 2010, to March 31, 2011.

Part II of this APD template is to be used by a State to request CMS approval of State deactivation of NCCI edits and / or Medically Unlikely Edits (MUEs) in the Medicaid NCCI methodologies for processing Medicaid claims with dates of service on or after April 1, 2011. None of these edits can be deactivated by a State after March 31, 2011, without prior CMS approval. This type of request must be submitted by a State to its CMS Regional Office no later than March 1, 2011, if it wishes to deactivate, or continue to deactivate, NCCI edits or MUEs by April 1, 2011.

If a State wishes to update or change its request after submitting Part I and / or Part II to its CMS Regional Office, the State only needs to submit to its CMS Regional Office an APD Update with the appropriate information and documentation for that Part of the APD.

Part III of the APD describes the information that a State is requested to report to its CMS Regional Office on its implementation of the Medicaid NCCI methodologies. A State is requested to report:

- if it does not pay its Medicaid claims on the basis of Healthcare Common Procedure Coding System (HCPCS) and Current Procedural Terminology (CPT) codes;

- the savings that the State has achieved in using the Medicaid NCCI methodologies in processing Medicaid claims each calendar quarter;

- by February 1, 2011, information on the edits that the State has deactivated from October 2010 through January 2011;

- information on the edits that the State has deactivated after March 31, 2011, for the remaining three calendar quarter in 2011; and

- information on other correct coding methodologies and edits that the State has added to its MMIS for each calendar quarter until the end of 2011.

PART I

REQUEST FOR CMS APPROVAL OF FEDERAL FINANCIAL PARTICIPATION (FFP)

PURPOSE OF PART I OF THIS APD

The purpose of Part I of this APD is for a State to request CMS approval of FFP for the design, development, installation, and enhancement of the State's Medicaid Management Information System (MMIS) for incorporation of the Medicaid National Correct Coding Initiative (NCCI) methodologies into the State's MMIS. A State Medicaid agency must submit an APD containing the information described below to its CMS Regional Office to request this approval.

CMS POLICY

Contingent upon the State's submission of the required information and documentation in Part I of this APD, CMS will approve FFP for State expenditures over the time period from March 23, 2010, to March 31, 2011, for the design, development, installation, and enhancement of the State's MMIS for the incorporation of all Medicaid NCCI methodologies into the State's MMIS. March 23, 2010, is the date of the signing of the Affordable Care Act. CMS requires all States to activate all NCCI edits and Medically Unlikely Edits (MUEs) in all five Medicaid NCCI methodologies for processing all Medicaid claims with a date of service on or after April 1, 2011 (with the exception of the deactivation of select edits previously approved by CMS).

The CMS will approve FFP only for past State expenditures since March 23, 2010, for which the State provides documentation of the activities performed for the above purpose that were funded by these expenditures.

SCOPE OF PART I OF THIS APD

The scope of Part I of this APD submitted by a State should include the State's planned and actual / past and future expenditures over the time period from March 23, 2010, to March 31, 2011, for both planning and implementation activities for the design, development, installation, and enhancement of the State's MMIS to incorporate the Medicaid NCCI methodologies into the State's MMIS.

States have flexibility to add edits beyond the NCCI edits. If this is the case, please identify the edits being added and describe the rationale, as this is helpful and useful information. However, State expenditures related to the implementation of edits that are **not NCCI** edits **must not be included in the State expenditures for which FFP is being requested**.

INFORMATION REQUIRED FOR SUBMISSION OF PART I OF THIS APD

Section I: Executive Summary

The Executive Summary consists of the Purpose of the Advance Planning Document, Background, and Organization.

Section II: Statement of Need and Requirements Analysis

The Statement of Need and Requirements Analysis presents a summary of project needs and objectives, including a summary of the alternatives considered, and a discussion of the anticipated benefits of the proposed approach. This is a statement of the State's needs and requirements for incorporating the Medicaid NCCI methodologies into its MMIS.

The State Medicaid Director Letter for NCCI, and its enclosures, lay out the required objectives and timeframes for States to meet the requirements of the NCCI statute. This section lays out what the State will need to do to meet these requirements and timeframes. This should include what efforts will be necessary and the rationale for those efforts.

Section III: Project Management Plan, Proposed Project Schedule, and Personnel Resource Statement

Project Management Plan

The Project Management Plan should include:

- a detailed description of the nature and scope of activities to be undertaken;
- the method used to accomplish the project, including products and deliverables;
- the project organization;
- procurement tasks and subtasks required to complete this project, project procurement activities, and procurement schedule, if procurement will be needed for this project; and
- State and contractor resource needs.

A table may be provided to lay out the proposed project organization. The table should include the core project team, State Medicaid agency staff, and augmentation / contractor staff. The project director / manager should be identified.

Proposed Project Schedule

The Proposed Project Schedule presents tasks and subtasks required to complete the objectives in the form of a proposed overall schedule. This section should present a proposed overall schedule of the tasks and subtasks required to meet the requirements.

The Proposed Project Schedule for NCCI should include the Project Schedule to implement all five Medicaid NCCI methodologies based on the timeline outlined in the SMDL. It should also include any project activities and milestones related to any request for deactivation of NCCI edits and MUEs that is being requested in Part II of this APD. Any such activities should be scheduled to allow for CMS approval of any and all deactivations of NCCI edits and implementation of those deactivations.

The Proposed Project Schedule may be displayed in a table (add rows as needed):

TASK	START DATE	FINISH DATE

Personnel Resource Statement

The Personnel Resource Statement identifies State and contractor staff resources and provides an estimate of total staffing requirements and costs. Staffing requirements for activities for which FFP is being requested in this APD should be specified in this section. If this APD includes a request for CMS approval to deactivate any NCCI edits, staffing requirements for that effort should be included.

TITLE / ROLE	FTE %	FTE #	COST
Core Planning Project Team			
Medicaid Agency Staff			
Augmentation Staff			
TOTALS			

Section IV: Estimated Total Project Cost, Prospective Cost Distribution, and Proposed Project Budget

The Estimated Total Project Cost and Prospective Cost Distribution present the total project cost and the overall request for Federal financial participation (FFP). This would include the total enhanced (90%) FFP and the total of any regular (50%) FFP. It should then give the requested Federal match amount and the State amount. The sum of these two amounts should equal the total project cost.

In addition, Section IV should specify the period over which the FFP will be claimed. This will correspond to the Proposed Project Schedule from Section III. The period of the FFP should cover March 23, 2010, to March 31, 2011. Documentation should be submitted that identifies which NCCI implementation activities were, are being, and will be performed by time period within these dates and the project costs associated with each of the activities by time period.

As specified in Circular A-87, a cost allocation plan must be included that identifies all participants and their associated cost allocation to depict non-Medicaid activities and non-Medicaid FTEs participating in this project, if any.

A table may be provided to lay out the proposed project budget. The table should include:

1. State Staff Costs (90% FFP)
2. Augmentation Staff Costs (90% FFP)
3. Non-Personnel Services Costs (90% FFP)
4. Training Costs (50% FFP) (State Medicaid Manual, Part 11, 11276.11)
5. Other Indirect Costs (50% FFP) (State Medicaid Manual, Part 11, 11276.9)

Please include any anticipated State-only costs.

	MEDICAID		

COMPONENT / RESOURCE	COSTS	PERCENT FEDERAL MATCH[1]	FEDERAL MATCH AMOUNT	STATE AMOUNT	NON-MEDICAID COSTS	TOTAL COSTS
State Staff Costs		90%				
Augmentation Staff Costs[2]		90%				
Direct Non-Personnel Costs		90%				
Indirect Personnel and Non-Personnel Costs		50%				
Training Costs[3]		50%				
Subtotals						
State-Only Costs (if any)		0%	$0			
Totals						

The total estimated cost of this effort is **$xxx**.

The amount of 90 percent FFP requested is **$xxx**.

The amount of 50 percent FFP requested is **$xxx**.

Section V: Assurances

Section V includes procurement activities, monitoring and reporting activities, including access to records, licensing, ownership of software and the safeguarding of information contained within the system.

[1] Refer to Part 11 of the *State Medicaid Manual* for a complete list of reimbursable costs.
[2] Please see "Contractual Services" in section 11265 of the *State Medicaid Manual*.
[3] State expenditures for the "training of personnel directly engaged in the operation of an MMIS" may be eligible for 75 percent FFP. Please discuss this with your CMS Regional Office.

These assurances are based on automated data processing equipment for mechanical claims processing, outlined in the Code of Federal Regulations (CFR) listed, the appropriate sections of the State Medicaid Manual (SMM).

Please indicate by checking "yes" or "no" whether or not the State will comply with the Code of Federal Regulations (CFR) and the State Medicaid Manual (SMM) citations.

Please provide an explanation for any "No" responses.

Procurement Standards (Competition / Sole Source)

SMM Section 11267	• Yes	• No
45 CFR Part 95.615	• Yes	• No
45 CFR Part 92.36	• Yes	• No

Access to Records

42 CFR Part 433.112(b)(5) – (9)	• Yes	• No
45 CFR Part 95.615	• Yes	• No
SMM Section 11267	• Yes	• No

Software & Ownership Rights, Federal Licenses, Information Safeguarding, HIPAA Compliance, and Progress Reports

45 CFR Part 95.617	• Yes	• No
42 CFR Part 431.300	• Yes	• No
45 CFR Part 164	• Yes	• No

PART II

REQUEST FOR CMS APPROVAL OF STATE DEACTIVATION OF EDITS CONTAINED IN THE MEDICAID NCCI METHODOLOGIES AFTER MARCH 31, 2011

PURPOSE OF PART II OF THIS APD

The State Medicaid Director letter, dated September 1, 2010, on the implementation of the NCCI in Medicaid, as required by Section 6507 of the Affordable Care Act, states that all States must incorporate and activate all NCCI edits and MUEs contained in all five Medicaid NCCI methodologies for all Medicaid claims with a date of service on or after April 1, 2011. A State can deactivate NCCI edits and / or MUEs in the Medicaid NCCI methodologies in its MMIS, but can never deactivate the Medicaid NCCI methodologies themselves in its MMIS.[4] However, after March 31, 2011, a State Medicaid agency can only deactivate, or continue to deactivate, any of the NCCI edits or MUEs in the Medicaid NCCI methodologies in its MMIS after receiving prior approval from CMS.

The purpose of Part II of this APD is for a State Medicaid agency to request approval from CMS to deactivate one or more NCCI edits and / or MUEs in the Medicaid NCCI methodologies in its MMIS. States which do not want to deactivate any edits contained in the Medicaid NCCI methodologies in its MMIS after March 31, 2011, do not have to complete or submit this Part of this APD.

A State must have submitted this Part of this APD to its CMS Regional Office by March 1, 2011, if it wishes to deactivate, or continue to deactivate, NCCI edits and / or MUEs by April 1, 2011. If a State submits this Part of this APD after March 1, 2011, CMS may not approve deactivation of the requested NCCI edits and / or MUEs until after March 31, 2011. If this is the case, then the State must have the requested edits activated as of April 1, 2011, and cannot deactivate the edits unless and until CMS approval is received.

For example, this Part of this APD might be submitted by a State to its CMS Regional Office for the first time after March 1, 2011, in three situations. (1) A State may not have identified any NCCI edits or MUEs that conflict with State law, regulations, administrative rules, or payment policies until after March 1, 2011. (2) A new quarterly release of the Medicaid NCCI methodology files may contain new or revised NCCI edits or MUEs that now conflict with State law, regulations, administrative rules, or payment policies. (3) A new State law, regulation, administrative rule, or payment policy enacted after March 1, 2011, might conflict with one or more NCCI edits and / or MUEs in the Medicaid NCCI methodologies.

If a State which has received prior CMS approval for deactivation of one or more edits contained in the Medicaid NCCI methodologies after March 31, 2011, subsequently wishes to request CMS approval to deactivate additional edits contained in the Medicaid NCCI methodologies in its MMIS, the State only needs to submit an APD Update to its CMS Regional Office to request this

[4] As stated in the State Medicaid Director letter on the NCCI (SMD #10-017, ACA #7), dated September 1, 2010, NCCI edits and MUEs are only one of four components of the NCCI methodologies. The other three components are definitions of the 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.

approval. The APD Update should identify the additional edits that the State wants to deactivate, describe the rationale for doing so, and include supporting documentation.

CMS POLICY

The CMS may grant State flexibility to deactivate an NCCI edit or MUE which conflicts with a State law, regulation, administrative rule, or payment policy. CMS will not approve State deactivation of an NCCI edit or MUE after March 31, 2011, because the State is not operationally ready to implement the edit.

For those edits that CMS approves for deactivation by a State after March 31, 2011, CMS will provide the "deletion date" for those edits. The State must add the deletion date to the deletion date field in the NCCI methodology edit files for each of the edits approved for deactivation for each calendar quarter beginning with the calendar quarter in which the edit is first deactivated and every calendar quarter thereafter. The new Medicaid NCCI methodology files for each quarter are complete replacements of prior Medicaid NCCI methodology files; they are not files containing only updates of previous files.

Although the Medicaid NCCI methodology files will be updated for each calendar quarter, a State will not need to submit to its CMS Regional Office each calendar quarter an APD update to request CMS approval to continue deactivation of NCCI edits and MUEs that remain in conflict with existing State law, regulations, administrative rules, or payment policies.

However, if the relevant State law, regulation, administrative rule, or payment policy changes, so that it no longer conflicts with the edit(s), then the State is required to reactivate the edit(s) and notify CMS of the changes and reactivation through an APD Update. The APD Update should identify the edit(s) that the State is reactivating, describe the reason or rationale for doing so, and include supporting documentation.

If a State reactivates one or more edits, the "effective date" for each of the reactivated edits must be the first day of the calendar quarter in which the edit is active for claims processing. The State must modify the "effective date" in the State's Medicaid NCCI methodology edit files for each reactivated edit to reflect the new "effective date". Since the quarterly Medicaid NCCI methodology files are replacement files, rather than update files, the State must modify the effective date for each reactivated edit each quarter subsequent to the reactivation.

A State Medicaid agency cannot change or modify an activated edit contained in the Medicaid NCCI methodologies. The edits in the Medicaid NCCI methodologies are specific to the NCCI. Consequently, CMS is not providing State flexibility to modify NCCI edits or MUEs. However, CMS has authorized State flexibility to incorporate a changed or modified edit into its MMIS outside of the Medicaid NCCI methodologies.

Specifically, if a State wishes to change or modify an edit, the State should submit this Part of this APD to request CMS approval for deactivation of this edit in the Medicaid NCCI methodologies after March 31, 2011. If CMS approves deactivation of the edit, the State should

deactivate the edit within its Medicaid NCCI methodologies and incorporate into its MMIS the edit in the changed or modified form that it wishes to use instead. The changed or modified edit will not be part of the Medicaid NCCI methodologies. States can use edits other than those contained in the Medicaid NCCI methodologies, but they cannot deactivate any of the edits contained in the Medicaid NCCI methodologies after March 31, 2011, without prior CMS approval.

INFORMATION REQUIRED FOR SUBMISSION OF PART II OF THIS APD

For each edit, or group of edits, in the Medicaid NCCI methodologies that a State requests CMS approval to deactivate after March 31, 2011, please provide to the State's CMS Regional Office the information listed below:

- Specify the edit file by provider category that the edit is contained in:
  - practitioner / ambulatory surgery center;
  - outpatient hospital; or
  - durable medical equipment.

- Specify the type of edit it is: NCCI or MUE.

- For NCCI edits:
  - list each edit in terms of its "column one / column two" code;
  - provide the long (not the short) code descriptor for each code;
  - provide the modifier indicator for the edit; and
  - provide the effective date for the edit.

- For MUEs:
  - list each edit by its code number and
  - provide its current MUE value.

- If a State wants to deactivate an edit because it conflicts with a State law, regulation, administrative rule, or payment policy, please:

  - specify and describe the State law, regulation, administrative rule, or payment policy the edit conflicts with;

  - specify and describe what the conflict is; and

  - **provide a copy of the State law, regulation, administrative rule, or payment policy** that the edit conflicts with.

- In the case of a new State law, regulation, administrative rule, or payment policy that an edit conflicts with, please also include the date that the new State law, regulation, administrative rule, or payment policy goes into effect.

- Consistent with the information above, if a State wants to deactivate an edit and subsequently change or modify the edit outside of the Medicaid NCCI methodologies, please describe the change or modification of the edit that the State wants to make and the reason for the change or modification.

- If the State wants to deactivate the edit for another reason, please specify the reason, describe the rationale for deactivation, and provide any supporting documentation. CMS will assess the reason and rationale given for the proposed deactivation, but there is no guarantee that CMS will approve deactivation of the edit for the reason and rationale given.

A State can provide the above information (e.g., in a spreadsheet) as an attachment to Part II of this APD that it submits to its CMS Regional Office.

PART III

REPORTING REQUIREMENTS ON STATE IMPLEMENTATION OF THE NCCI IN MEDICAID

REIMBURSEMENT OF STATE MEDICAID CLAIMS NOT BASED ON HCPCS AND CPT CODES

The NCCI edits and MUEs contained in the NCCI methodologies are based on the Healthcare Common Procedure Coding System (HCPCS) and Current Procedural Terminology (CPT) codes. However, some States do not reimburse their Medicaid claims on the basis of HCPCS and CPT codes. For example, some States reimburse their Medicaid claims on the basis of "revenue code". A State that does not reimburse its Medicaid claims on the basis of HCPCS or CPT codes is required to report to its CMS Regional Office the basis that it uses (e.g., "revenue code") to reimburse its Medicaid claims.

SAVINGS DUE TO IMPLEMENTATION OF THE NCCI IN THE STATE'S MEDICAID PROGRAM

Each State is required to report to its CMS Regional Office for each calendar quarter until the end of calendar year 2011, the savings in Medicaid claims payments that the State achieved as a result of using the Medicaid NCCI methodologies in processing its Medicaid claims.

STATE DEACTIVATION OF EDITS

A State which has deactivated edits before February 1, 2011, is required to report to its CMS Regional Office the following information for the period October 1, 2010, to January 31, 2011:

- the number edits that were deactivated;
- the types of edits that were deactivated;
- the rationale for deactivating the edits;
- the process and the workload for State staff that deactivating edits created;
- the number and dollar amount of claims that would have been denied, if the edits were not deactivated;
- the number and dollar amount of claims that would have gone to appeal, if the edits were not deactivated;
- the number and dollar amount of claims that were paid as a result of the deactivations;
- the total number of providers that would have had denied claims, if the edits were not deactivated; and

- any additional information that is necessary in order to determine the impact that deactivation of the edits has had on both providers and the State.

A State which receives CMS approval for deactivating Medicaid NCCI / MUE edits after March 31, 2011, must report the same information to its CMS Regional Office for each calendar quarter until the end of calendar year 2011.

ADDITIONAL CORRECT CODING METHODOLOGIES AND EDITS INCORPORATED INTO A STATE'S MMIS

The CMS encourages States to develop and incorporate additional correct coding methodologies and edits that go beyond those contained in the Medicaid NCCI methodologies to promote correct coding and to control improper coding leading to inappropriate payment of Medicaid claims. For example, a State may want to extend Medicaid NCCI methodologies to claims for additional types of services (e.g., managed care) and claims from additional sites of services (e.g., long-term care facilities, Critical Access Hospitals (CAHs), Comprehensive Outpatient Rehabilitation Facilities (CORFs), etc.).

If a State's Medicaid managed care program uses managed care organizations (MCOs), then the Medicaid NCCI methodologies generally would not apply to the extent that the MCOs generate no claims for Medicaid reimbursement. However, if a State's Medicaid managed care program uses Primary Care Case Management (PCCM), in which the provider receives a small capitation fee, but bills the State's Medicaid program for services provided, then the Medicaid NCCI methodologies would be applied to those claims.

A State may incorporate additional correct coding methodologies and / or edits into its MMIS that go beyond the Medicaid NCCI methodologies and edits without prior CMS approval. However, if it does so, these additional correct coding methodologies and edits will not be part of the Medicaid NCCI methodologies. If a State believes that these additional correct coding methodologies or edits should be part of the national Medicaid NCCI methodologies, the State should submit its rationale to CMS' technical contractor for the NCCI, Correct Coding Solutions, LLC, for review by the CMS Medicaid NCCI Workgroup.

The CMS requests that a State which incorporates additional correct coding methodologies and / or edits into its MMIS that go beyond the Medicaid NCCI methodologies and edits report to its CMS Regional Office what these additional correct coding methodologies and edits are and the reason or rationale for adding them to its MMIS.

A State's MMIS may contain edits for processing Medicaid claims from a variety of sources, e.g., the Medicaid NCCI methodologies, additional State-specific correct coding methodologies and edits, edits from commercial off-the-shelf (COTS) software used by the State to process Medicaid claims, and edits from the vendor the State contracts with to process Medicaid claims. Denials for payments of Medicaid claims that are due to edits from these other sources that are not contained in the Medicaid NCCI methodologies should not be attributed to the Medicaid NCCI methodologies.

A State which has incorporated additional correct coding methodologies and edits into its MMIS is required to report to its CMS Regional Office for each calendar quarter until the end of calendar year 2011 the following information:

- a description of the additional correct coding methodologies and edits the State has incorporated into its MMIS and

- the savings in Medicaid claims payments that the State achieved as a result of using the additional correct coding methodologies and edits in processing its Medicaid claims.