Program Memorandum	Department of Health & Human Services (DHHS)
Carriers	Centers for Medicare & Medicaid Services (CMS)
Transmittal B-02-064	Date: OCTOBER 11, 2002

CHANGE REQUEST 2209

SUBJECT: ViPS Medicare System (VMS) Implementation to Process ICD-9-CM Codes Using Date of Service and Not Date of Receipt

This Program Memorandum (PM) replaces B-02-045, originally issued in July 2002. It contains the exact same material. Additional language has been added regarding the ICD-9-CM grace period. (See the material in bullets.) The implementation and effective dates remain the same as in the original PM.

According to the Health Insurance Portability and Accountability Act (HIPAA), national code sets must be date of service compliant. In order for Medicare carriers and standard systems to be HIPAA compliant, all carriers and standard systems must be able to process the annual update of ICD-9-CM codes based on date of service instead of date of receipt.

The purpose of this PM is to direct the VMS to implement processing ICD-9-CM diagnosis codes by date of service and not date of receipt. This change affects both the DMERC and carrier part of VMS. Diagnosis codes must be processed using date of service for all claims received on or after January 1, 2003. The VMS must be able to edit for the validity of diagnosis codes based on the date of service of the procedure code to which the diagnosis code is correlated. (Transmittal B-02-027, Change Request 2108, released on April 26, 2002, requires the Multi-Carrier System to implement this change on October 1, 2002.)

The VMS carrier system must be modified (if needed) to accommodate date parameters for diagnosis editing. The VMS system should automatically establish an effective date of January 1, 1990, for all diagnosis currently on the file. An end date of December 31, 2000, should automatically be established for any diagnosis codes currently flagged as truncated. (If this date is not a workable date for your system it can be adjusted.) Actual effective and end dates should be used when new diagnosis codes are issued, or current codes become truncated with the annual ICD-9-CM updates.

The 90 day grace period will still apply. You must be able to accept old and new codes for dates of service October 1 through December 31 of each year. See the two examples below:

- Diagnosis code 771.8 is a valid code for dates of service prior to the release of the 2003 annual ICD-9-CM code update. (The ICD-9-CM update is effective each October 1.) With the 2003 update, it becomes a truncated diagnosis because more specific 5 digit codes have been created. You may continue to correlate 771.8 for services performed prior to October 1, 2002. If correlated to services performed on or after October 1, 2003, (and the claim is submitted after the grace period) the claim will be returned as unprocessable as the diagnosis was truncated at the time the service was performed.

- Claims submitted before January 1, 2003, with dates of service October 1, 2002 through December 31, 2002, may continue to report the 4 digit diagnosis code 771.8. This 3-month grace period is intended to give physicians/non-physicians sufficient time to obtain and integrate the updated 2003 ICD-9-CM codes into their billing systems. If the claim is received on or after January 1, 2003, and 771.8 is correlated to a service performed on or after October 1, 2002, the claim must be returned as unprocessable.

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This instruction does not change the number of diagnosis codes that you normally process today (up to four in the header plus the line item). It only requires that you process using date of service and not date of receipt. Therefore, diagnosis codes will be processed in a fashion similar to HCPCS codes (by date of service).

Publish information regarding this change as soon as possible on your Web site. Providers need to be aware of this change as well as software vendors that use ICD-9-CM codes in their product. Providers and their billing staff must understand that they will need to know which diagnosis code is in effect at the time the service is rendered.

The effective date for this PM is January 1, 2003.

The implementation date for this PM is January 1, 2003.

These instructions should be implemented within your current operating budget.

This PM may be discarded after January 1, 2004.

If you have any questions, contact Patricia Gill on (410) 786-1297.