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# Program Memorandum Intermediaries/Carriers

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Department of Health &  
Human Services (DHHS)  
Centers for Medicare &  
Medicaid Services (CMS)

Transmittal AB-02-113

Date: JULY 31, 2002

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## CHANGE REQUEST 2215

**SUBJECT: Elimination of Official Level III Healthcare Common Procedure Coding System (HCPCS) Codes/Modifiers and Unapproved Local Codes/Modifiers**

**This Program Memorandum (PM) corrects Change Request 1957, Transmittal AB-02-005, issued January 18, 2002. The corrections are in bold. The original effective date is the same, but the implementation dates have changed for the implementation of the shared/standard systems changes. Continue with non-shared/standard systems work.**

CMS is taking the necessary steps to prepare for the full implementation of the Health Insurance Portability Accountability Act (HIPAA). HIPAA requires that there be standardized procedure coding. In order for CMS to meet this requirement, we have prepared this instruction to guide you in eliminating local procedure and modifier codes from your system. Official HCPCS Level III procedure and modifier codes are defined as codes and descriptors developed by Medicare contractors for use by physicians, practitioners, providers, and suppliers in completion of claims for payment.

**NOTE:** Local codes and modifiers that are used for special processing situations in the system and which are not reported by providers on claims for payment are not included in the definition. **(For example, Level III WW HCPCS codes used for NDC crosswalk will continued to be retained.)** HCPCS Level III codes and modifiers have been approved through the official process as directed in Medicare Carriers Manual (MCM), Part 3, §4507, and the Medicare Intermediary Manual (MIM), §3627.

HCPCS Level III codes are 5 position alpha-numeric codes (in the W, X, Y, or Z series) that are not represented in the HCPCS Level I or II codes. HCPCS Level III codes also include modifiers which are 2 position codes and descriptors used to indicate that a service or procedure which has been performed and has been altered by some specific circumstance. HCPCS Level III modifiers are represented by WA through ZZ.

Unapproved local procedure and modifier codes are those local procedure/modifier codes that were not approved by CMS through the official process in the MCM, §4507, or MIM, §3627.

### Part I—Elimination of Unapproved Local Codes/Modifiers

In anticipation of implementation of HIPAA, we are requiring you to eliminate any unapproved local procedure/modifier codes that you are currently using. Specifically, you need to:

- Identify all unapproved local procedure and modifier codes that you established and/or that you use;
- Crosswalk any unapproved local procedure and modifier codes to a temporary or permanent national code;
- For any unapproved local procedure or modifier codes that you believe should be retained, you must submit a request for a temporary national code with a justification to your regional office (RO) representative by April 1, 2002;

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- **All unapproved local procedure and modifier codes must be discontinued by December 31, 2002, for Medicare carriers and March 31, 2003, for Medicare fiscal intermediaries; and**

- Delete any other unapproved local procedure and modifier codes.

The ROs are required to submit any requests they receive for a temporary national code to central office by May 1, 2002, at the very latest. The requests should be sent to C. Kaye Riley, the HCPCS Workgroup Coordinator, at [criley@cms.hhs.gov](mailto:criley@cms.hhs.gov). These requests will be placed on the HCPCS Workgroup Agenda and the workgroup will review the request and justification.

## Part II—Elimination of Official HCPCS Level III Local Codes/Modifiers

The Consolidation Appropriations Act of 2001, Public Law 106-554 (enacted December 21, 2000) extends the maintenance and use of official HCPCS Level III procedure and modifier codes until December 31, 2003. Our goal is to eliminate the use of official HCPCS Level III local procedure and modifier codes by December 31, 2003. In order to meet this goal, you must begin to:

- Review all HCPCS Level III codes/modifiers in your system;
- Crosswalk any HCPCS Level III codes/modifiers to a permanent national code;
- By April 1, 2003, at the latest, submit to the RO any requests for temporary national codes including a justification as to why a temporary national code is needed; and
- Discontinue all HCPCS Level III codes/modifiers by December 31, 2003, and notify the RO representative of the deletions. The RO must send a list of deleted codes and their definitions to C. Kaye Riley, the HCPCS Workgroup Coordinator, at [criley@cms.hhs.gov](mailto:criley@cms.hhs.gov). Any temporary national codes that have been requested and approved as a result of the Medicare contractors clean up effort of HCPCS Level III procedure codes/modifiers will be effective for use January 1, 2004.

**NOTE: Any new temporary national codes will be included in the annual HCPCS update. However, discontinued local codes will not be subject to the 90-day grace period like most discontinued HCPCS codes.**

## Part III---RO Confirmation

This instruction directs RO staff to send a confirmation to CMS that each contractor for which they have oversight responsibility has eliminated any unapproved local codes as well as HCPCS Level III procedure codes/modifiers.

- A confirmation that all unapproved local codes have been eliminated by Medicare carriers/DMERCs should be sent **by January 31, 2003**, to the following, Pat Gill and Joanne Spalding, at [pgill@cms.hhs.gov](mailto:pgill@cms.hhs.gov), and [jspalding@cms.hhs.gov](mailto:jspalding@cms.hhs.gov).
- **A confirmation from the RO that fiscal intermediaries have eliminated all unofficial local codes should be sent to Barbara Strickland, at [bstrickland@cms.hhs.gov](mailto:bstrickland@cms.hhs.gov) by April 30, 2003.**
- A confirmation that all official HCPCS Level III procedure codes/modifiers should be sent by **January 31, 2004**, to Pat Gill, at [pgill@cms.hhs.gov](mailto:pgill@cms.hhs.gov), Barbara Strickland, at [bstrickland@cms.hhs.gov](mailto:bstrickland@cms.hhs.gov) and to Joanne Spalding, at [jspalding@cms.hhs.gov](mailto:jspalding@cms.hhs.gov).

The *effective date* for this PM is January 18, 2002.

The *implementation date* for this PM for Medicare carriers' shared/standard systems changes is January 1, 2003, for the elimination of the unapproved local codes and modifiers. Fiscal intermediaries implementation date is April 1, 2003. Continue non-shared/standard systems changes work.

These instructions should be implemented within your current operating budget.

This PM may be discarded after January 30, 2004.

Direct any questions to the appropriate ROs. ROs should submit requests for temporary national codes to C. Kaye Riley at [criley@cms.hhs.gov](mailto:criley@cms.hhs.gov).