
Program Memorandum Carriers

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

Transmittal B-02-063

Date: OCTOBER 11, 2002

CHANGE REQUEST 2108

SUBJECT: Annual Updating of ICD-9-CM Codes Must Be Date of Service Driven

This Program Memorandum (PM) replaces B-02-027, originally issued in April 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.

The purpose of this PM is to have Medicare carriers become compliant with the rules of the Health Insurance Portability and Accountability Act (HIPAA) in that diagnosis codes must be processed using date of service and not date received.

According to 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 CMS plans to implement this change in two phases. For those carriers that process claims on the Multi-Carrier System (MCS), effective for claims processed on or after October 1, 2002, MCS carrier systems 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. The ViPS Medicare System (VMS) and their carriers will implement this change at a future date. Another instruction will be released advising VMS of their implementation date. HCFA Part B Standard System (HPBSS) is exempt from this instruction.

The MCS carrier systems must be modified (if needed) to accommodate date parameters for diagnosis editing. The MCS should automatically establish an effective date of January 1, 1990, for all diagnoses currently on the file. An end date of December 31, 2000, should automatically be established for any diagnosis codes currently flagged as truncated. 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, 2002, through December 31, 2002. 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, 2002, (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 a 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.

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).

The MCS standard systems must make the necessary changes in order to comply with the HIPAA requirement that coding updates be based on date of service. These changes must be made by October 1, 2002.

Publish information regarding this change as soon as possible in your next bulletin and 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 was in effect at the time the services are rendered.

The effective date for this PM is October 1, 2002.

The implementation date for this PM is October 1, 2002.

These instructions should be implemented within your current operating budget.

This PM may be discarded after October 31, 2003.

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