Program Memorandum
Intermediaries

Department of Health and Human Services (DHHS)
HEALTH CARE FINANCING ADMINISTRATION (HCFA)

Transmittal A-00-37 **Date: JUNE 2000**

CHANGE REQUEST 1203

SUBJECT: Line Item Denials and the Reporting of Savings Generated by Claim Expansion and Line Item Processing

This Program Memorandum (PM) provides instructions concerning the implementation of line item medical review processes including the reporting of savings.

The Health Care Financing Administration's new prospective payment systems for outpatient and home health services required the fiscal intermediaries' claims processing system to be completely redesigned. This redesign is commonly referred to as claim expansion and line item processing (CELIP). The programming for CELIP provided the capability for the claims processing systems to perform medical review and capture savings at the line item level.

Effective October 1, 2000, all intermediary claims processing systems are required to perform the following functions in order to accommodate medical review at the line item level:

1. Add the ability to assign medical policy reason codes to the line level for all claim types.

2. Ensure the ability to perform manual medical review denials at the line level for all claim types.

3. Add the ability to automate medical review and medical policy denials at the line level for all claim types.

4. Ensure all reports affected by these changes work correctly. Ensure these reports align with the

   - Intermediary Benefit Payment Report
   - Intermediary Workload Report
   - Report of Benefit Savings
   - Benefit Savings Detail Report
   - Medical Review Activity Report
   - Cost Benefit Ratio Report

5. Add ability to increase efficiency of medical review claim and line level processing.

6. Ensure ability to report all medical review workload, including review not currently

7. Ensure the ability to appropriately re-code claims and capture both the old and new codes, including revenue codes and Health Care Financing Administration Common Procedure Coding System (HCPCS) codes.

8. Add the capability to perform ad-hoc reports.

In accordance with these changes, intermediaries must evaluate their current medical review strategies to determine the appropriate operational changes needed to effectuate the line item medical review process. Intermediaries must assure appropriate reporting of costs, workload and savings associated with line item medical review.

The *effective date* for this PM is October 1, 2000.

The *implementation date* for this PM is October 1, 2000.

These instructions should be implemented within your current operating budget.

This PM may be discarded after October 1, 2001.

If you have any questions, contact Brigid Davison (410) 786-8794.