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| <b>CMS Manual System</b>                | <b>Department of Health &amp; Human Services (DHHS)</b>   |
| <b>Pub 100-20 One-Time Notification</b> | <b>Centers for Medicare &amp; Medicaid Services (CMS)</b> |
| <b>Transmittal 638</b>                  | <b>Date: February 12, 2010</b>                            |
|   | <b>Change Request 6787</b>                                |

**SUBJECT: Revised Clinical Laboratory Fee Schedule and ZIP Code File to include Kansas Payment Locality Structure**

**I. SUMMARY OF CHANGES:** This Change request will instruct claims processing contractors to incorporate an additional Kansas payment locality in the Clinical Laboratory Fee Schedule into their system to ensure correct pricing for laboratory services submitted with 90 modifier in the Kansas payment locality.

**EFFECTIVE DATE: July 1, 2010**

**IMPLEMENTATION DATE: July 6, 2010**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

| <b>R/N/D</b> | <b>CHAPTER / SECTION / SUBSECTION / TITLE</b> |
|--------------|---|
| N/A          |   |

**III. FUNDING:**

**SECTION A: For Fiscal Intermediaries and Carriers:**

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

**SECTION B: For Medicare Administrative Contractors (MACs):**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**IV. ATTACHMENTS:**

**One-Time Notification**

*\*Unless otherwise specified, the effective date is the date of service.*

# Attachment – One-Time Notification

|             |                  |                         |                      |
|-------------|------------------|-------------------------|----------------------|
| Pub. 100-20 | Transmittal: 638 | Date: February 12, 2010 | Change Request: 6787 |
|-------------|------------------|-------------------------|----------------------|

**SUBJECT: Revised Clinical Laboratory Fee Schedule and ZIP Code File to Include New Kansas Payment Locality Structure**

**Effective Date:** July 1, 2010

**Implementation Date:** July 6, 2010

## **I. GENERAL INFORMATION**

**A. Background:** CMS discovered that there is an inconsistency in the payment rates for claims submitted with Kansas ZIP codes in an east Kansas locality for reference laboratory claims. Regular laboratory claims are being paid in the correct payment localities, but reference laboratory claims are being paid at the Kansas rate. This Change Request (CR) intends to correct this deficiency.

During the transition to the A/B MAC, Wisconsin Physician Services (WPS) uses a process to pay in-state clinical laboratory services billed by the performing physician/suppliers in two counties (Johnson and Wyandotte) in Kansas at the Northwest Missouri (NWMO) rates. This unique circumstance is because of an historical contractor configuration. Two payment localities existed prior to contractor consolidation because there were two contractor jurisdictions in the state of Missouri. The jurisdiction in western Missouri included ZIP codes in both states of Missouri and Kansas. With consolidation, the Western Missouri area was absorbed by the contractors for Missouri and Kansas. WPS uses a process that accommodates this issue. However, clinical laboratory reference services billed by independent laboratory suppliers were not allowed at the NWMO rates and are reimbursed at the single Kansas locality rate which represents the western Kansas region.

Contractors currently use the ZIP Code files to price claims for ambulance, physician, and reference lab services. Change Request 3090, Transmittal 85 issued on February 6, 2004 requires contractors to price reference laboratory services based on the ZIP code of the performing laboratory. For reference laboratory services, the ZIP code file associates the ZIP codes in Johnson and Wyandotte counties with Kansas locality 00, not Western Missouri locality 02. The result is that the system allows the Kansas rate and not the Western Missouri rate.

To correct this problem for 2010 and after, CMS has added new payment localities in the Clinical Lab Fee Schedule. The 2010 ZIP code file was revised with the annual January release ZIP code file Change Request 6536, Transmittal 1835 issued on October 27, 2009. The 2010 ZIP code file refers to two Kansas lab localities to correct this inconsistency. This allows reference laboratory services performed in Johnson and Wyandotte counties to be paid at the NWMO rates. This CR provides instructions for correcting the inconsistency for dates of service prior to 2010.

**B. Policy:** For 2010, CMS provided a Clinical Laboratory Fee Schedule which included two payment locality numbers for East and West Kansas. Contractor #05202/Locality 12 indicates West Kansas and contractor #05202/locality 15 indicates East Kansas. The 2010 ZIP code files were also revised to reflect these 2 state codes as “EK” for East Kansas and “WK” for West Kansas. This Change Request instructs claims processing contractors to incorporate these changes in the Clinical Laboratory Fee Schedule and use the 2010 ZIP code file to process claims with dates of service prior to 2010. This will allow the system to

correctly map the ZIP codes reference lab services billed in Johnson and Wyandotte counties in Kansas to ensure accurate pricing for laboratory service claims with a 90 modifier prior to 2010.

## II. BUSINESS REQUIREMENTS TABLE

*“Shall” denotes a mandatory requirement*

| Number   | Requirement   | Responsibility (place an “X” in each applicable column) |                                |                                |                                 |                  |                              |             |             |             |                  |
|----------|---|---|--------------------------------|--------------------------------|---------------------------------|------------------|------------------------------|-------------|-------------|-------------|------------------|
|          |   | A<br>/<br>B<br><br>M<br>A<br>C                          | D<br>M<br>E<br><br>M<br>A<br>C | F<br>I<br><br>M<br>I<br>E<br>R | C<br>A<br>R<br>R<br>I<br>E<br>R | R<br>H<br>H<br>I | Shared-System<br>Maintainers |             |             |             | OTH<br>ER        |
|          |   |   |                                |                                |                                 |                  | F<br>I<br>S<br>S             | M<br>C<br>S | V<br>M<br>S | C<br>W<br>F |                  |
| 6787.1   | CMS shall establish and Contractors shall recognize two different pricing localities to reflect the Clinical Laboratory Fee Schedule amounts that were previously paid prior to January 1, 2010 in the Kansas production region. Locality 12 shall reflect the West Kansas Clinical Laboratory Fee Schedule pricing and Locality 15 shall reflect the East Kansas Clinical Laboratory Fee Schedule pricing. | X   |                                |                                | X                               |                  |                              |             |             |             |                  |
| 6787.1.1 | CMS and contractors shall recognize locality codes 12 and 15 for West and East Kansas respectively on the Clinical Laboratory Fee Schedule pricing files.   | X   |                                |                                | X                               |                  |                              |             |             |             |                  |
| 6787.1.2 | CMS and contractors shall begin using State code “EK” to represent Eastern Kansas and “WK” to represent Western Kansas on the 5-digit ZIP Code File.  | X   |                                |                                | X                               |                  |                              |             |             |             |                  |
| 6787.1.3 | CWF shall update the Locality Table to reflect localities 12 and 15 as per BR 6787.1.   |   |                                |                                |                                 |                  |                              |             |             | X           |                  |
| 6787.1.4 | MCS shall make changes to the base system to allow the A/B MAC to load separate fee amounts to its level 2 file for the new localities of 12 and 15 (as per BR 6787.1).   |   |                                |                                |                                 |                  |                              | X           |             |             | J5<br>A/B<br>MAC |
| 6787.1.5 | MCS shall create a one-time conversion job so that contractors will be able to cross-walk 05202/locality 00 records to 05202/locality 12 records (West Kansas) and to copy 05302/locality 15 records to 05202/locality 15 records (East Kansas).  |   |                                |                                |                                 |                  |                              | X           |             |             |                  |
| 6787.2   | Contractors shall adjust, as necessary, all claims with a 90 modifier which were submitted by providers in the affected localities that were received by the Medicare claims processing system with dates of service in the calendar years 2008 and 2009.   | X   |                                |                                | X                               |                  |                              | X           |             |             |                  |
| 6787.2.1 | Contractors shall use the 2010 ZIP code file to pay all affected claims with a 90 modifier.   | X   |                                |                                | X                               |                  |                              | X           |             |             |                  |
| 6787.2.2 | If a provider presents a claim prior to calendar year   | X   |                                |                                | X                               |                  |                              |             |             |             |                  |

| Number | Requirement   | Responsibility (place an "X" in each applicable column) |             |        |                                 |             |                           |             |             |             |           |
|--------|---|---|-------------|--------|---------------------------------|-------------|---------------------------|-------------|-------------|-------------|-----------|
|        |   | A<br>/<br>B   | D<br>M<br>E | F<br>I | C<br>A<br>R<br>R<br>I<br>E<br>R | R<br>H<br>I | Shared-System Maintainers |             |             |             | OTH<br>ER |
|        |   | M<br>A<br>C   | M<br>A<br>C |        |                                 |             | F<br>I<br>S<br>S          | M<br>C<br>S | V<br>M<br>S | C<br>W<br>F |           |
|        | 2008 with a 90 modifier with proof that the claim was paid incorrectly, Contractors shall adjust the claim on a claim by claim basis. |   |             |        |                                 |             |                           |             |             |             |           |

### III. PROVIDER EDUCATION TABLE

| Number | Requirement   | Responsibility (place an "X" in each applicable column) |             |        |                                 |             |                           |             |             |             |           |
|--------|---|---|-------------|--------|---------------------------------|-------------|---------------------------|-------------|-------------|-------------|-----------|
|        |   | A<br>/<br>B   | D<br>M<br>E | F<br>I | C<br>A<br>R<br>R<br>I<br>E<br>R | R<br>H<br>I | Shared-System Maintainers |             |             |             | OTH<br>ER |
|        |   | M<br>A<br>C   | M<br>A<br>C |        |                                 |             | F<br>I<br>S<br>S          | M<br>C<br>S | V<br>M<br>S | C<br>W<br>F |           |
| 6787.3 | <p>A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLNMattersArticles/">http://www.cms.hhs.gov/MLNMattersArticles/</a> shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.</p> <p>Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin.</p> <p>Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.</p> | X   |             |        | X                               |             |                           |             |             |             |           |

#### IV. SUPPORTING INFORMATION

**Section A: For any recommendations and supporting information associated with listed requirements, use the box below: N/A**

*Use "Should" to denote a recommendation.*

| X-Ref<br>Requireme<br>nt<br>Number | Recommendations or other supporting information: |
|------------------------------------|--|
|                                    |  |

**Section B: For all other recommendations and supporting information, use this space: N/A**

#### V. CONTACTS

**Pre-Implementation Contact(s):** Wendy Knarr at [Wendy.Knarr@cms.hhs.gov](mailto:Wendy.Knarr@cms.hhs.gov) or by dialing Relay Service at #711 then have relay agent contact Wendy at 410-786-0843.

**Post-Implementation Contact(s):** Your appropriate Regional office.

#### VI. FUNDING

**Section A: For *Fiscal Intermediaries (FIs)*, *Regional Home Health Intermediaries (RHHIs)*, and/or *Carriers*:**

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

**Section B: For *Medicare Administrative Contractors (MACs)*:**

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