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HIPAA Transaction Sets May Be a Route to Reduce Payer Downcoding, Unbundling

By Nina Youngstrom

The HIPAA transaction and code set standards^[1] may have been overlooked as a way for hospitals to blunt claim denials by Medicare Advantage (MA) plans and commercial payers, experts say. If payers are noncompliant, hospitals may be able to counter some of the unbundling of charges and common denials, including downcoding of emergency room evaluation and management (E/M) services and MS-DRGs of secondary diagnoses that have been stripping hospitals of revenue.

Covered entities—providers, health plans and clearinghouses—are required to comply with the HIPAA transaction sets, which includes code sets for diagnoses and procedures, said Valerie Rinkle, president of Valorize Consulting. All payers, including original Medicare, Medicaid and MA and commercial plans, must use CPT codes, HCPCS, ICD-10 codes, National Drug Codes and Codes on Dental Procedures and Nomenclature. As CMS states on its HIPAA Administrative Simplification website, “it’s the law.” But sometimes providers and payers don’t abide by official coding definitions or change the criteria of an established code, Rinkle said.

“Every time a covered entity creates its own coding rule, it’s in violation of the HIPAA transaction standards,” said Day Egusquiza, president of AR Systems in Twin Falls, Idaho. “You have multiple payers creating their own coding rules.” For example, Humana, UnitedHealthcare and other payers have been downcoding level five E/M emergency room services based on their own guidelines, some hospitals said. That’s a problem under the HIPAA transaction sets, because many hospitals use American College of Emergency Physicians (ACEP) criteria to assign E/M codes in response to CMS’s instructions to select their own systems for capturing resource use, experts said. Downcoding of E/M professional services is also ripe for a HIPAA transaction sets appeal because the CPT codes are “right out of the CPT book,” Egusquiza asserted.

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