

**HB**

**353**

# Alaska State Legislature

REPRESENTATIVE  
PETER KELLY

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House District 31

## House Of Representatives

April 23, 1998

Memorandum

To: Representative Pete Kelly



Re: HB 353, Regulations by Reference, State Medical Assn. Concerns

Jeff Bullock, representing the Alaska State Medical Association, has expressed the associations concerns that the numerical codes and billing standards adopted by reference must be adopted in whole, not in part.

The allegation is that the Division of Medical Assistance is using a computer program that does not recognize all groupings of billing codes. A specific doctor wants to use a code that includes several procedures in a single numerical code, or a procedure and an office visit in a single numerical code. The department, however, will not pay for all of these services, and only recognizes specific codes, not the inclusive grouped code.

The issue may have merit, but it is not applicable to HB 353. In discussion with the Attorney General's office it is clear that HB 353 authorized the adoption of a complete reference document, not a portion or fragment of the document. The regulations that describe the use of these numerical codes can specify which codes will be used and how they will be used.

The Alaska State Medical Association issue is a matter for discussion in the regulation adoption process.

HB 353 does not allow for the adoption of only a portion of the manual or reference material. HB 353 has nothing to do with the regulatory decision that certain codes will or will not be recognized by the department.

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House District 31

## House Of Representatives

April 2, 1998

Floor Discussion

### HB 353, Regulations by Reference

House Bill 353 streamlines the state's adoption of the current version of numerical codes and standards for medical practitioners.

Currently the state must go through the lengthy regulation writing process each time a national code is changed or rewritten.

By the time the regulation process is completed the department must go back and recalculate payments to care providers. The department then has to make up the difference in all of the billing and accounts with the new data.

The whole process may take more than a year, and the new codes are published, starting the chase all over again.

The speed and efficiency gained by this bill is important for all health workers who must describe their work in numerical codes. Most apply to medicaid.

Once a national code is adopted as a state regulation, this bill allows the state to quickly allow practitioners to use the latest, updated version.

The bill applies to:

- 1) International classification of diseases. (Numerical code for each clinical diagnosis or disease. Required on all medical claim forms.)
- 2) Common procedure coding system. (Numerical codes used by all insurance providers.)
- 3) National uniform billing data. (Numerical code to describe the services rendered in hospitals.)
- 4) Federal poverty guidelines. (Annual guidelines.)
- 5) Indian Health Service rates. (Annual reimbursement rates paid by the Indian Health Service, medicaid program.)
- 6) Current American Medical Association procedural terminology. (Numerical codes that describe treatment rendered by physicians.)
- 7) American Psychiatric Association diagnostic and statistical manual of mental disorders. (DSM numerical codes for mental disorders.)

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- 8) HCIA, Inc. length of stay in hospitals, by diagnosis. (Average length of stay in hospitals, a percentage multiplier is used for reimbursement by insurers.)
- 9) American Society of Anesthesiologists relative value guide. (Standards for administration and billing of anesthesia procedures.)
- 10) U.S. Dept. of Labor Consumer Price Index. (CPI – Used by the state to annually update standards for needs based programs.)
- 11) National health plan employer data and information set. (Standards used to evaluate managed care practice.)
- 12) Practice standards.
- 13) The compendium of animal rabies control.
- 14) Control of communicable diseases manual.
- 15) Standards manual for behavioral health.
- 16) Accreditation manual for mental health.
- 17) Standards for accreditation of managed care organizations.
- 18) Consumer assessment of health plans.
- 19) Resources for optimal care of the injured patient.

# STATE OF ALASKA

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

DIVISION OF MEDICAL ASSISTANCE

TONY KNOWLES, GOVERNOR

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January 22, 1998

The Honorable Pete Kelly  
House of Representatives  
State Capitol  
Juneau, Alaska 99801-1182

Dear Representative Kelly:

You have asked me to briefly explain the substance of the adoption by reference Legislation that you intend to introduce on behalf of the Department of Health and Social Services.

This bill, if enacted, would allow the department to adopt within its regulations standards set out in federal or state law or regulation, or the specific national standards itemized in subsection (a)(2), without adopting a new regulation every time that these standards are changed. The procedure for notifying the public of adoption of a changed standard would be a notice published in the Alaska Administrative Journal.

The Department of Law, under current law and legal interpretation of the reference standard made through court decisions, require agencies to adopt by reference any material with a specific citation and date. Any time these materials are changed, the state agency must adopt a new regulation adopting the citation change; as the regulation adoption process is so lengthy, it is impossible for a state agency to remain current with standards adopted by reference.


The Medicaid Program is particularly hard hit by the adoption by reference requirement, as we operate like an insurance company and there is an expectation by health care providers that they can do business with us in the same manner as Blue Cross, Aetna or any other insurance company. The health care industry has adopted numerous standardized codes related to billing for services to assure that all providers and payers are "speaking" the same language. All of these standards are updated annually to keep pace with medical practice standards. If the Medicaid Program cannot consistently use current standards, providers will simply cease doing business with us and it will create an access problem for the 90,000 people who depend on Medicaid for health care coverage.

The standards listed in this bill are mostly related to Medicaid; I am attaching a list of the standards with a brief explanation of their use for your reference. None of these standards should be controversial.

The Honorable Pete Kelly  
January 22, 1998  
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Thank you for your assistance with this important Legislation, and please contact me at any time if you need additional information.

Sincerely,

  
Nancy Weher,  
Medical Assistance Administrator

*International Classification of Diseases, Clinical Modifications - ICD* - this book establishes a numerical code for each clinical diagnosis/disease. These codes are required on all medical claim forms.

*Common Procedure Coding System* - This system of numerical codes is maintained by the Health Care Financing Administration, and are uniformly used by all insurers. The coding system includes CPT codes and HCFA created codes for special procedures not included in other coding systems.

*Specifications for National Uniform Billing Data Elements* - Commonly known as revenue codes, this numerical coding system describes the services rendered in hospitals. These codes are required on all medical claim forms for hospital services.

*Federal Poverty Guidelines* - These guidelines are published annually, adjusted by the consumer price index, and are used to determine program eligibility. Many DHSS programs refer to the federal poverty level in their grants, as grantees are required to have a sliding fee schedule based on income.

*Indian Health Service Encounter Rates* - these rates are negotiated annually by the Health Care Financing Administration, Office of Management and Budget, and the Indian Health Service to be used as reimbursement for IHS and tribal health facilities by the Medicaid Program.

*Current Procedural Terminology for Physicians - CPT* - these numerical codes describe each treatment rendered by physicians and other providers. The CPT codes are required on all insurance claim forms and are updated January 1st of every year.

*Diagnostic and Statistical Manual of Mental Disorders - DSM* - Similar to the ICD, this manual contains a system of numerical codes that describes mental disorders for use on claim forms.

*Length of Stay in Hospitals by Diagnosis and Operation for the Western Region of the US - LOS* - These two manuals describe the average length of inpatient hospital admission in the western US. Some percentage of this standard is ordinarily used by an insurer as the limit on length of stay they will reimburse, although LOS can usually be extended if there are complications.

*Relative Value Guide* - This book creates standards for the administration and billing of anesthesia procedures.

*Consumer Price Index - CPI* - Used by the federal government and the state to annually update a number of standards for needs based programs.

*Health Plan Employer Data and Information Set - HEDIS* - These standards are commonly used to evaluate how well providers and plans meet managed care standards of practice.

*Practice Standards* - practice standards adopted by many national organizations are routinely used in managed care as the purchaser's expectations for patient outcomes that are evaluated with HEDIS.

*Compendium of Animal Rabies Control* - This publication serves as the basis for animal rabies control programs throughout the United States and facilitates standardization of procedures among jurisdictions. Immunization procedure recommendations are contained in Part 1; all animal rabies vaccines licensed by the United States Department of Agriculture (USDA) and marketed in the US are listed in Part 2; Part 3 details the principles of rabies control.

*Control of Communicable Diseases Manual* - This manual furnishes public health administrators with a source of reliable information for preparing regulations and legal requirements for the control and management of communicable diseases and for developing programs for the health education of the public.

*Standards Manual and Interpretive Guidelines for Behavioral Health, Employment and Community Support Services and for Medical Rehabilitation* - The Divisions of Mental Health and Developmental Disabilities and Alcoholism and Drug Abuse uses these standards for accreditation of psychiatric or substance abuse rehabilitation programs that are grantees of the state.

*Accreditation Manual for Mental Health, Chemical Dependency, and Other Health Care Facilities* - This manual is used by the Divisions of Mental Health and Developmental Disabilities and Alcoholism and Drug Abuse for accreditation of general psychiatric or substance abuse treatment programs that are grantees of the department.

*Standards for Accreditation of Managed Care Organizations, Standards for Accreditation of Managed Behavioral Health Organizations, and Standards for Certification of Credentials Verification Organizations* - These accreditation standards will be used by the department for the certification of managed care organizations under contract.

*Consumer Assessment of Health Plans* - This consumer assessment of managed care is a tool created by the federal government for use with government health care programs required to complete such annual assessments.

*Resources for the Optimal Care of the Injured Patient* - This national evaluation tool establishes comprehensive guidelines for the care of the injured patient, including standards for different levels of trauma centers. The State of Alaska uses compliance with the standards in the document as one of the qualifications for certification as a trauma center (7 AAC 26.010 - 7 AAC 26.999).