

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Baeding</i>	DATE <i>9-22-06</i>
<b>DIRECTOR'S USE ONLY</b>	
1. LOG NUMBER  <i>CC0267</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____  <input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____  <input type="checkbox"/> FOIA DATE DUE _____  <input checked="" type="checkbox"/> Necessary Action
cc: Mr. Fern, Singleton, Wells ✓	

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850

*Doc. Bowling*  
*"McC. Action"*  
*cc: Ken*  
*Smileton*  
*Wells*



Center for Medicaid and State Operations

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SMDL #06-020

September 19, 2006

Dear State Medicaid Director:

This is an urgent reminder to all State Medicaid programs that, as covered entities under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), States must accept and use, by May 23, 2007, National Provider Identifiers (NPIs) in electronic transactions for which the Secretary has adopted a standard (i.e., standard transactions). Please make certain that your Medicaid Management Information System (MMIS) is prepared to accept and use NPIs for all HIPAA defined health care providers. You should also instruct such providers to apply for their NPIs if they have not already done so.

Please review the following Centers for Medicare & Medicaid Services' (CMS) announcements and guidance about the NPI to assist you in meeting the compliance date, as established in the January 23, 2004, *Federal Register* rule (69 *Fed. Reg.* 3434).

Letter to Health Care Providers from the CMS Administrator (May 6, 2005)

The CMS Administrator announced May 23, 2005, as the start date of enumeration for the NPI. The NPI is the standard unique health identifier that was adopted by the Secretary of Health and Human Services under HIPAA for all health care providers.

The Administrator's announcement letter:

- Informs health care providers about the NPI;
- Describes three ways to obtain an NPI; and
- Provides guidance once the NPI has been obtained.

The letter, which also provides contacts and resources, should health care providers have questions about the NPI, can be viewed at the dedicated NPI Web page on the CMS Web site at: [http://www.cms.hhs.gov/apps/npi/01\\_overview.asp](http://www.cms.hhs.gov/apps/npi/01_overview.asp).

The CMS Guidance Related to Subpart Enumeration for Covered Organization Health Care Providers and Responding to Providers

Please be advised that Medicaid, as with all other health plans, cannot dictate how providers enumerate subparts. Subpart determination is necessary to ensure that entities within a covered organization, that need to be uniquely identified in HIPAA standard transactions, obtain NPIs for that purpose. Each State Medicaid program may want to develop a document similar to the

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“Medicare Expectations on Determination of Subparts by Medicare Organization Health Care Providers who are Covered Entities under HIPAA.” Any State document can encourage, but cannot require, subpart enumeration to mirror the Medicaid program’s provider enrollment and assignment of current legacy provider numbers.

If contacted, the State agency, or any State Medicaid program representative, should remind callers that the NPI is for use on all HIPAA standard transactions, not only the HIPAA standard transactions they conduct with Medicaid. Callers should also be informed that Medicaid programs and other health plans cannot instruct providers on how to enumerate subparts. The callers should be referred to the authoritative documents and other resources on the CMS NPI Web site, identified on page one, to help them make these decisions.

### Atypical Providers

Atypical providers are providers that do not provide health care, as defined under HIPAA in Federal regulations at 45 CFR section 160.103. Taxi services, home and vehicle modifications, and respite services are examples of atypical providers reimbursed by the Medicaid program. Even if these atypical providers submit HIPAA transactions, they still do not meet the HIPAA definition of health care and therefore cannot receive an NPI. Therefore, the MMIS must be prepared to accommodate the current legacy numbers for atypical providers.

### Medicaid Management Information System

The MMIS must be prepared to accept and accommodate the NPI. Methods that the State may use include remediation or the development of a crosswalk. The State may want to consider a testing plan involving acceptance and processing of transactions with the NPI and legacy number in separate, phased-in stages.

Please ensure that your NPI test plan includes testing with providers so that they receive appropriate reimbursement and are properly identified. CMS has approved enhanced funding at the 90-percent Federal financial participation level for any of the MMIS-related gap analysis and remediation activities under an approved Advanced Planning Document.

For more information on NPI, check the following Web site at:  
[http://www.cms.hhs.gov/NationalProviderStand/04\\_education.asp#TopOfPage](http://www.cms.hhs.gov/NationalProviderStand/04_education.asp#TopOfPage). There are numerous downloads and links with information and instructions on how to apply.

Because of the critically important role the NPI will play in future Medicaid reimbursement, we have been asked to keep the CMS Administrator’s office informed on the progress States are making to ensure their systems are NPI-compliant as of May 23, 2007. We have asked our regional office systems staff to work closely with your staff to monitor and report to us the status of your system’s readiness on a periodic basis over the next 12 months.

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If you have any question concerning this letter, please contact Mr. Edward C. Gendron, Director, Finance, Systems and Budget Group, at (410) 786-1064, or by e-mail at: [Edward.Gendron@cms.hhs.gov](mailto:Edward.Gendron@cms.hhs.gov)

I appreciate your attention in addressing this effort and in making this transition successful.

Sincerely,

/s/

Dennis G. Smith  
Director

cc:

All CMS Regional Administrators  
  
All CMS Associate Regional Administrators  
for Medicaid and State Operations

Martha Rothery  
Director, Health Policy Unit  
American Public Human Services Association

Joy Wilson  
Director, Health Committee  
National Conference of State Legislatures

Matt Salo  
Director of Health Legislation  
National Governors Association

Jacalyn Bryan Carden  
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American Legislative Exchange Council

Lynne Flynn  
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