CURRENT STATUS OF NAPPI & HANC HEARING AID CODING

INDEX

1. PREAMBLE 2

2. BACKGROUND 2

   2.1 WHAT IS A NAPPI CODE? 2

   2.2 NAPPI CODE REQUIREMENT FOR HEARING AIDS 3

   2.3 WHY NAPPI REQUIREMENTS FOR HEARING AIDS? 4

   2.4 DEVELOPMENT OF HANC 5

   2.5 WHAT IS HANC? 5

   2.6 RENEWED ‘ENFORCEMENT’ OF NAPPI CODES FOR HEARING AIDS 6

3. NEW HEARING AID CLAIMING RECOMMENDATIONS AND GUIDELINES 7

4. UNBUNDLING OF HEARING AID PROFESSIONAL COMPONENT CODES 8

5. THE WAY FORWARD 9

6. SUMMARY OF THE PROCESS AND OUTCOMES THUS FAR 10

7. DSP SITUATION 10

8. CONCLUSION 11
Dear Audiology Colleague

CURRENT STATUS OF NAPPI & HANC HEARING AID CODING

Our SAAA-SASLHA Audiology Coding Committee, HealthMan as well as the Associations’ EXCOs have recently been inundated by concerns regarding the implementation of The National Pharmaceutical Product Index (NAPPI codes) as a requirement for hearing aid payments by medical funders.

1. PREAMBLE:

Recent communications were distributed by some medical funders and administrators to hearing aid suppliers and service providers insisting on the use of NAPPI codes for hearing aids going so far as to suggest that failure to comply would result in non-reimbursement of hearing aids.

2. BACKGROUND

2.1 WHAT IS A NAPPI CODE?

As a result of many enquiries, we have realized that many members do not yet have adequate knowledge of what NAPPI and/or HANC codes are, the reason why it is enforced by medical funders and what implications NAPPI coding has for the hearing aid market and for hearing care professions.

2.1.1 “NAPPI is an acronym for The National Pharmaceutical Product Index. There is a unique numerical identifier (unique NAPPI code) for any given medical, surgical or consumable product which enables electronic transfer of information throughout the Healthcare delivery chain. NAPPI codes provide a comprehensive database of medical products used in South Africa”. - (retrieved from www.medikredit.co.za).

2.1.2 MediKredit is the company responsible for the management and maintenance of the NAPPI Product File. The terms and conditions of MediKredit state that suppliers of products have to provide the “provider acquisition price” with each NAPPI code application (per product). Definition of the “Provider Acquisition Price” (as per the Medikredit NAPPI Application Form)

**Wholesale (list) price excl Vat**
- The wholesale or list price is the provider acquisition price. This is the price that the pharmacy, doctor or hospital will pay for the product before any discounts
**As per MediKredit’s explanation during recent consultations with the committee, we understood that ‘discount’ in this regard refers to, for example, the fact that some bigger hospital groups might order in bulk and will thus qualify for larger discounts than smaller clinics.**

2.1.3 A NAPPI code is thus actually designed for the Pharmaceutical industry to provide a *‘product/device only’* price that is not accompanied by a professional fee service component such as is the case with hearing aids.

### 2.2 NAPPI CODE REQUIREMENT FOR HEARING AIDS

2.2.1 Earlier in 2016, Transmed/MMI implemented NAPPI codes as a requirement for hearing aid claim payments. After negotiations with the SAAA-SASLHA Coding Committee, HIASA- HANC Committee and HealthMan, they retracted this requirement pending further negotiations.

2.2.2 *Although NAPPI Codes were never a general prerequisite for hearing aid claim payments, some medical funders such as Discovery Health Medical Scheme (DH) indicated, as early as 2014, that they were considering implementing the NAPPI coding system for hearing aids.*

2.2.3 One of the requirements for adhering to NAPPI Codes is that the supplier at the time of applying for a NAPPI code for a product should provide the *‘provider acquisition price’* for the said product, i.e. the wholesale price must be declared when applying for NAPPI codes.

2.2.4. Hearing aid suppliers thus have to specify the wholesale price for each of their hearing aid products as part of the application process for MediKredit NAPPI codes. This will EXCLUDE the professional fee component which is CURRENTLY INCLUDED in the global fee 821830.

2.2.5. This requirement in itself could be detrimental for the profession of Audiology if implemented in its present format as our current coding structure does not accommodate a ‘device-only’ component. Reason: Our hearing aid code 1830 is a GLOBAL code for the entire process: “Global fee for the supply, fitting and follow-up of a hearing aid/s”. Our current coding structure does not include adequate codes for each consultation, procedure, treatment and/or professional service component associated with the hearing aid process.

2.2.6. Hearing aid suppliers are not allowed to and cannot make a judgement of an estimate amount for the professional fee component and are also not in a position to determine what the fee should be per practice on behalf of audiology practitioners.

2.2.7. It is for these reasons that hearing aid supplier companies indicated (some as long as two years ago) to medical funders that they are not in a position to specify a NAPPI price per hearing aid product. They consequently referred medical funders back to the audiology profession.
2.2.8. Competition laws, prevent us as a profession to prescribe or recommend hearing aid prices. Our current coding structure also does not yet have the option of adequate separate professional service codes for each and every single consultation-, procedure- and treatment component linked to the hearing aid supply-, fitting-and follow-up process.

2.2.9. Medical funders and administrators understand this, but due to the recent extreme increases in hearing aid claim statistics and the reported unethical coding and billing practices within the audiology space, they informed us that in their opinion, NAPPI is the only solution to their problem.

2.3 WHY NAPPI REQUIREMENTS FOR HEARING AIDS?

2.3.1 The urgent need for NAPPI code specification for hearing aids (with specific reference to the NAPPI linked wholesale price specification requirement by suppliers) is absolutely understood, as various medical funders and administrators have made us aware of hearing aid billing irregularities. Furthermore, medical practitioners in the private medical sector are facing more pressure to move away from product related profits.

2.3.2 Medical funders plead for ‘price transparency’ and want to know and understand the acquisition price of products (i.e. wholesale price to providers). Therefore, they have insisted on the adoption of NAPPI codes. This appears to be in light of some alleged claim irregularities (such as claims for follow-up consultations which should for part of the “Global Fee’); alleged extreme price ranges for the same hearing aid models, etc.

2.3.3 We realize that these complaints only escalated after the previous “Hearing Aid Supplier Recommended Retail Pricelists” fell away after enforcement of new competition laws a few years ago.

2.3.4 We believe that most practitioners apply ethical hearing aid billing practices as some medical funders confirmed that it is only a very small percentage (around 5%) of professionals who are affecting our entire profession negatively by their unethical behaviour. These statements about hearing aid claim irregularities, expressed by representatives of medical funders, were of a general nature and although these allegations concern us, we have also since realised that the list of examples provided by some medical funders included quite disparate examples, due to the fact that there is no uniform and exact standard for hearing aid descriptions.

2.3.5 It is important though, that price comparisons be undertaken on the basis of comparing ‘apples with apples’. Hence the Hearing Aid Alpha Numerical Coding System (HANC) was developed to respond to the need for clear hearing aid descriptions across the hearing aid industry. The HANC system was developed as a solution and as a workable and intelligent alternative to NAPPI.
2.4. DEVELOPMENT OF HANC

2.4.1 For the past 18-24 months, a core working group consisting of members from both professional associations (SAAA & SASLHA), the Hearing Industry Association of South Africa (HIASA), HealthMan and additional consultants, have actively explored various avenues to avoid the implementation of NAPPI codes for reasons cited in point 2.2.3 above. The Society of Hearing Aid Acousticians (SHAA) was also initially involved, but subsequently withdrew. All hearing aid suppliers participated and in principle, supported this process.

2.4.2. After many meetings during this period with all the major medical funders and administrators, the HANC concept and implementation process was well accepted.

2.5 WHAT IS HANC?

2.5.1. HANC is a uniform and exact standard for hearing aid claim descriptions and offers simple but intelligent and meaningful codes with clear product identification which is uncomplicated and user friendly at all levels. It allows medical funders to know exactly which type, model, ear, brand of hearing aid has been fitted as each supplier will code each product/device on their product lists.

2.5.2. A HANC Code consists of 5 identifying elements, namely:

I. Left ear/Right ear Identifier

II. Monaural/Binaural/First fitting/Upgrades/CROS-BiCROS Identifier

III. Manufacturer Identifier

IV. Product Identifier

V. Style Identifier

*Each of these identifiers is represented by an ‘alpha’ or ‘numeric’ digit.

*Due to competition laws no price reference element can be added to the HANC system.

2.5.3. Examples of HANC Codes:

L1UT0001B = Left ear, monaural/unilateral first fitting, Unitron product, Shine model, Behind-The-Ear style

R2OT0002X = Right ear, binaural/bilateral first fitting, Oticon product, Nera model, Receiver-In-Canal style
*Although all the hearing aid suppliers allocated HANC codes for all their products, examples of Unitron and Oticon’s codes were used as examples, since Dion Watson (Unitron & HIASA Chairperson) and Lezanie Bakker (Oticon) were the HIASA representatives on the HANC Coding Committee.

2.5.4 For more detailed information, please see the attached document for “HANC” which was also used during presentations of the HANC system to medical funders and audiologists during 2015/6.

2.6 RENEWED ‘ENFORCEMENT’ OF NAPPI CODES FOR HEARING AIDS

2.6.1 Recently, and despite our best intentions with HANC, certain medical funders and administrators seemed set on the NAPPI system again. Some of the main reasons were:

- Some medical funders recently convinced specific hearing aid suppliers with nationwide audiology practices to obtain NAPPI codes. This scenario was different to the situation 6 months-1year ago, as now there were hearing aid suppliers, be it just a few, with NAPPI codes. Although it still represented less than 10% of all hearing aids in the country, the associated threats from medical funders of only reimbursing hearing aids with NAPPI codes from 1 January 2017, has put pressure on all the other hearing aid suppliers to also obtain NAPPI codes.

- In addition to the above, medical funders became increasingly concerned about “waste and abuse” of their hearing aid benefits.

- There remains an increased unethical behaviour regarding hearing aid pricing and coding.

- The NAPPI coding system provides ‘price transparency’ (which HANC doesn’t give).

2.6.2. As a result, some medical funders/administrators recently communicated to individual hearing aid suppliers and practitioners that they intend to implement NAPPI codes for hearing aids as of January 1st, 2017. This is a serious attempt to lower expenditure and clamp down on fraud.

- HealthMan and the SAAA-SASLHA Audiology Coding Committee are currently in communication with all major medical funders and administrators to request official postponement of the Hearing Aid NAPPI Code implementation until April 1\textsuperscript{st}, 2017. This will allow for adequate implementation time for all hearing aid suppliers and practitioners. The assurance of ‘no-rejection’ of a hearing aid claim which is not accompanied by a NAPPI code before April 1\textsuperscript{st}, 2017 has also been requested.

- In a recent letter from Medscheme to practitioners, a phased-in approach was suggested starting from January 1\textsuperscript{st} 2017. It was stated that any hearing aid claim submitted after April 1\textsuperscript{st}, without a valid NAPPI code will be rejected. Similar NAPPI code implementation date announcements by other medical funders and administrators are expected to follow soon.
- We do not have a choice any longer and must adhere to the NAPPI requirement requests, else we risk the chance of non-payment for hearing aid claims. Please note that the ‘Global hearing aid fee’, as per existing coding/billing practice for code 821830 must still continue to be used for all hearing aid submissions.

* We are aware that HealthMan has determined an “Average Global Fee Hearing Aid Reference Pricelist” based on independent research conducted by HealthMan in 2016, of actual pricing behaviour in the market. The results can be used by funders to adjudicate the fairness of claims. This initial/preliminary research was carried out independently from any supplier. The coding committee/audiology profession did not participate either.

### 3. NEW HEARING AID CLAIMING RECOMMENDATIONS AND GUIDELINES

The SAAA-SASLHA Coding Committee has accepted Discovery Health’s proposal received on 6 October 2016 in writing, namely: “…audiologists still claim for the global fee and we will continue to fund the global fee exactly as we currently do. In addition the modified HANC code, as recommended above, together with the NAPPI code is billed…” as per the following example:

<table>
<thead>
<tr>
<th>CODE</th>
<th>Description of hearing aid</th>
<th>NAPPI CODE</th>
<th>RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Global Hearing Aid Code</td>
<td>The HANC Code to be followed by the exact prescribed wording/description of the make, model etc. according to HANC specifications (thus not only the traditional diverse descriptions for hearing aids anymore)</td>
<td>To be specified in the NAPPI code field (consult Medprax)</td>
<td>Amount= Global hearing aid fee -as per existing coding practice</td>
</tr>
</tbody>
</table>

**EXAMPLES:**

<table>
<thead>
<tr>
<th>CODE</th>
<th>Description of hearing aid</th>
<th>NAPPI CODE</th>
<th>RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>821830</td>
<td>L1UT0033C -Left UNITRON Quantum 12 CIC (Thus=HANC code + full description of hearing aid)</td>
<td>Applicable NAPPI code</td>
<td>e.g.R1 000.00</td>
</tr>
<tr>
<td>821830</td>
<td>R3OT0002X – Right Oticon Nera RIC (Thus=HANC code + full description of hearing aid)</td>
<td>Applicable NAPPI code</td>
<td>e.g.R1 000.00</td>
</tr>
</tbody>
</table>
3.1 This revised description will provide medical funders with:

- A NAPPI code per hearing aid product.
- The applicable hearing aid’s HANC code in the descriptor line.
- Note that all major hearing aid suppliers have allocated a HANC code to each of their products and submitted these to HealthMan. (These also include some of those suppliers who originally had NAPPI codes).
- A precise hearing aid descriptor according to the HANC coding guidelines in the same line.

3.2 Above billing method will therefore be implementable as a phased-in approach from 1 January 2017 with the aim of 1 April 2017 as the final implementation date. Billing system software and switching changes might be necessary. Please contact your billing software support centre for more information on how to implement the billing changes. Software suppliers of pharmaceutical and consumable NAPPI coding to practice management applications (e.g., Medprax) can also be of assistance in implementing NAPPI codes in practice software billing systems.

3.3 HANC coding information was presented to audiologists at various regional audiology seminars/conferences countrywide during the course of 2016. In addition, a detailed reference and training manual and a “BEST PRACTICE HEARING AID GUIDELINES” are in the process of being developed. This will assist in promoting ethical coding, billing and audiology service delivery at international standards.

3.4 We recommend that no hearing aid claim should be reimbursed without an accompanying HANC and NAPPI code as per the example above.

3.5 The SAAA - SASLHA Coding Committee has requested that hearing aid suppliers specify both the NAPPI & HANC codes of each product in their pricelists to Audiologists. Ensure that your hearing aid supplier includes NAPPI and HANC codes with every hearing aid product on their pricelist.

3.6 We request that all audiologists apply ethical coding and billing. Please ensure that no claims are submitted for the professional component associated with the hearing aid fitting, which would be considered as part of the GLOBAL FEE component.

4. UNBUNDLING OF HEARING AID PROFESSIONAL COMPONENT CODES

4.1. In spite of the important aspect to validate that ‘apples are indeed compared with apples’ as would occur using the HANC system, we completely understand the need of hearing aid price transparency by medical funders and their request for an unbundling/itemizing model as a future pre-requisite for hearing aid reimbursement. An unbundled/itemized model implies a ‘device only-price’ (as NAPPI provides) as well as an
itemized list of all the different professional fee codes/procedures that are linked with the entire process of our traditional current global fee namely: “Global fee for hearing aid supply, fitting and follow-up process”.

4.2. A more permanent and long term implementation scenario from 2018/2019 thus includes the separation of the hearing aid product from the accompanying professional service components and the ‘fitting’ fee.

4.2.1. The effective implementation of this scenario will only be accurate and fair once official practice cost study results and recommendations are available. This will determine what portion of the current “Global Hearing Aid Fee” should be allocated to which procedure codes.

4.2.2. Insight Actuaries and Consultants has been approached to conduct a comprehensive study of “Audiology in Private Practice”. An objective of the study will be to determine a fair and reasonable revenue and tariff model for audiologists.

4.2.3. We envisage completing our actuarial studies within an eighteen-month period. The unbundling of codes and revenue models can be discussed following that.

4.2.4. We requested that the medical funders allow us time (an 18 month period has been requested) to complete our actuarial research project.

4.2.5. Thereafter we will be in a far better position to enter into discussions about the unbundling of the global hearing aid code, add new codes to reflect the scope of practice, update the costs of technology codes, review coding rules and interpretations and update all Relative Value Units (RVU’s) in line with the Actuarial Studies. Note that some of this work can be done in parallel with the proposed study.

5. THE WAY FORWARD

5.1 We as a profession are concerned that medical funders might unilaterally determine what a fair and reasonable professional audiological reimbursement rate should be.

5.2 Hence, the Audiology profession has decided to work together with medical funders, in meeting common goals but will maintain our autonomy as an audiology profession and make its own decisions regarding fair and justifiable coding for hearing aids, other services and for procedures.

5.3 Independent legal advice has guided our decision-making regarding the rights of the profession in the case when medical funders demand a device only price (as per the NAPPI only requirement). Independent legal advice has also been sought to understand the rights of the profession in terms of setting our own hearing aid coding structure, and accompanying (unbundled/itemized) professional components.

5.4 A scientific, research-based study of “South African Audiology Private Practice” based on individual practice cost studies is the only way we can substantiate our codes and the sustainability of Audiology Practices to medical funders. Obtaining an actuarial study of the revenue and costs of audiology practices does not only pertain to hearing aids and implantable hearing aid devices, but also includes a complete
analysis of all areas of audiology practice in terms of the utilization of current diagnostic, procedure and
treatment codes, recommendations for new codes and the correct reimbursement levels for each code.

5.5 The Audiology profession is best positioned to assess the factors and parameters of the accepted RVU's
(Relative Value Units) which include duration of procedures, degrees of complexity, costs involved, etc. This
will assist an independent party in the determination of what a reasonable professional fitting fee should be,
for which we currently do not have codes. This will include our research of hearing aid related fitting,
procedures, consultation, and equipment codes.

6. SUMMARY OF THE PROCESS AND OUTCOMES THUS FAR

The SAAA-SASLHA Audiology Coding Committee and HealthMan have held numerous meetings and
engagements with administrators and medical funders regarding HANC & NAPPI Codes as part of the
possibility of the unbundling of the Audiology billing code 821830 (Global fee for supply, fitting and follow-up
of hearing aid process) as published in the 2006 NHRPL. A letter dated 2 December 2016 was distributed to
ALL medical funders/administrators with the following proposals:

6.1. Collaboration with medical funders whilst determining our own coding structures.

6.2. For the next year or two, the Associations will advise its members to include NAPPI codes for hearing aids
and HANC codes for the description of hearing aids on all accounts to medical schemes.

6.3. HANC training will continue on an on-going basis going forward. A detailed reference and training manual
will also be made available for each audiologist accompanied with a BEST PRACTICE HEARING AID GUIDELINES.

6.4 A more permanent/long term implementation process from 2018/2019 includes the unbundling of the
hearing aid product from the accompanying professional service components and the fitting fee. The effective
implementation of this scenario will only be accurate and fair once the intended practice cost study is
completed and its results and recommendations are available. This will determine what portion of the Global
Hearing Aid Reference Fee should be allocated to which procedures.

6.5. The issues of the current under-reimbursing for numerous audiology codes (Discovery Health
specifically) as well as the ‘new’ codes 821340 and 821017, that are still not recognized by most
medical funders were also addressed. (‘New codes’: Code 821340: “Basic Equipment code” and
modifier code 821017: “Assistant Audiology Code”)


7. DSP SITUATION

DSP is an acronym for Designated Service Provider. A medical funder can establish at its own discretion a DSP with any provider/s or provider group/s. It is unlawful to have a DSP with supplier/s or a supplier group/s of products that includes professional practices. Be assured that HealthMan and the Coding Committee (with legal opinion) are currently in the process of addressing the unlawful DSP’s operating in the market. Members are requested to inform HealthMan and the Associations of any claims that are rejected on the basis of ‘not a DSP’. It is important to get exact facts pertaining to who the DSP is/are. We want to encourage all our members not to enter into any DSP with medical funders without the DSP contract proposal having been reviewed by HealthMan and our legal advisors. Please remember that our strength is greater as a group, rather than as individuals or in split groups.

8. CONCLUSION

We believe this process to be a transparent, validated and scientific way forward. It will allow us as a profession to analyze and code our professional hearing aid fees in detail and to be able to submit an effective and reasonable mechanism to medical funders and administrators for future reimbursement for the profession of Audiology. As a result, this will have a positive long-term financial impact on medical funders, as well as ensuring that a best practice standard is adhered to for our patients.

We would like to assure you of our best efforts in supporting you as the profession, especially in these uncertain and changing times and will continue to keep you informed of all relevant updates.

We urge you to continue to forward all your concerns and queries to us.

Yours sincerely

SAAA-SASLHA AUDIOLOGY CODING COMMITTEE

Dr Priya Rajaram, René Visagie, Mariet du Plooy-Ahlers and co-opted member Kelly Nathan.

-ALSO IN APPRECIATION FOR AND IN CONJUNCTION WITH HEALTHMAN, THE HIASA-HANC COMMITTEE & THE SAAA & SASLHA EXCOS’

17th December 2016