



## HEALTH PLAN

### Status Indicator Flag B Bundled Codes Payment Policy

**Line of Business: McLaren Health Plan Medicaid**

**Effective Date: 1/1/2025**

**Note:** This was initially posted September 19, 2025 as a Claim Payment Recoupment Initiative and updated to Payment Policy in March 2026.

This policy applies to services provided in an office and/or facility setting. If there is a conflict between this policy and applicable federal or state laws, regulations or regulatory requirements, the applicable laws or regulations will control. Further, if there is a conflict between this policy and a provider contract, the provider contract will govern. Note – coverage may be mandated by MDHHS or CMS.

Providers are required to submit accurate claims and documentation for all services performed.

Providers must submit claims using valid code combinations required by applicable law. Claims should be coded appropriately according to industry standard coding guidelines. All claims are subject to claims edits and may be subject to further reviews by McLaren or contracted third parties. Providers are expected to promptly work with McLaren and any third parties to provide any requested information related to a claim submission.

#### Definition

- **CMS:** The Centers for Medicare & Medicaid Services. It is a federal agency within the United States Department of Health and Human Services that administers the Medicare program and works in partnership with the state governments to administer Medicaid, the Children's Health Insurance Program (CHIP), and health insurance portability standards.
- **CPT:** Standards for Current Procedural Terminology. It is a set of medical codes used by physicians, allied health professionals, non-physician practitioners, hospitals, outpatient facilities, and laboratories to describe the procedures and services they perform.
- **HCPCS:** Healthcare Common Procedure Coding System. It is a standardized coding system that Medicare and other health insurance programs use to identify services and procedures that medical professionals provide.
- **NPFS:** NPFS stands for National Physician Fee Schedule. It is a list of fees used by Medicare to pay doctors or other providers/suppliers. The NPFS is updated annually.
- **Status Indicator Flag:** A status indicator flag is a classification of a CPT or HCPCS procedure code into a specific category indicating how it will be handled in claims processing and whether it will be reimbursed. The Center for Medicare and Medicaid Services (CMS) maintains the National Physician Fee Schedule (NPFS) which contains the CPT and HCPCS procedure codes.

#### Policy

The Center for Medicare and Medicaid Services (CMS) maintains the National Physician Fee Schedule (NPFS) which contains CPT and HCPCS procedure codes. Each of these

codes has a Status Indicator Flag. This Flag classifies the code into a specific category indicating how it will be handled in claims processing and whether it will be reimbursed. Status Indicator B indicates a service that's always bundled into another service. Reimbursement of this service is always included in the payment for another service, whether the code is billed on the same date of service as a primary code or billed alone on a different date or claim.

Bundled codes refer to a group of medical procedure codes or services that are combined or packaged together for reimbursement purposes by healthcare payers, such as insurance companies or government programs like Medicare and Medicaid. When codes are bundled, it means that instead of being paid separately, the payment for these codes is included in the payment for another primary service or procedure.

Bundling avoids double payments for overlapping services, encourages efficiency in healthcare delivery and streamlines the billing and reimbursement process. The primary service that includes bundled codes is typically the one that is considered the most comprehensive or significant in each medical encounter.

For example, if a surgeon performs a surgical procedure that includes the insertion of a medical implant, the cost of the implant may be bundled with those payments for the surgical procedure itself rather than being reimbursed separately.

Understanding bundled codes is important for health care providers and billing professionals to ensure accurate and compliant billing and reimbursement. If the services require authorization such as genetic testing or select surgeries, obtaining authorization does not guarantee payment.

Procedures codes assigned a CMS status indicator flag "B" are not eligible for separate reimbursement. Payment for these covered services is always integrated into the payment for the other unspecified services. Payment for these services is included within the payment for the related services to which they are associated.

### **Audit**

McLaren or a third party may audit or otherwise review all paid inpatient hospital claims to ensure the integrity of the paid claims. This includes, but is not limited to coding validation, payment accuracy, compliance with regulations, policies, and contractual requirements. These reviews include clinical claim reviews and payment analytics.

## References

PFS Relative Value Files/The National Physician Fee Schedule that shows the payment indicators (if codes are Status B-codes (bundled), and PDF;

<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched/PFS-Relative-Value-Files>

Medicare NCCI Policy Manual; <https://www.cms.gov/medicare/coding-billing/national-correct-coding-initiative-ncci-edits/medicare-ncci-policy-manual>

Medicare NCCI FAQ Library page/National Correct Coding Initiative (NCCI) Policy Manual; <https://www.cms.gov/medicare/coding-billing/national-correct-coding-initiative-ncci-edits/medicare-ncci-faq-library>

CMS MLN Fact Sheet/Proper Use of Modifiers;

<https://www.cms.gov/files/document/mln1783722-proper-use-modifiers-59-xe-xp-xs-and-xu.pdf>

Medicaid National Correct Coding Initiative Policy Manual;

<https://www.cms.gov/medicare/coding-billing/ncci-medicare/medicaid-ncci-policy-manual>