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# Decision Tree for Determination of Organizational NPI Subparts

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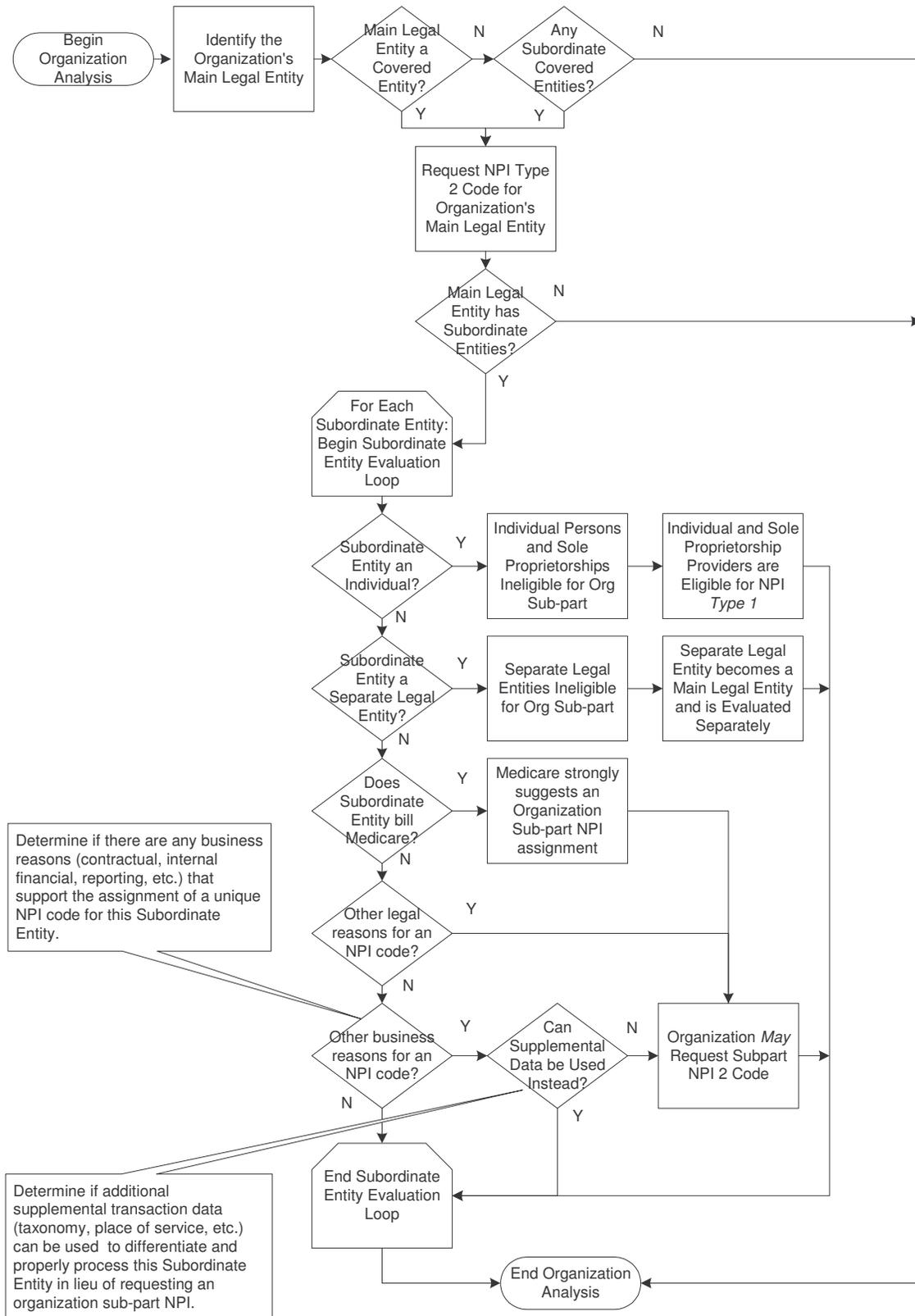
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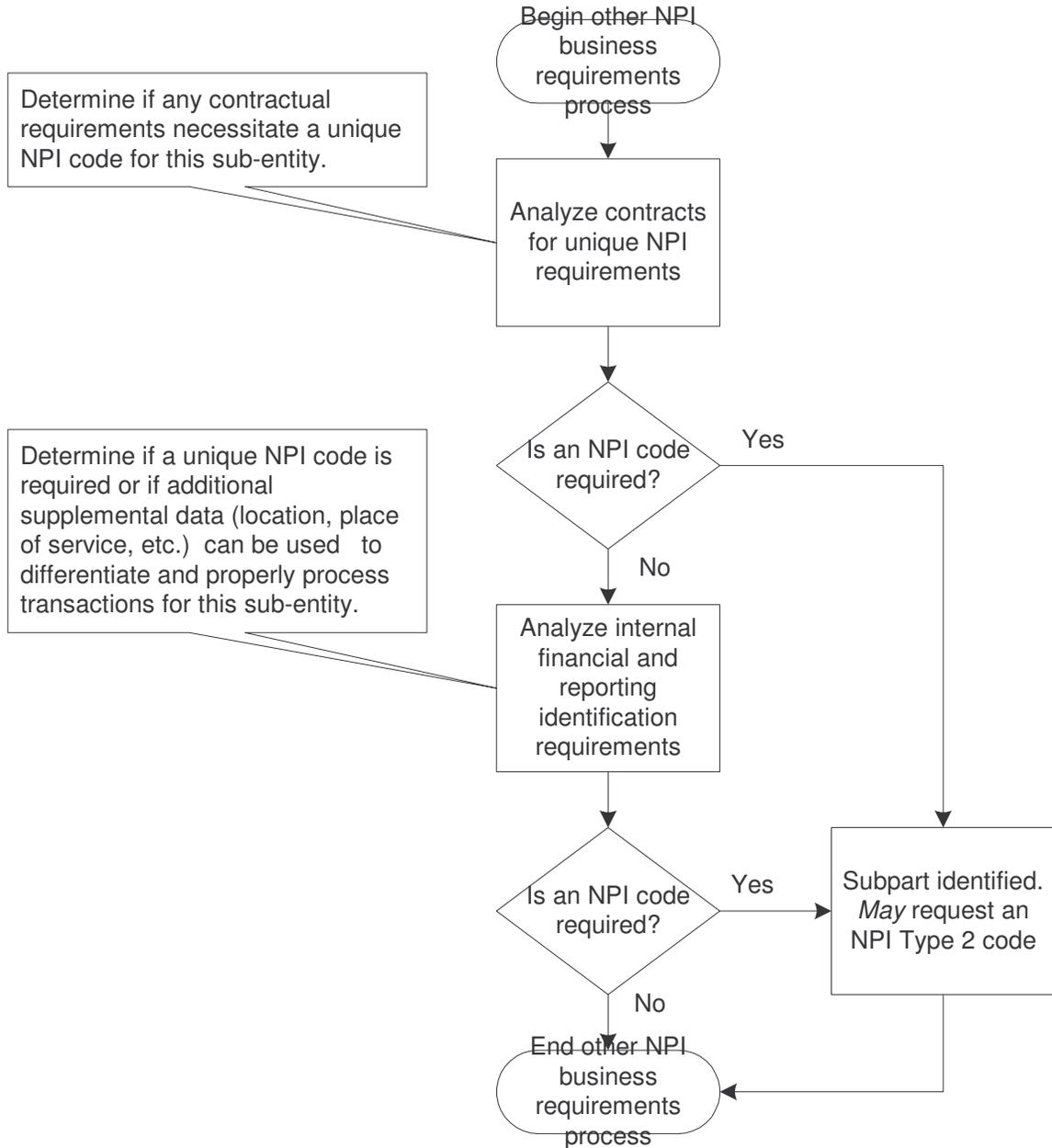
## Decision Tree for Subparts With Rule Preamble References

Organizational providers may struggle with their determination of subparts and their decision to enumerate those subparts separately from the main entity. The process requires assessing the numbers and types of subparts and then making a determination if those subparts should be considered for application for NPIs. A decision tree for making this determination is presented here as a flow chart. The second page of the flow chart provides more detail regarding how organizations should consider their own business requirements as part of the ultimate decision. Following the flow charts, the decision process is described step-by-step in more detail with rule references to substantiate each decision point.

## Decision Tree for Organizational NPI Assignment Analysis



### Other NPI Business Requirements



## 1. Consider the main legal entity, e.g. Alphabeta Healthcare System

The main legal entity may be a large healthcare system, or it may be a smaller organization that is comprised of a single hospital or other type of organization healthcare provider. The NPI rule does not confer a requirement for this main entity to be a covered entity, but does require that the entity receive an NPI if it is a covered entity. This main entity is responsible for determining *if* it has subparts and for assuring that those subparts are enumerated. The responsibility for compliance with the NPI rule is the responsibility of the main organization healthcare provider covered entity.

“Pp3438 Healthcare providers that are covered entities (see the definition at §160.103) are required to comply with this final rule. Thus, while all healthcare providers (as defined in §160.103 are eligible to be assigned NPIs and may, therefore, obtain NPIs, healthcare providers that are covered entities must obtain NPIs.”

“Pp 3439 The subparts are simply parts of the legal entity. The legal entity—the covered entity—is ultimately responsible for complying with the HIPAA rules and for ensuring that its subparts and/or healthcare components are in compliance.”

“Pp 3439 The organization healthcare provider is responsible for determining if its subpart or subparts must be assigned NPIs...”

**Action:** Determine if the organization healthcare provider is a legal entity and if it is a covered entity under HIPAA. See examples below. If so, continue.

## Typical Organization Structure Examples

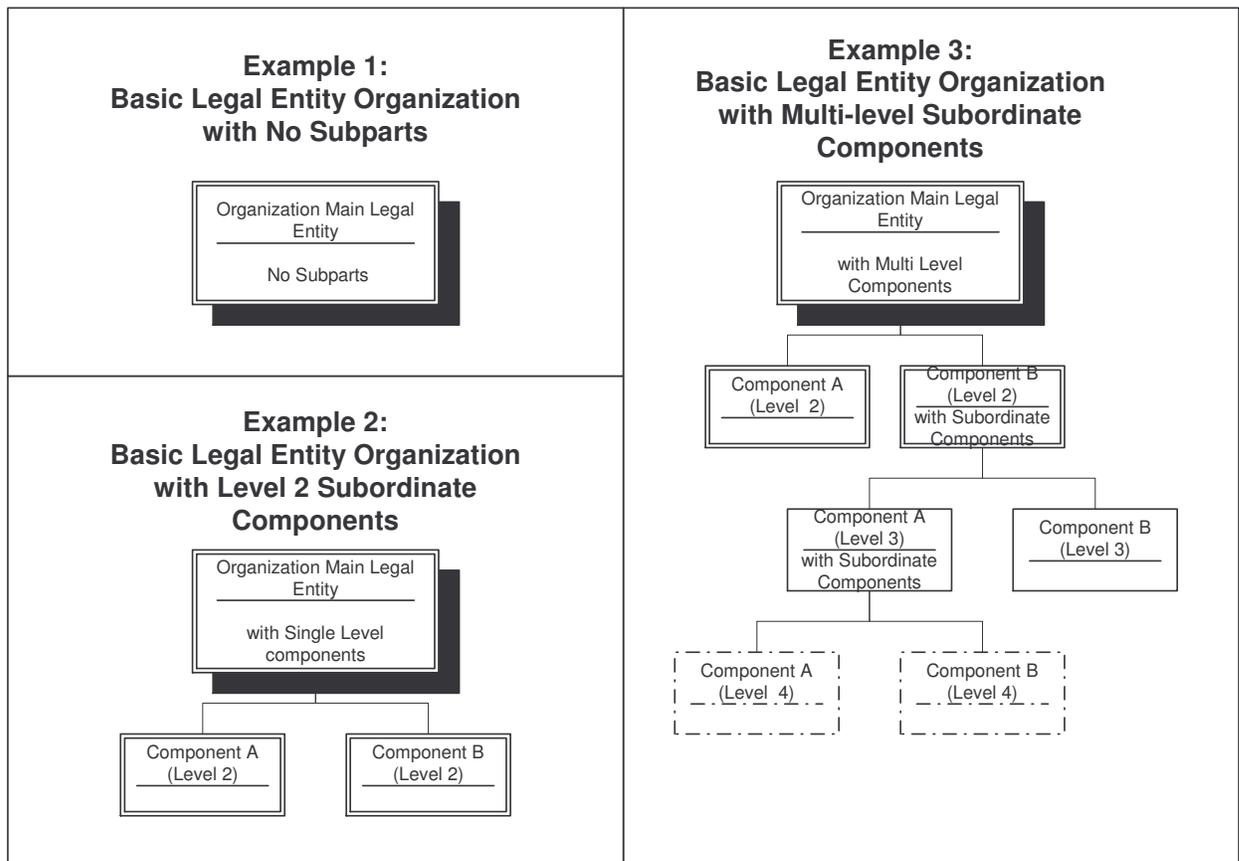
To better understand how NPI codes are determined for an organization, a diagram of the organization's hierarchical structure showing parent/child relationships is needed. The diagram will represent the organization's main legal entity at the highest level, followed by the main legal entity's subordinate components that make up each successive level within the organization. This structure will be used to guide the NPI code analysis and to ensure that all components of the organization are evaluated.

The following examples are representative of three typical organizational structures.

Example 1 is the simplest form of business structure that is composed only of the main legal entity.

Example 2 shows a structure where the main legal entity has a second level of logical subordinate components. The components can number from one to many depending on the complexity of the organization.

Example 3 demonstrates a more complex, multi-level organizational structure. The subordinate components at each level can number from one to many depending on the complexity of the organization.



## ***2. Are there entities that are subordinate to this main entity, e.g. Middletown Hospital?***

Some large healthcare systems may have individual hospitals that are part of the system. These hospitals may or may not be subparts of the organization healthcare provider as they may be legal entities themselves. Different types of organizational healthcare providers may have different types of subordinate entities. For example, a main DME supplier may have different site locations, or a healthcare practice group may have specialty clinics. The main entity must determine if there are subordinate entities that would function independently, if they were a separate legal entity.

“Pp3438 Section 1173 (b) (1) of the Act provides that the Secretary “shall take into account multiple uses for identifiers and multiple locations and specialty classifications for healthcare providers.”

“Pp3440 Many subparts of organization healthcare providers (as discussed earlier in this section are eligible to be assigned NPIs, and an NPI must be obtained for, or by, them if they would be considered a covered healthcare provider if they were a separate legal entity.”

**Action:** List these subordinate entities and ask further questions. If a covered entity and if no subordinate entities exist, the main organization healthcare provider must apply for an NPI.

## ***3. Are there entities that are further subordinate to the above identified subordinate entity(ies), e.g. Middletown Hospital Rehabilitation Facility?***

It is important for the main organization healthcare provider to consider its subordinate entities down to the lowest level to assure that sufficient subparts are identified to continue business processes seamlessly. Some hospitals, may have units that function or conduct billing operations independently as part of a main healthcare system. Some healthcare practice groups may conduct separate business operations from a laboratory or pharmacy contained within that group. Organization healthcare providers should note that individual providers (doctors, nurses, physical therapists, etc.) are eligible to receive their own Type 1 NPIs and should not be considered subparts of the main organizational provider.

“Pp 3439The level of assignment of NPIs must be adequate to enumerate entities that meet the definition of “healthcare provider” at §160.103. It is, therefore, possible that a designated healthcare component may in essence be assigned multiple NPIs if the healthcare component is made up of multiple healthcare providers or subparts, as described earlier.”

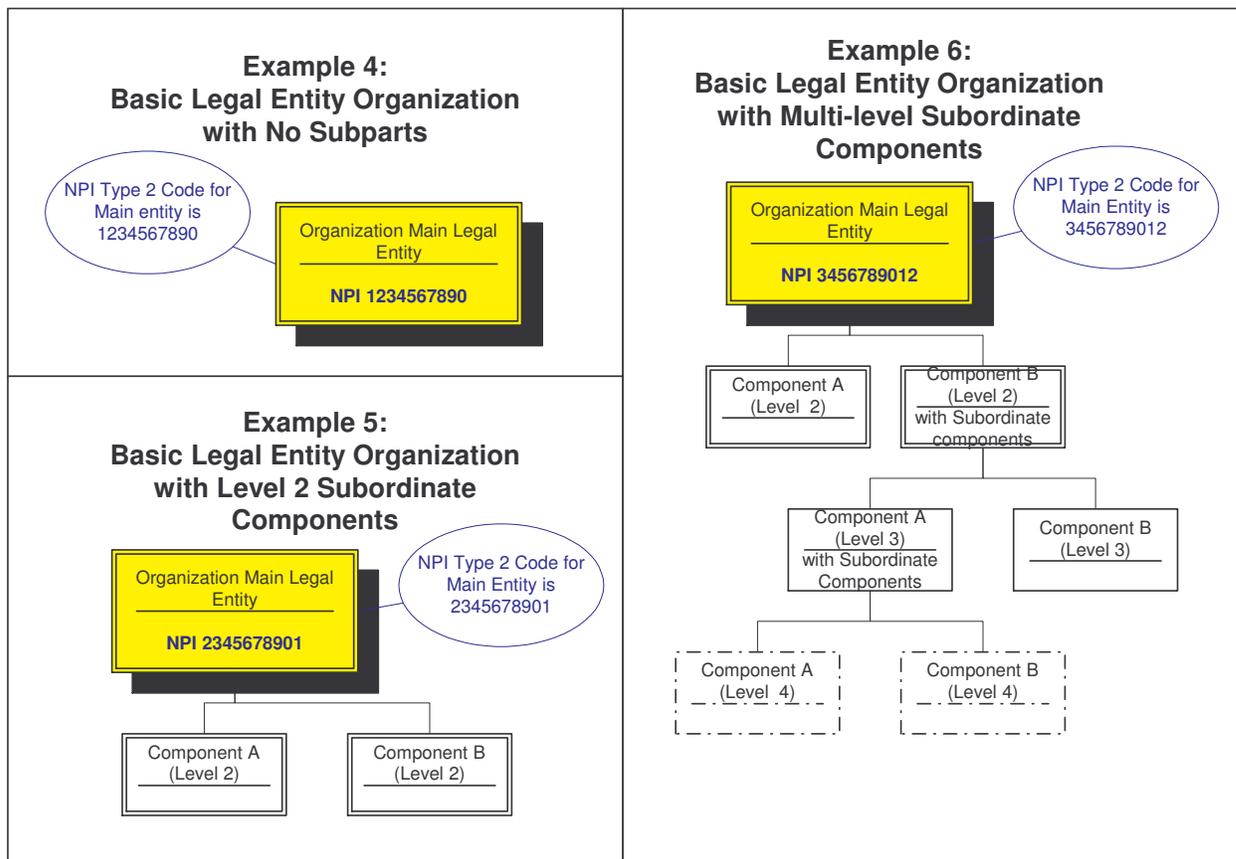
**Action:** List these additional entities that are further subordinate to the main organization healthcare provider and proceed to ask additional questions for each listed entity. If no further subordinate entities are identified, proceed to ask the additional questions for entities listed above.

### Assigning NPI Type 2 Organization Codes to the Main Legal Covered Entity

The typical organization structure examples from the preceding page are used here to demonstrate how NPI codes are assigned to an organization's Main Legal Covered Entity.

NPI Type 2 codes are used to identify organizational components. Assignment of an NPI Type 2 code to an organization's main legal entity is the simplest of all NPI determinations to make. By rule, every main legal entity, that is a covered entity, must be assigned a unique NPI identifier.

In the each of the examples below, the organization's main legal entity is highlighted and unique NPI code numbers assigned.



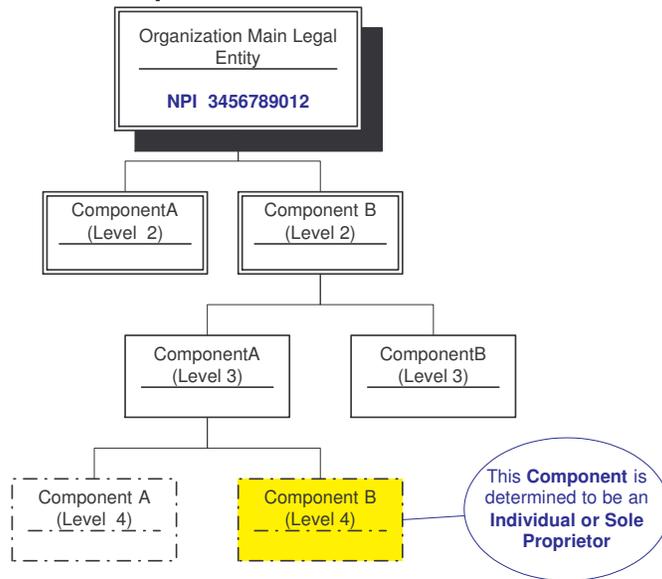
### Assigning NPI Organization Codes where Components are Individuals or Sole Proprietors

Individuals and Sole Proprietors are not eligible to acquire an NPI Type 2 code. However, they are eligible to acquire an NPI Type 1 code. They *must* acquire an NPI Type 1 code if they are a covered entity. The following examples depict how an organization's structure is affected when one (or more) of its subordinate components is determined to be an Individual or Sole Proprietor.

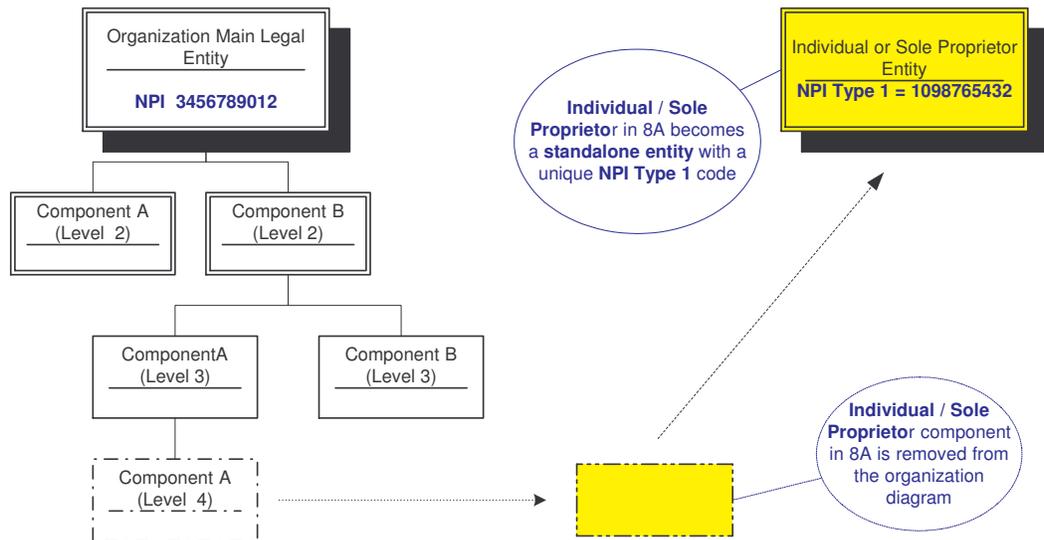
Example 8A depicts an organization with an imbedded component that is determined to be either an Individual person or Sole Proprietor. That component is highlighted.

Example 8B shows that the Individual or Sole Proprietor is removed from the Organization structure and becomes its own entity.

#### Example 8A: Organization Component that is an Individual or Sole Proprietor



#### Example 8B: Subpart Individual or Sole Proprietor Becomes a Standalone Entity



#### **4. Subpart identification questions to be asked of each listed subordinate entity**

The following questions will enable the main organization healthcare provider covered entity to determine if the subordinate entities they have listed are really subparts and should receive their own NPI. The objective of administrative simplification is that careful consideration should go into this determination. HIPAA electronic transactions enable the use of situational data that may differentiate business processes without the use of an additional NPI. However, the decision to enumerate a subpart is up to the discretion of the organizational provider. All of the following questions should be asked before the determination is made to enumerate the subpart.

##### **4.1 Is this subordinate entity a legal entity?**

The rule is clear that the responsibility for compliance with the NPI rule rests with the legal covered entity organizational provider. This legal entity status must be determined by the organization healthcare provider. The organizational provider becomes a covered entity by electronically engaging in any of the named HIPAA transactions *or* by having one of its subparts or business associates do so on its behalf. If the subordinate entity is, in fact, its own legal entity, it is not a subpart but is responsible for obtaining its own NPI and assuring its own compliance with the rule.

“Pp3439 It must be kept in mind, with respect to the subparts as described in this preamble, that the organization healthcare provider is a legal entity and is the covered entity under HIPAA if it (or a subpart or component) transmits health information in electronic form (or uses a business associate to do so) in connection with a covered transaction. The subparts are simply parts of the legal entity. The legal entity—the covered entity—is ultimately responsible for complying with the HIPAA rules and for ensuring that its subparts and/or healthcare components are in compliance. The organization healthcare provider, of which the subpart is a part, is responsible for ensuring that the subpart complies with this final rule. The organization healthcare provider is responsible for determining if its subpart or subparts must be assigned NPIs, as discussed above in this section of the preamble. The organization healthcare provider is also responsible for applying for NPIs for its subparts or for instructing its subparts to apply for NPIs themselves.”

“Pp3440 Many subparts of organization healthcare providers (as discussed earlier in this section are eligible to be assigned NPIs, and an NPI must be obtained for, or by, them if they would be considered a covered healthcare provider if they were a separate legal entity.”

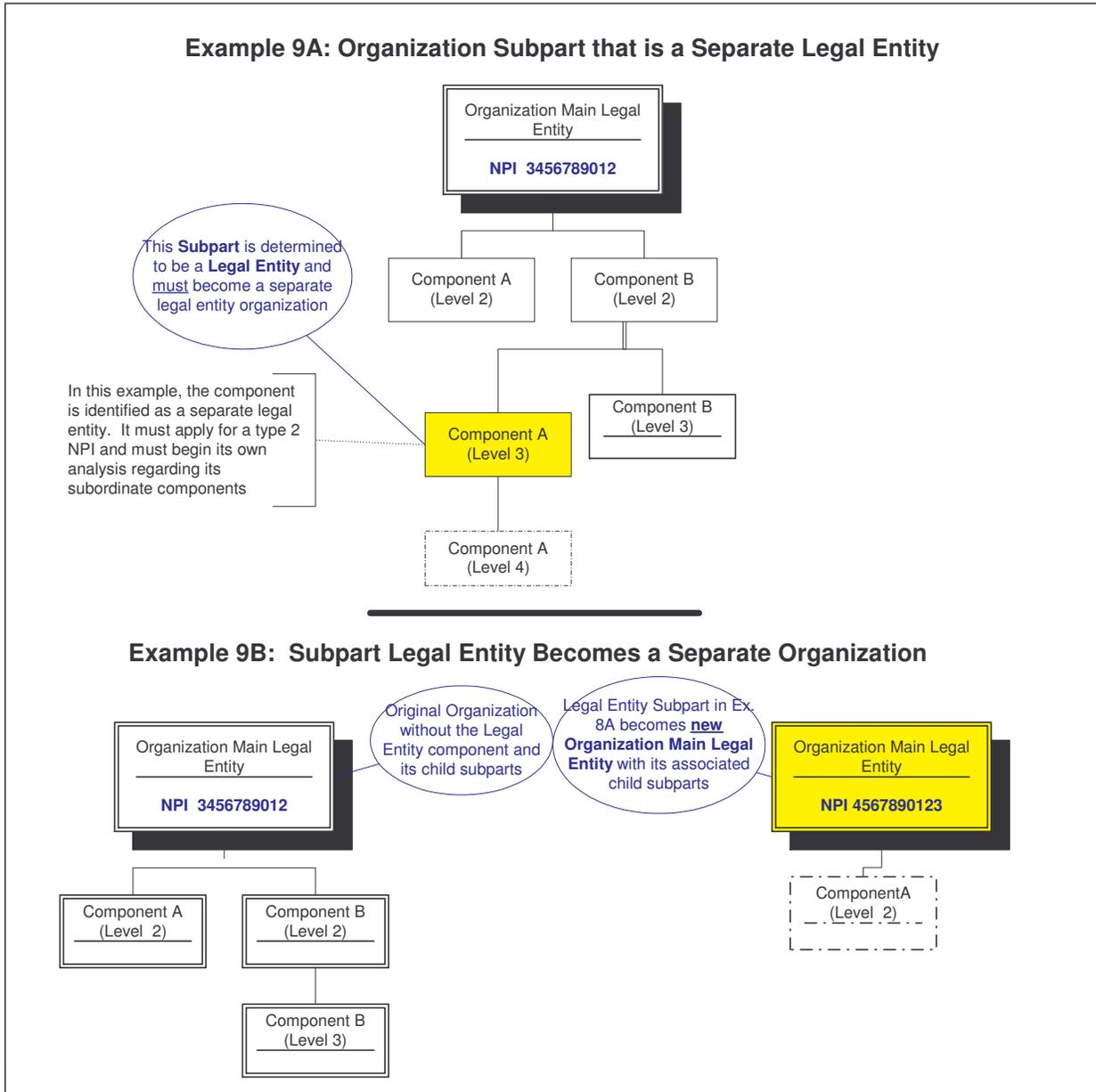
**Action:** If the subordinate entity is a legal entity, it must obtain its own NPI and be responsible for its own compliance with the rule. If it is not a legal entity, continue to ask further questions.

## Assigning NPI Type 2 Organization Codes to Components that are Separate Legal Entities

The following examples depict how an organization's structure is affected when one (or more) of its subparts is determined to be a Separate Legal Entity.

Example 9A depicts an organization with an imbedded component that is determined to be a Separate Legal Entity. That component is highlighted.

Example 9B shows that the Separate Legal Entity Subpart and all of its Child Subparts form a new organization structure wherein the Separate Legal Entity Subpart becomes the new organization's Main Legal Entity.



## 4.2 Is this subordinate entity required by Medicare or requested by other payers to bill using a separate identifier?

Medicare has established that certain entities are required to obtain NPIs in order to participate in the Medicare program. This status is determined by Federal statutory requirements that have been communicated to these entities by Medicare provider letters and documents. Other payers may request that these subordinate entities obtain NPIs and may strongly suggest that enumeration is necessary to obtain correct payment. The determination and enumeration of subparts, with the exception of Medicare, is determined by the organization provider.

“Pp3438 An entity that meets certain Federal statutory implementation specifications and regulations is eligible to participate in the Medicare program. Our definition of ‘healthcare provider’ at §160.103 includes those eligible to participate in Medicare as described in Federal statute (that is in §1861(s) and §1861 (u) of the Social Security Act). These entities, according to Federal statute and regulations, must be issued their own identification numbers in order to bill and receive payments from Medicare.”

“Pp3441 An NPI will be used to identify the healthcare provider on a healthcare claim or equivalent encounter information transaction. If an organization healthcare provider consists of subparts that are identified with their own unique NPIs, a health plan may decide to enroll none, one, or a limited number of them (and to use only the NPI(s) of the one(s) it enrolls). A health plan may not require a healthcare provider or a subpart of an organization healthcare provider that has an NPI to obtain another NPI for any purpose.”

**Action:** Determine if there are billing requirements from Medicare that demand that the subpart obtain a separate NPI. If so, then a subpart is identified. The covered entity should elicit the requests of other payers to decide if enumeration of the subpart would be prudent to enable correct payment. Collaboration with numerous payers would facilitate the best enumeration strategy to assure payment and to coordinate benefits among these payers. List the subparts identified as being required to comply with Medicare or requested by other payers and continue to ask further questions.

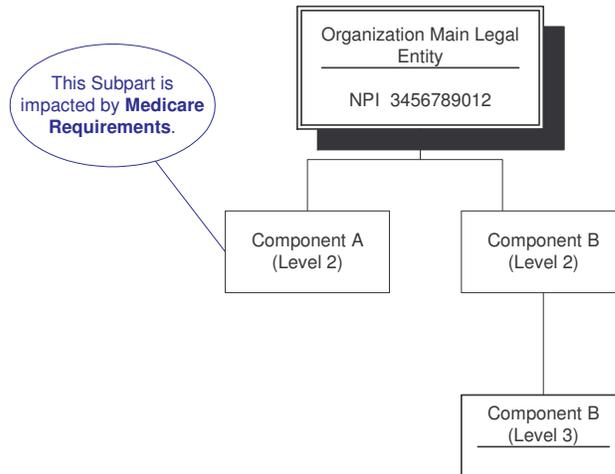
### Assigning NPI Type 2 Codes to Subparts with Medicare Requirements

The following examples depict how an organization's NPI coding scheme is affected when Medicare Requirements indicate that an NPI code might be needed for one (or more) of its subordinate components.

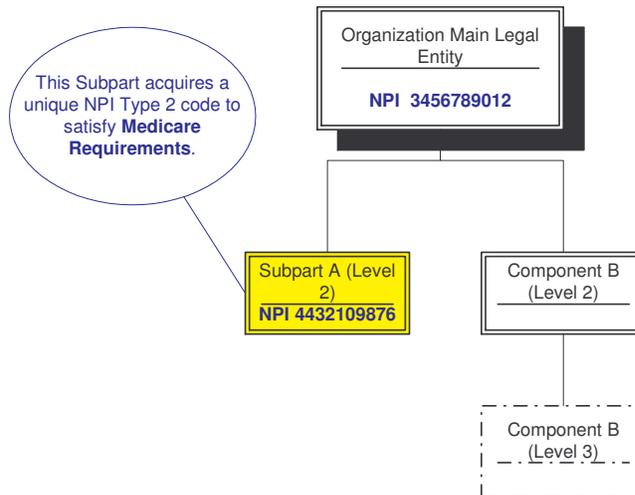
Example 10A depicts an organization that chooses to acquire a separate NPI Type 2 code for an imbedded subpart that is impacted by Medicare Requirements. That subpart is highlighted.

Example 10B shows the organization after the subpart that is impacted by Medicare Requirements is assigned a unique NPI code. The overall structure does not change since Medicare does not require the subpart to become a separate legal entity.

#### Example 10A: Organization Subpart with Medicare Requirements



#### Example 10B: Organization After Medicare Requirements Code Assignment



### 4.3 Is there a legal requirement (state, federal or administrative rule) to separate the business processes of this subordinate entity?

In addition to the Medicare requirements, there may be requirements established by state or federal laws or administrative rules that designate that the subordinate entity must be separated. A separate subpart NPI may be the most efficient way to comply with this requirement.

**Action:** Conduct an assessment of legal requirements for each subordinate entity identified on the list. If required by law to separate business operations, a subpart has been identified and an NPI may be required for this entity if no other alternative data options exist. Continue to ask further questions.

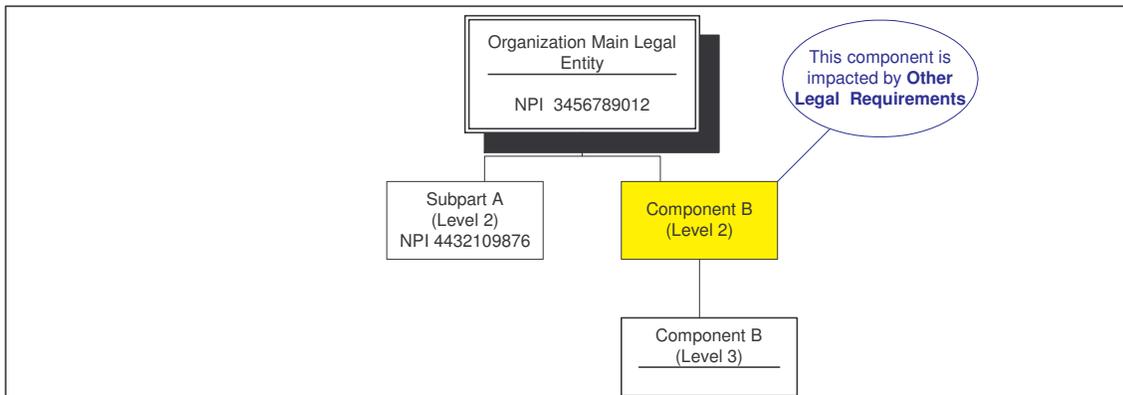
### Assigning NPI Type 2 Organization Codes to Subparts for Other Legal Requirements

The following examples depict how an organization's NPI coding scheme is affected when Other Legal Requirements indicate that an NPI code might be needed for one (or more) of its subordinate components.

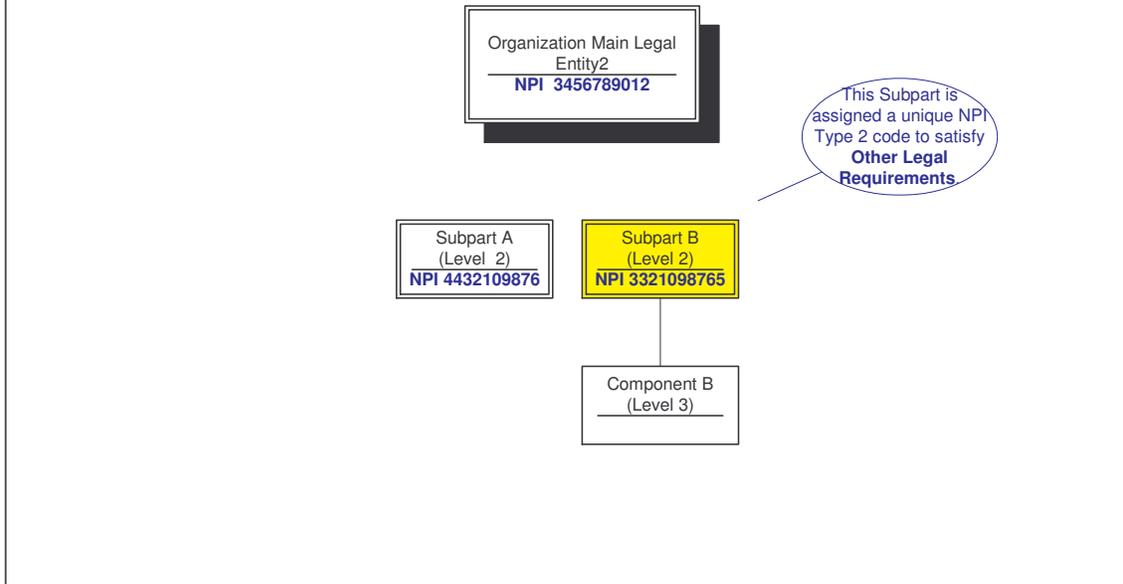
Example 11A depicts an organization that chooses to acquire a unique NPI Type 2 code for a component that is impacted by Legal Requirements other than the NPI Rule. That subpart is highlighted.

Example 11B shows the organization after a unique NPI code is assigned to the subpart that has Other Legal Requirements. The overall structure does not change unless the Other Legal Requirements mandate that the component become a Separate Legal Entity.

#### Example 11A: Organization Subpart with Other Legal NPI Requirements



#### Example 11B: Organization After Other Legal Requirements NPI Code Assignment



### 4.4 Is there an administrative reason for the organization healthcare provider to differentiate the business processes of this subordinate entity, e.g. to keep billing operations separate from the main entity, to differentiate practice locations, to meet requirements of corporate level contracts, or to separate revenue streams?

There may be many external sources urging differentiation of subordinate entities, but there may also be equally valid internal reasons to assure that billing operations, accounts receivable and reporting requirements within the organization are identified and differentiated. Organizational healthcare providers are allowed to determine their own needs for subpart NPIs.

“Pp3438 This language indicates that congress realized that certain healthcare providers operate at multiple locations and/or provide multiple types of healthcare services, and intended that the identifier standard take these variations in circumstance into account. We accommodate this language by requiring covered healthcare providers to obtain NPIs for subparts of their organizations that would otherwise meet the tests for being a covered healthcare provider themselves if they were separate legal entities, and *permitting* (emphasis added) healthcare providers to obtain NPIs for subparts that do not meet these tests but otherwise qualify for assignment of an NPI. For example, a subpart may qualify for assignment of an NPI based on such factors and the subpart having a location and licensure separate from the organization healthcare provider of which it is a subpart. Licensure is often indicative of specialty (Healthcare Provider Taxonomy) classification. Thus the assignment scheme created by this final rule provides flexibility in addressing the varied circumstances of healthcare providers, as Congress intended.”

**Action:** Determine the internal organizational requirements to separate subordinate entities. If these needs cannot be met by additional data elements or other business practices, then a subpart has been identified. Continue with further questions.

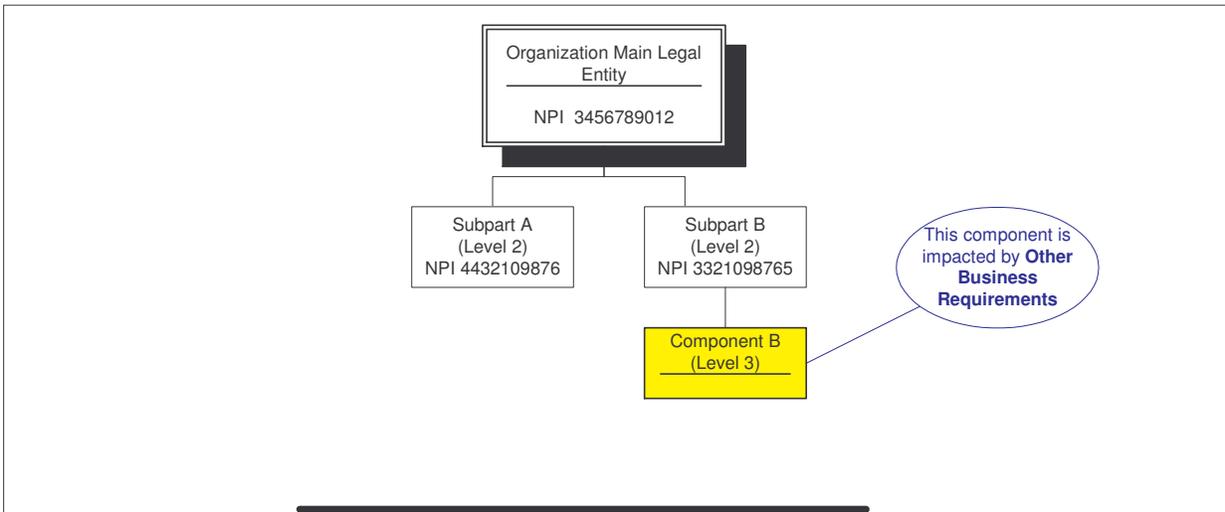
### Assigning NPI Type 2 Organization Codes to Subparts with Other Business Requirements

The following examples depict how an organization's NPI coding scheme is affected when Other Business Requirements indicate that an NPI code might be needed for one (or more) of its subordinate components.

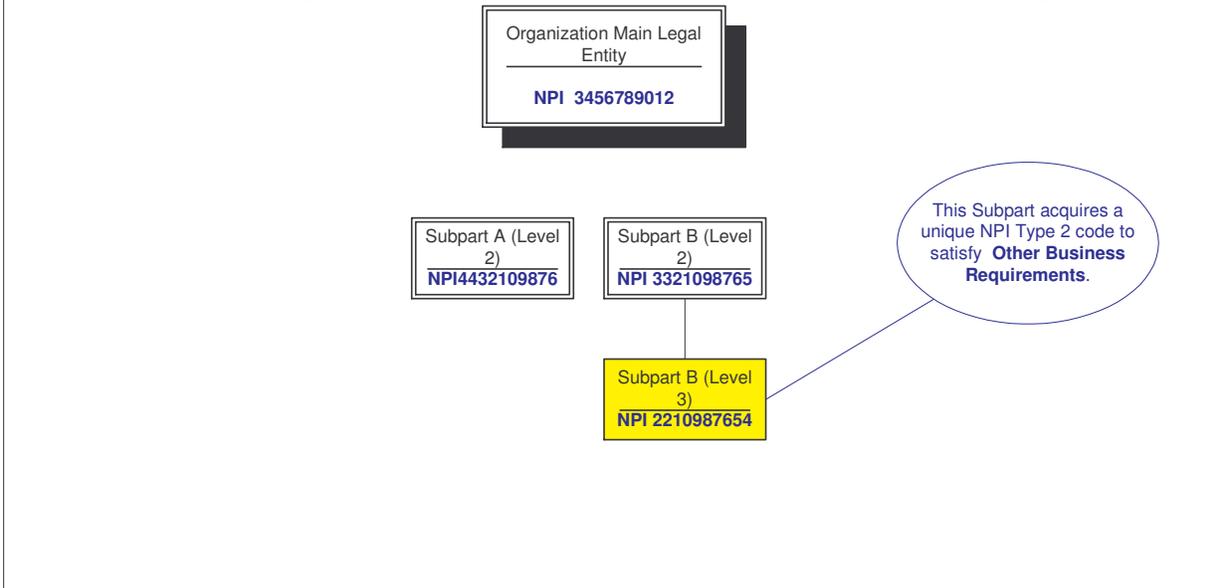
Example 12A depicts an organization that chooses to acquire a unique NPI Type 2 code for an imbedded component that is impacted by Other Business Requirements. That component is highlighted.

Example 12B shows the organization after the subpart is assigned a unique NPI code due to Other Business Requirements. The overall structure does not change.

#### Example 12A: Organization Subpart with Other Business NPI Requirements



#### Example 12B: Organization After Other Business Requirements Code Assignment



#### 4.5 Is there any other mechanism to identify and communicate the subordinate entity, e.g. using taxonomy codes, using separate billing addresses, using other data, such as place of service codes?

For each subordinate entity identified, the organizational healthcare provider should determine if the differentiation can be effected by the use of the wealth of additional data available on HIPAA standard transactions. It may be possible that the number of subpart NPIs may be reduced by judicious use of situational data elements. The use of these data elements to supplant additional NPIs should be coordinated with health plan trading partners and within the organization. Capturing and supplying these data elements may require substantive system changes for either the organizational healthcare provider or the health plan. However, in the interest of administrative simplification, it is important to consider this step before applying for numerous subpart NPIs.

“Pp 3439 We believe that the location of service can properly be reported by the use of data elements in the standard professional healthcare claim or equivalent encounter information transactions...we do not believe a healthcare provider identifier needs to be assigned to every address at which a service can be provided.”

“Pp 3441 A health plan may not require a healthcare provider or a subpart of an organization healthcare provider that has an NPI to obtain another NPI for any purpose.”

“Pp3465 Some existing healthcare provider identifier systems assign multiple identifiers to a single healthcare provider in order to distinguish the multiple identities the healthcare provider has in the system... since the NPI is a unique identifier for a healthcare provider, it will not distinguish these multiple identities. Systems that need to distinguish these identities will need to use data other than the NPI to do so.”

**Action:** If additional data elements can be used to differentiate this subordinate entity, it should be coordinated with health plan trading partners and within the organization. If the needs cannot be accomplished by this additional data, apply for a subpart NPI for this subordinate entity. Return to the next subordinate entity and repeat the series of questions to determine the need for subpart NPI assignments.