

**Position Statement
on
Importance of Modifier 25
(Approved by the Board of Directors: November 2, 2019)**

Background

Dermatology patients frequently present with numerous cutaneous complaints, which may be treated medically or require a diagnostic or treatment procedure on the same date of service. Moreover, in the course of skin examination or evaluation of unrelated skin disease, dermatologists sometimes discover suspicious lesions that necessitate a skin biopsy and/or other procedure, such as a destruction of a cancerous or precancerous lesion. Performance of a medically necessary procedure on the same day as a separate evaluation and management (E/M) service is generally done to facilitate a prompt diagnosis or streamline treatment of a complex condition. Being able to report both an E/M and procedure allows physicians to provide effective and efficient, high quality care, in many cases saving patients a return visit and additional copayment.

Use of Modifier 25

Patient evaluation and management associated with the performance of a minor procedure (those procedures with a zero- or ten-day global period) including usual preoperative and postoperative care is included in the payment for the procedure. However, evaluation and management distinct from that intrinsic to a same day procedure may be reported. The CPT definition of modifier 25 states that this modifier is used in cases where the patient's condition requires a significant, separately identifiable E/M service by the same physician or other healthcare professional on the same day as a procedure or other service. In other words, the service is outside of the care associated with the procedure performed. It can be appropriate to use modifier 25 during an encounter even when only one diagnosis code is used or if a patient recently had an encounter with the same or similar diagnosis.

Relation of Modifier 25 to Procedure Valuation

When a CPT code typically reported on the same date of service as an E/M code is reviewed by the AMA RUC, overlapping value between an E/M and the procedure is eliminated. The overlapping direct practice expense and physician time is methodically removed from the code value, which in turn reduces the indirect practice expense component of the procedure value. This process ensures that physicians do not receive duplicative reimbursement for work or practice expense when modifier 25 is used. This reduction holds even if the procedure is billed in isolation, resulting in physician underpayment.

Policies Impacting Use

The appropriate use and application of modifier 25 is essential to efficient, patient-centered dermatologic practice. The Academy believes separate services should be reimbursed appropriately and in accordance with established coding conventions and guidelines, whether provided on the same date or different dates. However, insurance companies have evaluated the use of modifier 25 and have implemented or considered policies that automatically reduce reimbursement of claims based on modifier 25 reporting.

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The Academy supports:

1. Educational efforts to ensure use of modifier 25 is appropriate and justified.
2. Collaborative efforts with insurers to develop educational tools, audit procedures, and policies impacting reimbursement or utilization of modifier 25.

The Academy opposes reimbursement policies implemented by insurance companies that:

1. Reduce reimbursement for the E/M or procedure when modifier 25 is utilized, as this fails to acknowledge that the procedure value may have already been reduced;
2. Deny reimbursement for an E/M appended with modifier 25 because a patient had a recent encounter with the same or similar diagnosis; and
3. Deny reimbursement for the E/M or procedure when modifier 25 is utilized in an encounter with only one diagnosis.

This Position Statement is provided for educational and informational purposes only. It is intended to offer physicians guiding principles and policies regarding the practice of dermatology. This Position Statement is not intended to establish a legal or medical standard of care. Physicians should use their personal and professional judgment in interpreting these guidelines and applying them to the particular circumstances of their individual practice arrangements.