

ACB

John Hoeven, Governor
Carol K. Olson, Executive Director

MEMORANDUM

To: Medicaid providers that bill J-codes

From: Maggie Anderson, Director, Division of Medical Services

Date: July 25, 2007

Re: Deficit Reduction Act of 2005 (DRA) implications

The Deficit Reduction Act (DRA) section 6002, *Collection and Submission of Utilization Data for Certain Physician Administered Drugs*, implements some important new requirements for State Medicaid programs. Specifically, States are required to collect NDC's (National Drug Codes) with certain J-codes and submit the data for rebates (as is done for medications billed through outpatient pharmacies). The Federal government will share in these rebate collections in the same proportion as they shared in the payment to the Medicaid provider.

The requirement for NDC collection is a direct result of the rebates being based on NDC's. The NDC identifies the manufacturer and product and is how rebates are invoiced. The J-code, unfortunately, does not identify the drug to that level.

Here is a summary of the issues:

1. The HIPAA compliant 837 electronic transaction already allows for the NDC to be transmitted.
2. PC-ACE allows NDC's to be included in a claim.
3. BCBS of ND providers have access to PC-ACE and are able to use PC-ACE if they do not have their own 837 capabilities.
4. The Medicaid system does not capture NDC's on paper claim forms.
5. Providers are able to bill electronically (837 or PC-ACE).
6. Because of the above, ND Medicaid does not have to change the claims system to capture NDC's and therefore does not qualify for a hardship waiver to allow a delay in implementing this federal requirement.
7. Effective December 1, 2007, any medical claim with a J-code will have to be billed electronically (with the NDC) to comply with the DRA.
8. Drug rebates are based on date paid. Therefore, this requirement for electronic billing applies to the date of billing, not the date of service.

This applies to any provider billing J-codes in an outpatient setting (physicians, clinics, hospitals). The DRA refers to HCPCS J-codes, but there are other HCPCS codes that

represent drugs (e.g. some C-codes and Q-codes). ND Medicaid will require these to be submitted electronically with the NDC, as well.

The benefits of this change for both Medicaid and providers:

1. Electronic claims are processed faster than paper claims, since there is no additional time needed for Medicaid to keypunch them into the system.
2. Electronic J-code claims currently have a denial rate ½ that of paper claims.
3. Increased rebate collections by Medicaid allow funds to be used to the maximum efficiency.

Important things to remember:

- Effective date will be December 1, 2007 (we are already accepting NDC's for those that wish to start sending NDC's sooner)
- NDC's must be 11 digits
- All NDC's must be Medicaid payable NDC's (to determine if a drug is payable under Medicaid, please use this website: <http://nddrug.rxexplorer.com/>)
- Claims will deny if:
 - No NDC is on the claim
 - The NDC is invalid
 - The NDC is not covered by ND Medicaid
 - A J-code billing is sent on a paper claim
- Federal Law requires ND Medicaid to deny claims if the NDC is not valid
- We will not require the billing entity to supply the 'NDC units' because ND Medicaid will crosswalk the J-code units to NDC units internally
- This Law applies to all Medicaid claims, even when Medicaid is a secondary or tertiary payer (e.g. secondary to Medicare)
- ND Medicaid will continually explore ways to improve the ability for the State and the providers to comply with this Federal law

The majority of the Department's technology resources are currently devoted to developing a new Medicaid Management Information System (MMIS) to be launched in the second half of 2009, therefore, we are not going to be able to duplicate another state's methodology, nor are we able to develop a paper claim solution. Movement toward electronic claims submission is continuous and this will help with that continuing transition.

Please work with your software vendors and / or PC-ACE to start submitting your J-code claims electronically with the corresponding NDC number. Also, staff education will be very important, as the NDC will have to be captured during the delivery of that care. If you have any questions, please feel free to e-mail Brendan Joyce, the Pharmacy Administrator at sojoyb@nd.gov. If he is unable to answer your questions, he will forward them to the appropriate person.