



**CABINET FOR HEALTH AND FAMILY SERVICES  
DEPARTMENT FOR MEDICAID SERVICES**

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**Janie Miller**  
Secretary

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Commissioner

June 20, 2008

**To:** Individual Physician (64) Provider Letter A-366  
Physician Groups (65) Provider Letter A-26

**Subject: Rebates from participating drug manufacturers for physician-administered or dispensed drugs**

Dear Kentucky Medicaid Provider:

The Federal Deficit Reduction ACT of 2005 requires all state Medicaid Agencies to collect rebates from participating drug manufacturers for physician-administered or dispensed drugs. This includes physician-administered or dispensed drugs given in a physician's office. This requirement also applies to Medicare crossover claims. The injection must be reasonable and necessary for diagnosis or effective treatment of a specific illness or injury based on accepted standards of medical practice. Therapeutic injections should be utilized only if equally effective oral medications cannot be prescribed without significant or increased side effects.

Kentucky Medicaid will continue to reimburse providers based on the Health Care Procedure Coding System [HCPCS] procedure code and HCPCS procedure code units billed. Additionally, effective with dates of service July 1, 2007, the unique NDC number normally found on the package/vial of medication, must be reported in conjunction with the HCPCS. If the NDC is not reported, the claim will reject.

For those providers who submit their claims on the paper CMS-1500 form, you must also utilize the NDC Detail Attachment form (Attachment A) to report the NDC information. The form can be found on the following website: <http://chfs.ky.gov/dms/physician.htm>. Instructions for completing the billing form and attachment can be found at [www.kymm.com](http://www.kymm.com).

The NDC to HCPCS crosswalk is located at: <http://chfs.ky.gov/dms/physician.htm> where you will find the list of approved rebateable drugs currently eligible for reimbursement from the Physician's "Brown Bag" Injectable program. This list is subject to change as NDC codes are added and/or deleted, become valid or expire.

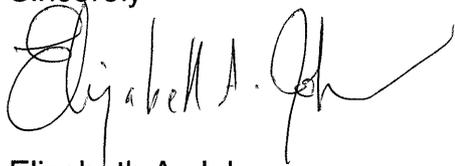


The Kentucky Department for Medicaid Services shall reimburse approved drugs at the lesser of the actual billed charge or average whole-sale price (AWP) minus ten (10) percent if the drug is administered in a physician's office by a physician.

All providers must implement a process to record and maintain the NDC(s) of the actual drug(s) administered to the recipient as well as the quantity of drugs(s) given. Please note that HCPCS codes must also be valid and covered by Kentucky Medicaid. If the HCPCS code is not accompanied by the NDC, the detail will be denied.

If you have any questions and/or concerns, please call your EDS Provider Representative at (800) 807-1232.

Sincerely

A handwritten signature in black ink that reads "Elizabeth A. Johnson". The signature is written in a cursive style with a long, sweeping tail on the "n".

Elizabeth A. Johnson  
Commissioner

Attachment

**KENTUCKY  
MEDICAID  
PHYSICIAN INJECTABLES  
NDC AND HCPCS  
FREQUENTLY ASKED QUESTIONS**

**1. Why do I have to start billing with National Drug Codes (NDCs) in addition to HCPCS codes?**

The Deficit Reduction Act of 2005 (DRA) includes new provisions regarding State collection of data for the purpose of collecting Medicaid drug rebates from drug manufacturers for physician-administered drugs. Section 6002 of the DRA adds section 1927(a) (7) to the Social Security Act to *require* States to collect rebates on physician-administered drugs. In order for Federal Financial Participation (FFP) to be available for these drugs, the State must provide collection and submission of utilization data in order to secure rebates. Since there is often several NDCs linked to a single Healthcare Common Procedure Coding System (HCPCS) code, the Centers for Medicare and Medicaid Services (CMS) deem that the use of NDC numbers is critical to correctly identify the drug and manufacturer in order to invoice and collect the rebates.

**2. What is the Drug Rebate Program?**

The Medicaid Drug Rebate Program was created by the Omnibus Budget Reconciliation Act of 1990 (OBRA '90), which added Section 1927 to the Social Security Act and became effective on January 1, 1991. The law requires that drug manufacturers enter into an agreement with the Centers for Medicare and Medicaid Services (CMS) to provide rebates for their drug products that are paid for by Medicaid. Manufacturers that do not sign an agreement with CMS are not eligible for federal Medicaid coverage of their products. Since 1991, it has been required that outpatient Medicaid pharmacy providers dispense only rebateable drugs and bill with the NDCs. Now, with the Deficit Reduction Act of 2005, this requirement is being expanded to include physician-administered drugs.

**3. What is an NDC?**

The National Drug Code (NDC) is the number, which identifies a drug. The NDC number consists of 11 digits in a 5-4-2 format. The first 5 digits identify the labeler code representing the manufacturer of the drug and are assigned by the Food and Drug Administration (FDA). The next 4 digits identify the specific drug product and are assigned by the manufacturer. The last 2 digits define the product package size and are also assigned by the manufacturer. Some packages will display less than 11 digits, but leading "0's" can be assumed and need to be used when billing. For example:

XXXX-XXXX-XX = 0XXXX-XXXX-XX  
XXXXX-XXX-XX = XXXXX-0XXX-XX  
XXXXX-XXXX-X = XXXXX-XXXX-0X

The NDC is found on the drug container, i.e. vial, bottle, and tube. *The NDC submitted to Medicaid must be the actual NDC number on the package or container from which the medication was administered.* Do not bill for one manufacturer's product and dispense another. The benefits of accurate billing include reduced audits, telephone calls, and manufacturers' disputes of their rebate invoices. It is considered a fraudulent billing practice to bill using an NDC other than the one administered.

**4. Does the drug administered by the physician and billed to Medicaid with an NDC have to be a “rebateable” drug?**

Yes. Manufacturers who wish their products to be eligible for coverage by Medicaid must first sign a rebate agreement with CMS.

**5. How do I know if the Kentucky Physicians Injectable Program covers a drug?**

The approved drugs are located in the NDC to HCPCS crosswalk is located at: <http://chfs.ky.gov/dms/physician.htm>.

**6. Will my claim be denied or rejected if the drug is non-rebateable?**

If a drug is not rebateable, the claims will deny and not pay.

**7. Will my claim be denied or rejected if I don’t include the NDC and NDC units?**

If a drug is billed without the NDC qualifier, an NDC, or units of measurement associated with the NDC, the claims will deny and not pay.

**8. Do I need to include units for both the HCPCS code and the NDC?**

Yes.

**9. Are the HCPCS code units different from the NDC units?**

Yes. Use the HCPCS code and service units as you have in the past. NDC units are based upon the numeric quantity administered to the patient and the unit of measurement. The actual metric decimal quantity administered and the units of measurement are required for billing. If reporting a fraction, use a decimal point. The units of measurement codes are:

- F2 = International Unit
- GR = Gram
- ML = Milliliter
- UN = Unit (Each)

**10. If the physician administered a vial of medication to a patient, do I bill the NDC units in grams, milliliters, or units?**

It depends on how the manufacturer and CMS have determined the rebate unit amount. The rule of thumb is:

If a drug comes in a vial in powder form and has to be reconstituted before administration, then bill each vial (unit/each) used. If a drug comes in a vial in a liquid form, bill in milliliters. Grams are usually used when an ointment, cream, inhaler, or a bulk powder in a jar are dispensed. This unit of measure will primarily be used in the retail pharmacy setting and not for physician-administered drug billing. International Units will mainly be used when billing for Factor VIII-Antihemophilic Factors.

For example:

- A patient received 4 mg Zofran IV in the physician’s office. The NDC you used was 00173-0442-02, which is Zofran 2 mg/ml in solution form. There are 2 milliliters per vial. You would

bill J-2405 (ondansetron hydrochloride, per 1 mg) with 4 HCPCS units, and since this drug comes in a liquid form, you would bill the NDC units as 2 milliliters.

- A patient received 1 gm Rocephin IM in the physician's office. The NDC of the product used was 00004-1963-02, which is Rocephin 500 mg vial in a powder form that you needed to reconstitute before the injection. You would bill J-0696 (ceftriaxone sodium, per 250 mg) with 4 HCPCS units, and since this drug comes in powder form, you would bill the NDC units as 2 Units (also called 2 each).

#### **11. How will NDC information be billed on electronic and paper claims forms?**

See billing instructions for the CMS-1500 paper claim forms on the DMS-EDS website at: [www.kymmis.com](http://www.kymmis.com) (see Appendix A). The NDC to HCPCS crosswalk is located at: <http://chfs.ky.gov/dms/physician.htm>. All Physician injectable claims that are submitted on paper CMS-1500 claim forms must include the supplemental NDC sheet (see Attachment A) which is located at the above web address. For paper claims the NDC information must be placed on the supplemental sheet, whereas the HCPC information must be placed on the CMS-1500 claim form.

For providers who submit their claims electronically:

The 837P companion guides are available for on [www.kymmis.com](http://www.kymmis.com) website.

The J-code is billed in Loop 2400 segment SV101-2 and the NDC is Loop 2410 segment LIN03

You may bill claims electronically through your clearinghouse using your Companion Guide as a reference.

*The NDC number being submitted to Medicaid must be the actual NDC number on the package or container from which the medication was administered.*

#### **12. If the NDC is not rebateable or I am not sure which NDC was used, can I pick another NDC under the J-Code and bill with it?**

*No. The NDC submitted to Medicaid must be the actual NDC number on the package or container from which the medication was administered.* It is considered a fraudulent billing practice to bill using an NDC other than the one administered.

#### **13. Do vaccines/immunizations require an NDC?**

No. Vaccines are not included in the rebate requirements.

#### **14. Who do I contact if I have questions about submission of claims?**

Call EDS Provider Relations at 1-800-807-1232.

#### **15. Who do I call if I have a question about dosage or appropriate units related to administration of drugs or NDC numbers?**

Call First Health at 314-387-4794.

#### **16. Are Medicare primary claims excluded from the NDC requirement?**

No. Medicare primary claims will require NDCs with the HCPCS codes.

**17. Do anesthesia drugs require NDCs?**

No. Drugs used for local anesthesia, general anesthesia, or conscious sedation are bundled together under other codes.

**18. Do I bill the HCPCS code and NDC of a drug if I just administer the drug?**

No. For example, if the patient has a prescription filled and brings the drug into the facility to have the physician administer it, the physician may not bill the drug. The physician should only bill for the administration of the drug. The retail pharmacy would have already billed for the drug.

**19. How do I bill for a drug when only a partial vial was administered?**

The procedure code used for reimbursement should be billed in order for you to be properly reimbursed for the drug. When calculating the NDC units, the procedure code units should be converted to the NDC units, using the proper decimal units.

**20. What happens if I enter incorrect NDC units?**

Claims will continue to process using the procedure code units and no untoward effects should be noticed by the provider. Rebates will be billed to manufacturers by cross walking the procedure code units. However, in the future, EDS will begin processing claims for physician administered and providers will need to bill accurate units in order to be correctly reimbursed. EDS will use the NDC units being billed to determine the level of training needed to transition to NDC units for reimbursement.

**21. Will DMS post a procedure code/NDC code crosswalk?**

DMS has posted a preliminary procedure code/NDC code crosswalk on its website. [www.chfs.ky.gov/dms/physician](http://www.chfs.ky.gov/dms/physician). This crosswalk list is subject to change as NDC numbers are added and/or expire. In addition, whenever additional drugs are added the list will be updated. Check the list often to determine if a drug and or NDC are valid for Kentucky Medicaid.

**22. What if I submit an NDC on a claim prior to the 7/1/2007 effective date – will my claim be denied?**

The claim will not be denied if an NDC is submitted prior to 7/1/2007. The claim will be processed based upon the procedure code that was submitted.

**23. Remember these instructions; the NDC-HCPC crosswalk and the supplemental NDC information form are specifically for the Physicians Injectable program. Other health entities which may be required to utilize the NDC to bill claims will have separate information and instructions when developed.**

## 8 Appendix A

### 8.1 NDC Billing for CMS 1500 Instructions

Effective July 1, 2007, physicians may bill NDC codes when using the applicable "J" HCPC code on the CMS 1500 claim form. The "J" HCPC code will be on the CMS 1500 claim form and the NDC will be placed on the NDC Detail Attachment form shown on the next page.

You may obtain a copy of the NDC Detail Attachment form at [www.kymmis.com](http://www.kymmis.com) or by calling Provider Inquiry at 1-800-807-1232.

A list of the J codes and associated NDC codes can be found at <http://chfs.ky.gov/dms/fee.htm>

Below are detailed instructions on how to fill out the NDC Detail Attachment.

- Column 1 ~ Claim Line  
This is the claim line number on the CMS 1500 claim form for which you are billing the NDC. The claim line number must be in sequential order.
- Column 2 ~ NDC  
Enter the appropriate NDC code that corresponds to the "J" HCPC code.
- Column 3 ~ Units  
Enter the total number of units.
- Column 4 ~ Basis of Measurement  
Circle the appropriate measurement:
  - GR- Gram
  - ML- Milliliter
  - UN- Unit
  - F2- International Unit
  - VI- Vial
  - SY- Syringe
  - XX- Other
- Column 5 ~ Unit Price  
Enter the appropriate unit price.
- Column 6 ~ EDS Internal Use Only

Return to provider reasons. There are two reasons why an NDC Detail Attachment form may be returned:

- 1) The form must have a corresponding line number to the CMS 1500 claim form.
- 2) The line number must be in sequential order.

## Kentucky Medical Assistance Program

### NDC Detail Attachment

This form is a required attachment for any Kentucky Medicaid paper claim billed using a drug HCPCS code with a required NDC

Provider Name John Doe Provider Number 64123456  
 Member Name Veronica Someone Member ID Number 0123456789 Dates of Service 10/1/07

CLAIM LINE	NDC	UNITS	BASIS OF MEASUREMENT						UNIT PRICE	FOR EDS USE	
			GR	ML	UN	F2	VI	SY			XX
1	00004-0259-01	100	GR	ML	UN	F2	VI	SY	XX	\$ 100.00	1
1	00004-0259-05	120	GR	ML	UN	F2	VI	SY	XX	\$ 120.00	2
1	00004-0259-43	500	GR	ML	UN	F2	VI	SY	XX	\$ 500.00	3
3	58178-0017-01	1	GR	ML	UN	F2	VI	SY	XX	\$ 300.00	4
3	58178-0017-03	1	GR	ML	UN	F2	VI	SY	XX	\$ 600.00	5
			GR	ML	UN	F2	VI	SY	XX	\$	6
			GR	ML	UN	F2	VI	SY	XX	\$	7
			GR	ML	UN	F2	VI	SY	XX	\$	8
			GR	ML	UN	F2	VI	SY	XX	\$	9
			GR	ML	UN	F2	VI	SY	XX	\$	10
			GR	ML	UN	F2	VI	SY	XX	\$	11
			GR	ML	UN	F2	VI	SY	XX	\$	12
			GR	ML	UN	F2	VI	SY	XX	\$	13
			GR	ML	UN	F2	VI	SY	XX	\$	14
			GR	ML	UN	F2	VI	SY	XX	\$	15
			GR	ML	UN	F2	VI	SY	XX	\$	16
			GR	ML	UN	F2	VI	SY	XX	\$	17
			GR	ML	UN	F2	VI	SY	XX	\$	18
			GR	ML	UN	F2	VI	SY	XX	\$	19
			GR	ML	UN	F2	VI	SY	XX	\$	20
			GR	ML	UN	F2	VI	SY	XX	\$	21
			GR	ML	UN	F2	VI	SY	XX	\$	22
			GR	ML	UN	F2	VI	SY	XX	\$	23

Please fill in:

- The corresponding line number from the claim form
- National Drug Code
- The actual quantity (units) given to the patient
- Circle the appropriate basis of measurement
- The unit price

Legend:

GR - Gram                      SY - Syringe  
 ML - Milliliter              XX - Other (i.e. Micrograms)  
 UN - Unit  
 F2 - International Unit  
 VI - Vial

8.1.1 NDC Billing for CMS 1500 Form

14. DATE OF CURRENT ILLNESS (First symptom) OR INJURY (Accident) OR PREGNANCY (LMP) MM DD YY		15. IF PATIENT HAS HAD SAME OR SIMILAR ILLNESS GIVE FIRST DATE MM DD YY		16. DATES PATIENT UNABLE TO WORK IN CURRENT OCCUPATION FROM MM DD YY TO MM DD YY						
17. NAME OF REFERRING PROVIDER OR OTHER SOURCE			17a. NPI	18. HOSPITALIZATION DATES RELATED TO CURRENT SERVICES FROM MM DD YY TO MM DD YY						
19. RESERVED FOR LOCAL USE KenPAC #			20. OUTSIDE LAB? \$ CHARGES <input type="checkbox"/> YES <input type="checkbox"/> NO							
21. DIAGNOSIS OR NATURE OF ILLNESS OR INJURY (Relate items 1, 2, 3 or 4 to item 24E by Line) 1. 1234			22. MEDICAID RESUBMISSION CODE ORIGINAL REF. NO.							
23. PRIOR AUTHORIZATION NUMBER										
24. A. DATE(S) OF SERVICE From MM DD YY To MM DD YY		B. PLACE OF SERVICE	C. EMG	D. PROCEDURES, SERVICES, OR SUPPLIES (Explain Unusual Circumstances) CPT-HCPCS MODIFIER	E. DIAGNOSIS POINTER	F. \$ CHARGES	G. DAYS OR UNITS	H. PRIOR AUTH. PLAN	I. ID QUAL	J. RENDERING PROVIDER ID #
1. 10 01 07 10 01 07		11		J7517	1	720 00 1	1		ZZ	Taxonomy 1234567890
2. 10 01 07 10 01 07		11		99213	1	40 00 1				NPI
3. 10 01 07 10 01 07		11		J0207	1	900 00 1				NPI
4.										NPI
5.										NPI
6.										NPI
25. FEDERAL TAX I.D. NUMBER		SSN EIN	26. PATIENT'S ACCOUNT NO.		27. ACCEPT ASSIGNMENT? <small>or gov't clients, see book</small>	28. TOTAL CHARGE		29. AMOUNT PAID	30. BALANCE DUE	
		<input type="checkbox"/> <input type="checkbox"/>	014567890		<input type="checkbox"/> YES <input type="checkbox"/> NO	\$ 50 00		\$	\$	
31. SIGNATURE OF PHYSICIAN OR SUPPLIER INCLUDING DEGREES OR CREDENTIALS (I certify that the statements on the reverse apply to this bill and are made a part thereof.) <b>John Doe</b> 10/01/2006			32. SERVICE FACILITY LOCATION INFORMATION			33. BILLING PROVIDER INFO & PH # Any Provider 100 Easy Street Anytown, KY 40601				
SIGNED DATE			a. b.			a. Pay to NPI		b. Pay To Taxonomy #		

NUCC Instruction Manual available at: [www.nucc.org](http://www.nucc.org)

This form example is used only to reflect how to bill a "J" HCPC code on the CMS 1500 for in relation to putting the NDC on the NDC Detail Attachment form.

# Kentucky Medical Assistance Program

## NDC Detail Attachment

This form is a required attachment for any Kentucky Medicaid paper claim billed using a drug HCPCS code with a required NDC

Provider Name \_\_\_\_\_ Provider Number \_\_\_\_\_

Member Name \_\_\_\_\_ Member ID Number \_\_\_\_\_ Dates of Service \_\_\_\_\_

CLAIM LINE	NDC	UNITS	BASIS OF MEASUREMENT								UNIT PRICE	FOR EDS USE
			GR	ML	UN	F2	VI	SY	XX			
			GR	ML	UN	F2	VI	SY	XX	\$	1	
			GR	ML	UN	F2	VI	SY	XX	\$	2	
			GR	ML	UN	F2	VI	SY	XX	\$	3	
			GR	ML	UN	F2	VI	SY	XX	\$	4	
			GR	ML	UN	F2	VI	SY	XX	\$	5	
			GR	ML	UN	F2	VI	SY	XX	\$	6	
			GR	ML	UN	F2	VI	SY	XX	\$	7	
			GR	ML	UN	F2	VI	SY	XX	\$	8	
			GR	ML	UN	F2	VI	SY	XX	\$	9	
			GR	ML	UN	F2	VI	SY	XX	\$	10	
			GR	ML	UN	F2	VI	SY	XX	\$	11	
			GR	ML	UN	F2	VI	SY	XX	\$	12	
			GR	ML	UN	F2	VI	SY	XX	\$	13	
			GR	ML	UN	F2	VI	SY	XX	\$	14	
			GR	ML	UN	F2	VI	SY	XX	\$	15	
			GR	ML	UN	F2	VI	SY	XX	\$	16	
			GR	ML	UN	F2	VI	SY	XX	\$	17	
			GR	ML	UN	F2	VI	SY	XX	\$	18	
			GR	ML	UN	F2	VI	SY	XX	\$	19	
			GR	ML	UN	F2	VI	SY	XX	\$	20	
			GR	ML	UN	F2	VI	SY	XX	\$	21	
			GR	ML	UN	F2	VI	SY	XX	\$	22	
			GR	ML	UN	F2	VI	SY	XX	\$	23	

Please fill in:

- The corresponding line number from the claim form
- National Drug Code
- The actual quantity (units) given to the patient
- Circle the appropriate basis of measurement
- The unit price

Legend:

GR – Gram                      SY – Syringe  
 ML – Milliliter              XX – Other (i.e. Micrograms)  
 UN – Unit  
 F2 – International Unit  
 VI – Vial