State of New Mexico
Medical Assistance Program Manual

Supplement

HEALTH CARE AUTHORITY

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TO: **ALL PRACTITIONERS, FACILITIES, AND HOSPITALS PARTICIPATING IN THE NEW MEXICO MEDICAID PROGRAM**

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SUBJECT: **NATIONAL DRUG CODE (NDC) REQUIREMENTS WHEN BILLING FOR DRUG ITEMS ADMINISTERED IN PRACTITIONERS' OFFICES, OUTPATIENT CLINICS, AND HOSPITALS AND 340B CODING REQUIREMENTS**

This supplement contains information on federal requirements for providers who administer drug items billed as HCPCS or CPT codes to the New Mexico Medicaid Fee-for Service (FFS) or Managed care recipients in an office, clinic, hospital, or any outpatient hospital setting.

Billing For Drug Items Administered in Practitioners' Offices, Outpatient Clinics, and Hospitals

The federal Deficit Reduction Act of 2005 requires Medicaid providers to report an 11-digit National Drug Code (NDC) on the CMS1500 and UB04 claims and 837 electronic transactions when billing for injectable drugs and all other drug items administered in practitioners' offices, outpatient clinics, hospitals, and other clinical settings.

Providers were first notified of implementation of this requirement in November 2007, in Supplement 07-09 available on the Medical Assistance Division (MAD) website:

https://www.hca.nm.gov/wp-content/uploads/FileLinks/c78b68d063e04ce5adffe29376ff402e/MAD_SUPP_07_09_Tamper_Resistant_Rx_Pads__Billing_for_Drug_Items.pdf

A second notification was sent out to providers in May 2010, in Supplement 10-03 available on the MAD website:

https://www.hca.nm.gov/wp-content/uploads/FileLinks/c78b68d063e04ce5adffe29376ff402e/MAD_SUPP_10_03_New_Requirements_for_Billing_for_Drug_Items.pdf

A third notification was sent out to providers in April of 2021, in Supplement 21-02 available on the MAD Website:

https://www.hca.nm.gov/wp-content/uploads/SUPPLEMENT-21-02.pdf

MAD is providing this important information as a reminder to providers that they are required to include the appropriate NDC and other essential information on the claim when billing for drug items. Providers should have already modified their billing software and be capable of accommodating this requirement.

Understanding the National Drug Code (NDC)

The NDC code found on the prescription drug label must be included on the CMS1500 or UB04 claims and 837 electronic transactions. The NDC is a unique product identifier assigned to each drug consisting of 11 digits with hyphens separating the number into three segments in a 5-4-2 or "12345-1234-12" format.

There will be times that a manufacturer will print the NDC on a drug label omitting a leading zero in one of the segments. This will require a leading zero "0" to be added to the segment where required digits are omitted when submitting a claim with no hyphens. The manufacture NDC can be displayed in other formats other than a 5-4-2 format, and they can be in a 4-4-2 or "1234-1234-12" format, or a 5-3-2 or "12345-123-12" format, or a 5-4-1 or "12345-1234-1" format.

When a manufacture does not display an NDC in a 5-4-2 format, a leading zero "0" must be inserted into the segment that is not complete with the 5-4-2 format. The following are examples:

- NDC 12345-1234-12 is complete and it is reported as 12345123412
- NDC 1234-1234-12 requires a leading zero "0" in the first segment in order to be in a 5-4-2-digit format, to become 01234-1234-12 reported as 01234123412
- NDC 12345-123-12 requires a leading zero "0" in the second segment in order to be in a 5-4-2-digit format, to become 12345-0123-12 reported as 12345012312
- NDC 12345-1234-1 requires a leading zero "0" in the third segment in order to be in the 5-4-2- digit format, to become 12345-1234-01 reported as 12345123401

National Drug Code (NDC) Requirement

All administered drug items require a valid NDC code to be entered for each line billed as HCPCS or CPT codes. These include various drug items, various routes of administration, chemotherapy, injectable insulins, immune globulins, human albumin, and plasma products.

The same requirement applies to providers billing revenue codes on UB04 claims. HCPCS or CPT codes are required whenever the provider bills one of the following revenue codes and the claim is an outpatient hospital, emergency room facility, dialysis facility, or other outpatient facility which uses UB04 claims submission. When HCPCS or CPT codes are used for all administered drug items, the NDC code must be reported:

Pharmacy revenue codes 0250, 0251, 0252, and 0254
Pharmacy revenue codes 0631, 0632, 0633, 0634, 0635, and 0636

Providers paid encounter rates such as an FQHC, an IHS or tribal compact facility or bundled rates such as drugs included in a dialysis cap charge do not need to supply an NDC drug identifier because they are not reimbursed utilizing one of the revenue codes listed above.

INSTRUCTIONS FOR BILLING DRUG ITEMS ADMINISTERED IN PROVIDER OFFICES, OUTPATIENT CLINICS AND HOSPITALS

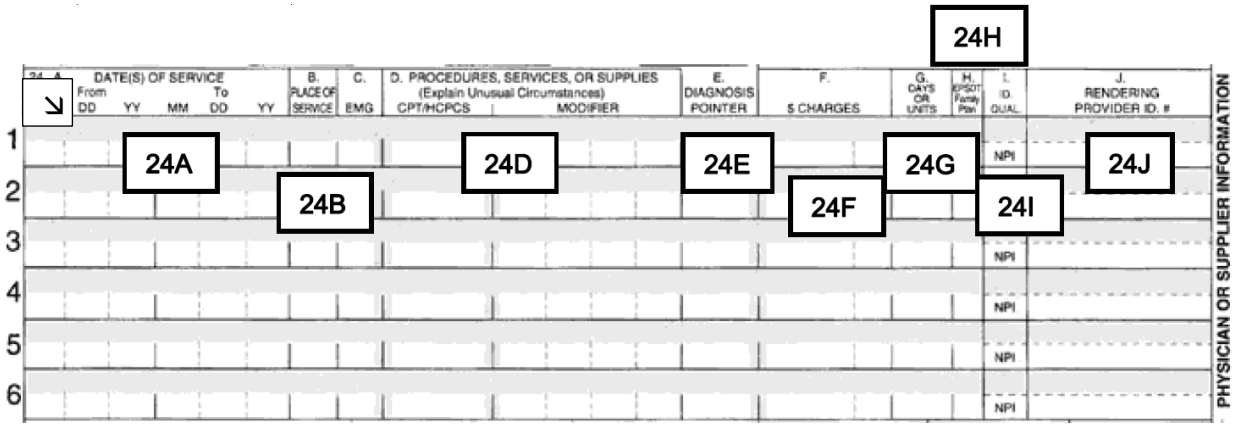
Due to the required reporting of NDC identifiers for administered drug items, providers are required to fill in the top and bottom rows of a claim line ensuring all spaces and characters are filled in accurately to identify the NDC of the drug item. *All claims which do not have a **valid** NDC code for physician administered drug items will be denied by Medicaid's Fiscal Agent.* The requirement for reporting NDC codes on all professional claims for physician administered or dispensed drugs may have exceptions for certain claims submitted by Indian Health Service facilities, Federally Qualified Health Centers, Rural Health Clinics, Rural Health Clinic Hospital Based facilities, general acute care hospitals and hospital rehab, and renal dialysis facilities. Providers can resubmit a denied claim with an Adjustment Request Form with the corrected CMS-1500, UB-04 or Dental claim form. Instructions can be found on the New Mexico Medicaid Portal website: https://nmmedicaid.portal.conduent.com/static/ProviderInformation.htm#FormsPubs.

CMS1500 FORM

Begin entering the NDC in the shaded area of box 24A when an NDC code is required for an administered drug item starting with a 2-digit qualifier "N4" followed by the 11-digit NDC code in the shaded area above the Dates of Service followed by 3 spaces, followed by one of the 2-digit Unit of Measure code and the number of units with up to three decimal places.

- The four (4) units of measure qualifiers are:
  F2 - International Unit GR - Gram
  ML - Milliliter UN - Units

Enter the NDC in the shaded area of box 24A shown below:



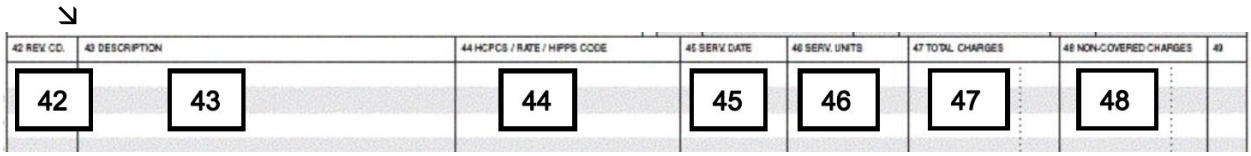
Claim form instructions can be found on the New Mexico Medicaid Portal website: https://nmmedicaid.portal.conduent.com/static/ProviderInformation.htm#FormsPubs. Information can be found on the website for item numbers 24A-J on requirements to identify the services performed.

In addition to entering an NDC, a valid HCPCS or CPT code must be entered in the non-shaded area of 24D. The unit of service for the HCPCS or CPT code is also required. Units for injections must be billed consistent with the HCPCS or CPT description of the code. For example, J0610 “Injection, Calcium Gluconate, per 10ml” is billed as 1 unit up to 10 ml dosages.

UB04 FORM

A valid NDC must be entered in box 43, currently labeled as “description” and a 4-digit revenue code must be entered in form locator 42 and a HCPCS or CPT code must be entered in form locator 44.

Beginning at the left side of form locator 43, enter the 2-digit qualifier “N4” immediately followed by the 11-digit NDC. Example: NDC code 00054352763 will be entered as N400054352763



Claim form instructions can be found on the New Mexico Medicaid Portal website: https://nmmedicaid.portal.conduent.com/static/ProviderInformation.htm#FormsPubs. Information can be found on the website for item numbers 42 - 48 on requirements to identify the services performed.

837 P and 837 I

All NDC codes must be reported in the following fields in the 837 formats:

Loop 2410
Seg LIN
Field LIN02: use the qualifier “N4”
Field LIN03: enter a valid 11-digit NDC code

PHYSICIAN AND CLINIC BILLING FOR DRUGS OBTAINED UNDER THE 340B DRUG PRICING PROGRAM

Enactment of the Veterans Health Care Act of 1992, Public Law 102-585, resulted in the 340B Drug Pricing Program which is codified as Section 340B of the Public Health Service Act. Section 340B limits the cost of covered outpatient drugs to certain federal grantees, including federally qualified health centers and health center program look-alikes, qualified disproportionate share hospitals, some state and local government clinics, family planning projects, and other types of clinics. Entities that participate in this program may see considerable savings on pharmaceuticals.

Oversight of the 340B program is the responsibility of the Health Resources and Services Administration (HRSA). Under this program, pharmaceutical manufacturers agree to charge at or below statutorily defined prices, known as 340B ceiling prices, for purchase by qualified entities. When pharmaceutical manufacturers have their drug products available at the discounted 340B rate, state Medicaid programs cannot invoice the manufacturer for drug rebates on these drug items purchased.

Therefore, MAD requires all pharmacies, physicians, regional health centers, family planning organizations, state government and other clinics that bill for drug items under 340B drug pricing agreements to:

1. Carve out of Medicaid and not submit claims for pharmaceutical items acquired through the 340B drug program, OR

2. Carve into Medicaid

    a. For Medicaid FFS recipients, pharmaceutical drug items acquired through the 340B program, must be billed utilizing the manufacturer assigned NDC identifier with the actual acquisition cost obtained through the 340B program using one of the following methods:
        i. CMS1500 Claims: All pharmaceuticals acquired at 340B rates must be entered using the HCPCS code in form locator 24C followed by the modifier UD.
        ii. UB04 Claims: All pharmaceuticals acquired at 340B rates with the following pharmacy revenue codes 0250, 0251, 0252, 0254, 0631, 0632, 0633, 0634, 0635, and 0636 must have the HCPCS or CPT code immediately followed by the modifier UD in form locator 44. Example: HCPCS J0135 will be entered as J0135UD.
        iii. The Centers for Medicare and Medicaid Services (CMS) mandates that Medicare providers report either the "JG" (drug or biological acquired with 340B drug pricing program discount) or TB (drug or biological acquired with 340B drug pricing program discount, reported for informational purposes) modifiers, and are accepted by Medicaid; however, the "UD" modifier must also be included to identify 340B Medicaid claims.
        iv. Pharmacy Point-Of-Sale Claims: New Mexico Medicaid requires all point-of-sale pharmacies to identify 340B claims with modifier "08" in the "basis of cost determination" field (423-DN), the 340B Actual Acquisition Cost (AAC) in the "ingredient cost submitted" field (409-D9) and the current Fee-For-Service Professional Dispensing Fee (PDF) in field 412-DC. In Field 426-DQ pharmacies should indicate Usual and Customary Charge which is the lowest net charge to self-pay patients. To receive the PDF in addition to this charge, the PDF must be included in addition to the AAC when the pharmacy is requesting reimbursement for additional professional services provided
    b. Medicaid Managed Care medical claims require the manufacturer assigned NDC identifier, and the "UD" modifier on all pharmaceuticals acquired at 340B rates. All point-of-sale claims must be submitted with the "08" modifier (a requirement for encounter claims). This provision is for the purpose of acquiring data and does not dictate pricing. Providers are reimbursed at the contracted rate between the specific MCO and the provider.

Any 340B claims that did not meet these stated requirements must be reprocessed to ensure compliance with state and federal regulations. Refusal to comply with this requirement can affect a facility's enrollment status with the 340B drug discount program.

Questions regarding this Supplement can be directed to Health Care Authority Medical Assistance Division at MADInfo.HCA@hca.nm.gov.