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CABINET FOR HEALTH  
AND FAMILY SERVICES

**Fee-For-Service Physician Administered Drugs &  
National Drug Code  
September 2022**

# Outline

- Background - Medicaid Drug Rebate Program, Physician-Administered Drugs (PAD) & 340B
- Reimbursement for 340B & non-340B Drugs & Reimbursement References
- Kentucky Medicaid FFS PAD List
- National Drug Code (NDC) Configuration, Units & Examples
- Converting HCPS/CPT Units to NDC Units & Example
- Billing Information for Electronic (837P) & Paper Claims (CMS 1500)
- Additional Resources

# Medicaid Drug Rebate Program

- The Medicaid Drug Rebate Program (MDRP) was created by the *Omnibus Budget Reconciliation Act of 1990 (OBRA)* and became effective January 1, 1991. The program requires drug manufacturers to enter into agreements with the Department of Health and Human Services (HHS) Secretary and provide rebates for their drug products.
- *The Deficit Reduction Act of 2005 (DRA)* expanded the rebate requirement to include outpatient-administered drugs covered by state Medicaid programs.
- *The Patient Protection and Affordable Care Act (PPACA)* expanded the rebate requirement to include drugs covered by Medicaid managed care organizations.

# Physician-Administered Drugs (PAD)

- PAD are medications other than vaccines that are covered under section 1927(k)(2) of the Social Security Act and are typically administered by a medical professional in a physician's office or other outpatient clinical setting.
- Reimbursement for PAD is allowed only if the drug qualifies for rebate in accordance with 42 USC 1396r-8.
- The injection must be reasonable and medically necessary for diagnosis or effective treatment of a specific illness or injury based on accepted standards of medical practice

# 340B

- In 1992, Congress extended to safety-net providers the same kind of relief from high drug costs that Congress provided to the Medicaid program with the Medicaid rebate law.
- Congress enacted Section 340B of the Public Health Service Act (created under Section 602 of the Veterans Health Care Act of 1992).
- The purpose of the [340B Program](#) is to enable covered entities “to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services.”
- **340B drugs may be billed on the same claim as non-340B drugs.**

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# Reimbursement

- A dispensing fee will not be paid.
- Per 907 KAR 23:020, effective for dates of service 08/01/2019 and after the Medicaid allowed amount for drugs on the PAD list will be calculated as the lesser of the following:
  - National Average Drug Acquisition Cost (NADAC) **X NDC Units**
  - Wholesale Acquisition Cost (WAC) **X NDC Units**
  - Federal upper limit (FUL) **X NDC Units**
  - State Maximum Allowable Cost (MAC) **X NDC Units**
  - Average Sales Price (ASP) x **HCPS Units of Service** (not NDC units)
  - Usual & Customary (U&C)

# Reimbursement References

- [NADAC](#)
- [FUL](#)
- [ASP](#)
- [MAC](#) – See “Resources” tab, then “Drug Info” tab
- WAC – proprietary database like First Databank (FDB) or Medi-span
- U&C – Provider billed amount

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# PAD List & Billing Resources

- The PAD list is located on the **DMS website**:
  - <https://chfs.ky.gov/agencies/dms/Pages/feesrates.aspx>
  - The PAD list will be updated quarterly basis at minimum.
- PAD billing information can be identified: Drugs that are **NOT** covered through the Physician-Administered Drug Program *may* be covered through the Pharmacy Program.
- Drugs covered through the Pharmacy Program must be obtained by prescription and billed through the online point-of-sale system at the pharmacy.

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# PAD Provider Types for Billing

- 30 (CMHC)
- 31 (Non-FQHC/specialty 082)
- 64 (physician)
- 65 (physician clinic)
- 78 (APRN)
- 95 (physician assistant)

# National Drug Code

- The NDC is a universal number that identifies a drug.
- DRA requires state Medicaid Programs to collect rebates from participating drug manufacturers for physician-administered or physician-dispensed drugs.
- In order to collect these rebates, states must collect the NDC for physician-administered drugs.
- This requirement also applies to Medicare crossover claims.
- Each NDC contains three segments:

**12345** - **6789** - **01**

Labeler Code

Assigned by the Food and Drug Administration (FDA); identifies the drug manufacturer

Product code

Assigned by the drug manufacturer; identifies the specific product

Package size

Assigned by the manufacturer; Identifies the package size



[DailyMed - METHYLPREDNISOLONE ACETATE injection, suspension \(nih.gov\)](https://www.DailyMed.com/drugs/METHYLPREDNISOLONE-ACETATE-injection-suspension/nih.gov)

# NDC Configuration

- Submitted NDCs must be valid, have 11 digits and follow the 5-4-2 format.
- Proper billing of claims submitted for outpatient-administered HCPCS drug codes requires 11-digit all-numeric NDCs.
- First, determine the format of your 10-digit NDC by examining the package information and counting the numbers separated by dashes.
- Once you have identified the format as either 4-4-2, 5-3-2 or 5-4-1, insert a zero according to the following table.

Converting NDCs from 10-digits to 11-digits					
10-Digit Format on Package	10-Digit Format on Example	11-Digit Format	11-Digit Format Example	Actual 10-digit NDC Example	11-Digit Conversion of Example
4-4-2	9999-9999-99	5-4-2	<u>0</u> 9999-9999-99	0002-7597-01	<u>0</u> 0002-7597-01
5-3-2	99999-999-99	5-4-2	99999- <u>0</u> 999-99	50242-040-62	50242- <u>0</u> 040-62
5-4-1	99999-9999-9	5-4-2	99999-9999- <u>0</u> 9	60575-4112-1	60575-4112- <u>0</u> 1

# NDC Unit of Measure

- Listed below are the preferred NDC units of measure and their descriptions:
  - **UN** (Unit)
    - Powder for injection (needs to be reconstituted), pellet, kit, patch, tablet, device
  - **ML** (Milliliter)
    - Liquid, solution, or suspension
  - **GR** (Gram)
    - Ointments, creams, inhalers, or bulk powder in a jar
  - **F2** (International Unit)
    - Products described as IU/vial or micrograms



# Convert HCPCS/CPT Units to NDC Units

- Before you can complete the claim to bill for a drug, you will need to know the following information:
  - Amount of drug to be billed
  - HCPCS/CPT code
  - HCPCS/CPT code description
  - Number of HCPCS/CPT units
  - NDC (11-digit billing format)
  - NDC description
  - NDC unit of measure

# Example: Converting HCPCS/CPT Units to NDC Units

- Billing the correct number of NDC units for the corresponding HCPCS/CPT codes on your claims is essential. To calculate the NDC units manually, there are several steps you will need to take.
- Consider the following example for Ciprofloxacin IV 1200 MG (1-day supply):

<b>Amount of drug to be billed:</b>	1200 MG
<b>HCPCS/CPT code:</b>	J0744
<b>HCPCS/CPT code description:</b>	Ciprofloxacin for intravenous infusion, 200 MG
<b>Number of HCPCS/CPT units:</b>	6
<b>NDC (11-digit billing format):</b>	00409-4765-86
<b>NDC description:</b>	Ciprofloxacin IV SOLN 200 MG/20 ML
<b>NDC unit of measure:</b>	ML

# Example: Converting HCPCS/CPT Units to NDC Units

- The amount of the drug to be billed is 1200 MG, which is equal to 6 HCPCS/CPT units.
- The NDC unit of measure for a liquid, solution, or suspension is ML; therefore, the amount billed must be converted from MG to ML.
- According to the NDC description for NDC 00409-4765-86, there are 200 MG of ciprofloxacin in 20 ML of solution (200 MG/20 ML).
- Take the amount to be billed (1200 MG) divided by the number of MG in the NDC description (200 MG). *EXAMPLE:  $1200 \div 200 = 6$*
- Multiply the result (6) by the number of ML in the NDC description (20 ML) to calculate the correct number of NDC units to be billed on the claim (120). *EXAMPLE:  $6 \times 20 \text{ ML} = 120 \text{ NDC Units}$*

# Billing Information

- Drugs that are covered through the Physician-Administered Drug Program will be listed on the PAD list and must be billed through the medical benefit on a CMS-1500 claim form or the electronic 837P.
- Billing information can be found here: [KYHealth-Net \(kymmis.com\)](http://kymmis.com)
- Mailing Address for CMS 1500 paper claims:  
Gainwell Technologies  
P.O. Box 2101  
Frankfort, KY 40602-2101
- Electronic Claims Help Desk (800) 205-4696

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# Paper Claim (CMS-1500)

- CMS-1500:** In the shaded portion of line-item field 24A-24G, enter NDC qualifier N4 (left-justified), immediately followed by the NDC. Enter one space for separation. Next enter the appropriate qualifier for the correct dispensing NDC unit of measure (UN, ML, GR or F2). Following this, enter the quantity (number of NDC units).

24. A.	DATE(S) OF SERVICE					B. PLACE OF SERVICE	C. EMG	D. PROCEDURES, SERVICES, OR SUPPLIES (Explain Unusual Circumstances)				E. DIAGNOSIS POINTER	F.		G. DAYS OR UNITS	H. EPSDT Family Plan	I. ID. QUAL.	J. RENDERING PROVIDER ID. #
	From	To						CPT/HCPCS	MODIFIER				\$ CHARGES					
MM	DD	YY	MM	DD	YY													
N400409476586 ML120																		
01	01	13	01	01	13	11		J0744				1	17.94		6	N	NPI	123456789

# Single Line Example

- 4 mg Zofran IV
- NDC 00173-0442-02 (Zofran 2mg/mL); bill ML2
- J2405 (Ondansetron Hydrochloride, per 1mg); bill 4 units

24. A.	DATE(S) OF SERVICE						B. PLACE OF SERVICE	C. EMG	D. PROCEDURES, SERVICES, OR SUPPLIES		E. DIAGNOSIS POINTER	F. \$ CHARGES	G. DAYS OR UNITS	H. EPSDT Family Plan	I. ID. QUAL	J. RENDERING PROVIDER ID. #
	From	To							CPT/HCPCS	MODIFIER						
MM	DD	YY	MM	DD	YY											
N400173044202 ML2													N			
06	01	19	06	01	19	11		J2405			1	12.99	4	N	NPI	0123456789

# Multiple-line Example

- 160 mcg Aranesp (Darbepoetin Alfa)
- Line one:
  - NDC 55513-0023-04 (Aranesp 60mcg/0.3 ML); bill ML0.3
  - J0881 (Darbepoetin Alfa NON-ERSD, 1mcg); bill 60 units
- Line two:
  - NDC 55513-0025-04 (Aranesp 100mcg/0.5 ML); bill ML0.5
  - J0881 (Darbepoetin Alfa NON-ERSD, 1mcg); bill 100 units

24. A.	DATE(S) OF SERVICE						B. PLACE OF SERVICE	C. EMG	D. PROCEDURES, SERVICES, OR SUPPLIES (Explain Unusual Circumstances)			E. DIAGNOSIS POINTER	F. \$ CHARGES	G. DAYS OR UNITS	H. EPSDT Family Plan	I. ID. QUAL	J. RENDERING PROVIDER ID. #
	From	To							CPT/HCPCS	MODIFIER							
MM	DD	YY	MM	DD	YY												
1 N455513002304 ML0.3																	
06	01	19	06	01	19	11		J0881				1	1246.89	60	N	NPI	0123456789
2 N455513002504 ML0.5																	
06	01	19	06	01	19	11		J0881				1	1193.00	100	N	NPI	0123456789

# Electronic Claim (837P)

- General guidelines for including NDC data in an electronic claim:

Field Name	Field Description	Loop ID	Segment
Product ID Qualifier	Enter <b>N4</b> in this field.	2410	LIN02
National Drug Code	Enter the 11-digit NDC billing format assigned to the drug administered.	2410	LIN03
National Drug Unit Count	Enter the quantity (number of NDC units)	2410	CTP04
Unit or Basis for Measurement	Enter the NDC unit of measure for the prescription drug given ( <b>UN, ML, GR, or F2</b> )	2410	CTP05

# Billing tips

- Do not use hyphens when reporting NDC on claims.
- Bill the NDC of the administered. No substitutes!
- NDCs are required on all claims regardless of who the primary payer may be.

# Additional Resources

- **Gainwell Provider Call Center**

Phone Number: 800-807-1232

Email: [KY\\_Provider\\_Inquiry@GainwellTechnologies.com](mailto:KY_Provider_Inquiry@GainwellTechnologies.com)

- [Provider Billing Instructions](#)
- [Electronic Claims Frequently Asked Questions](#)
- [Provider Enrollment](#)

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