



**TO:** Hospital Providers, Freestanding ESRD Facilities - **For Action**  
Health Maintenance Organizations – **For Information Only**

**SUBJECT:** **Billing Requirements for Outpatient-Administered Drugs**

**EFFECTIVE:** Claims with service dates on or after **November 1, 2009**

**PURPOSE:** To notify hospital providers and freestanding ESRD facilities of a new billing requirement for outpatient-administered drugs.

**SHARE THIS ANNOUNCEMENT WITH YOUR BILLING AGENCY OR SOFTWARE VENDOR**

**BACKGROUND:** The Federal Deficit Reduction Act of 2005 (DRA) requires that the National Drug Code (NDC), metric quantity and Unit of Measure (UOM) for outpatient-administered drugs be reported on the UB-04 claim form, in addition to the Revenue Code and HCPCS Procedure Code. Outpatient-administered drugs are identified by the HCPCS procedure codes J0120 thru J9999; Q0144 thru Q0181; Q4079 thru Q4081; Q0045 thru Q9964; Q3025, Q3026, Q2009 and Q2017.

**In accordance with Federal regulations, specifically 42 CFR Section 447.520 (a) through (c), no State can request Federal funding for the cost of physician-administered drugs unless claims for these drugs identify drugs *sufficiently* for the State to bill a manufacturer for drug rebates. These new payment procedures will ensure that NJFC/Medicaid can properly bill drug manufacturer rebates for drug products administered to NJFC/Medicaid clients and *be compliant with all Federal drug rebate regulations*.**

**ACTION:** **Effective for claims with service dates on or after November 1, 2009,** providers of outpatient-administered prescription drugs must report **both** the 11-digit NDC and HCPCS procedure code for the drug when billed under Revenue Codes 634, 635, 636, and 637. This requirement applies both to claims submitted electronically and to claims submitted on the hardcopy UB-04 claim form. These billing procedures do NOT apply to "crossover" claims submitted on behalf of clients eligible for both Medicare and Medicaid coverage.

1. Hospitals and freestanding ESRD facilities must report the full 11-digit NDC number in Field 43 on the UB-04 (CMS-1450) paper claim.

- Providers who utilize paper claims are required to use the UB-04 (CMS-1450) claim form (effective 030108) when submitting a claim for an outpatient-administered drug.
- When reporting the NDC number in Field 43 on the UB-04 (CMS-1450) claim form, the qualifier “N4” must be entered immediately preceding the 11-digit NDC number. Three “open” spaces must then follow the 11-digit NDC number. Following these spaces, report the two-position qualifier identifying the “Unit of Measure,” immediately followed by the quantity of the drug administered.
- The two-position qualifiers for “Unit of Measure” are:
  - GR – Gram
  - ML – Milliliter
  - UN - Unit (for example, tablet, capsule)

For example, for NDC 12345123412, Quantity 1.5 milliliters, report **N412345123412ML1.5** where ‘N4’ is the qualifier; ‘12345123412’ is the NDC number; ‘ML’ is the unit of measure; and ‘1.5’ is the metric quantity for the outpatient-administered drug.

2. When billing an electronic claim, drug identification is provided in LOOP 2410 of the 837I transaction. Report the following:
  - the NDC in the Product/Service ID field (LIN03);
  - the Product/Service ID Qualifier “N4” in field LIN02;
  - the metric quantity in field CTP04 (i.e. a maximum quantity of 9999999.999 may be specified or a whole number, such as a quantity of 500); and
  - the unit of measure in field CTP05.
3. The Division has established an interactive website to provide outpatient departments important billing information. The website may be found at [www.njmmis.com](http://www.njmmis.com); **click on “Physician Administered Drugs (UOM) on left side of the webpage**. By entering the NDC for the drug being administered, information regarding drug coverage and the correct UOM to report on the claim may be found. A representation of the website is attached for your review.

The proper reporting of UOM is essential to ensuring proper reimbursement for outpatient-administered drug claims. It is important to note differences between the UOM described by a procedure code and the UOM used by the drug file to calculate reimbursement.

**Reimbursement for outpatient-administered drugs will not change. Hospitals will continue to receive cost-to-charge reimbursement for outpatient-administered drugs. These new billing procedures are required for the State of New Jersey to continue to receive federal funding for the cost of outpatient-administered drugs.**

4. The Division of Medical Assistance and Health Services (DMAHS) will validate the reported NDC to ensure the drug is covered by the NJ FamilyCare/Medicaid/Work First New Jersey (WFNJ) programs and the NDC is appropriate for the HCPCS procedure code billed for the outpatient-administered drug.
  
5. The following Error Codes may post to claims for outpatient-administered drugs:
  - **Error Code 1214: Invalid NDC or NDC Not On File**  
If Error Code 1214 denies a claim, the NDC reported is not a valid NDC.
  
  - **Error Code 1216: Not Covered – Rebate Invalid**  
If Error Code 1216 denies a claim, the drug product is not covered by the NJFC/Medicaid/WFNJ programs because its manufacturer has not entered into a drug rebate agreement with the State of New Jersey.
  
  - **Error Code 1317: Invalid/Missing Metric Quantity**  
If Error Code 1317 denies a claim, the metric quantity for the physician-administered drug was incorrect or not reported on the claim.
  
  - **Error Code 1321: Claim UOM is Invalid Or Not Equal to the UOM For the NDC Reported**  
If Error Code 1321 denies a claim, the UOM reported on the claim is inappropriate for the NDC reported on the claim.

If you have any questions concerning this Newsletter, please contact Unisys Provider Services at (800) 776-6334.

**RETAIN THIS NEWSLETTER FOR FUTURE REFERENCE**