



# STATE OF IOWA

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DEPARTMENT OF HUMAN SERVICES  
KEVIN W. CONCANNON, DIRECTOR

## INFORMATIONAL RELEASE NO. 647

**DATE:** October 26, 2007

**TO:** Iowa Medicaid Providers (General Hospital, Physician (MD), Physician (DO), Podiatrist, RHC, Clinic, CMHC, Family Planning Clinic, Mental Hospital, Screening Center, Maternal Health Center, Ambulatory Surgical Center, Certified Nurse Midwife, CRNA, FQHC, ARNP, Institutional – General)

**ISSUED BY:** Iowa Department of Human Services, Iowa Medicaid Enterprise

**RE:** NDC Implementation Update and Frequently Asked Questions (FAQ)

To comply with Centers for Medicare and Medicaid Services (CMS) requirements pursuant to the Federal Deficit Reduction Act (DRA) of 2005, the Iowa Medicaid Enterprise (IME) announced it would implement a change involving the reporting of all drugs administered in an office/clinic or other outpatient setting (Informational Release #593 dated March 28, 2007).

**Since Informational Release #593 was published, additional consideration has been given to the implementation of this requirement.** When IL 593 was published, final rules had not yet been published by CMS on this subject and interpreting what was actually required of IME (and therefore providers) has been a challenging and difficult task. Attached to this Informational Release is a FAQ document to help answer the types of questions the IME has received from providers since the NDC requirement was originally announced. The answers to some of those questions may differ from IME's original position because certain interpretations have changed, based on final CMS rules and corresponding CMS guidance. In this regard, and as noted in the responses to various questions in the FAQ, some of the responses to the FAQs may change further over time, relative to CMS's issuance of additional rules and/or guidance concerning the DRA requirements, relative to what is required of Medicaid programs and enrolled providers.

**Based on final CMS rules and current CMS guidance, and as reflected in the attached FAQ document, the IME no longer considers this requirement to apply to hospital, RHC or FQHC claims, with the following provision applicable to hospitals: hospital claims are only exempt when the cost of the J code drug is reflected in the APG payment, which is a "bundled" payment methodology, per CMS guidance. Any J code drugs that are billed separately, and the cost is not reflected in a corresponding APG payment are not exempt from the NDC reporting requirement. In addition, and to accommodate providers, the implementation date for this requirement is effective 45 days from the date of this Informational Letter, meaning dates of service on or after December 17, 2007.**

**The NDC requirement states** that all claims for drug products administered in an office/clinic or other outpatient setting that are reported with a HCPCS "J" code must also include the corresponding National Drug Code (NDC) number. In addition, only those NDCs that are rebatable will be payable by IME.

**The NDC number** serves as a universal product identifier for drug products. An NDC is 11

digits and can be located on a drug's packaging or by contacting the manufacturer. A drug may have multiple manufacturers so it is vital to use the NDC of the administered drug and not another manufacturer's product, even if the chemical name is the same. It is important that providers develop a process to capture the NDC when the drug is administered, before the packaging is discarded. An NDC must be included for each "J code" on a claim. The NDC must be rebatable (see below).

**Rebatable Drugs:** for dates of service beginning **December 17, 2007**, the IME will only pay claims for those NDC numbers that are rebatable per the Omnibus Budget Reconciliation Act of 1990 (OBRA'90). The Medicaid Drug Rebate Program requires a drug manufacturer to enter into and have in effect a national rebate agreement with the Secretary of the Department of Health and Human Services (HHS) for states to receive Federal funding for outpatient drugs dispensed to Medicaid patients. The IME maintains a list of rebatable NDC numbers on our website, [www.ime.state.ia.us/Providers/index.htm](http://www.ime.state.ia.us/Providers/index.htm) look for the box marked "Quick Links", and then choose "Rebatable Drugs."

**The rebatable NDC list will be updated quarterly** on the schedule below. Providers should review NDCs on this site to determine those that are payable by the IME. The posting date of the list will be the effective date of any coverage change.

Rebatable NDC Listing	Effective Date/Posting Date on IME Website
Quarter 4, 2007	September 1, 2007
Quarter 1, 2008	December 1, 2007
Quarter 2, 2008	March 3, 2008
Quarter 3, 2008	June 2, 2008
Quarter 4, 2008	September 1, 2008

**For dates of service on or after December 17, 2007, claims for non-rebatable drugs or claims submitted without NDC numbers will be denied by the IME.** These claims are not the responsibility of the Medicaid member. Please see below for claim filing instructions.

#### **Adding the NDC Number to a claim:**

- CMS-1500 (08/05): In box 24A enter qualifier "N4" followed by the NDC number in the gray area above the date of service. No spaces or symbols should be used in reporting this information.
- 837P (Electronic Transaction): enter the NDC number in loop 2410, which directly follows the HCPCS code.
- UB-04 and 835I (Electronic Transaction): the requirement is not applicable as all J codes are paid as part of an APG.

**Documentation Standards:** providers must ensure that the NDC number of the administered drug is noted in the patient's file. The NDC must match the drug administered and not the number from another manufacturer's product, even if the chemical name is the same.

The IME website address is [www.ime.state.ia.us](http://www.ime.state.ia.us). If you have any questions please contact IME Provider Services at 1-800-338-7909, locally at 515-725-1004, or by e-mail at: [imeproviderservices@dhs.state.ia.us](mailto:imeproviderservices@dhs.state.ia.us).