Practical Tips

Reporting National Drug Code Numbers on Medicaid Claims

The American Society of Clinical Oncology's Coding and Reimbursement hotline has received a number of calls pertaining to new Medicaid policy that requires programs to begin requiring the reporting of national drug codes (NDCs) on claims. The following questions and answers provide more information on this Medicaid issue.

Medicaid in our state has notified us that the NDC numbers for physician-administered drugs will now need to appear on our claims. What does this mean?

As of January 2006, states that are interested in obtaining federal matching funds for single-source drugs administered in physician offices are required to bill manufacturers for rebates on those drugs. With single-source drugs, typically only one drug is represented by the respective J-code. In these cases, the manufacturer and drug are easily identifiable.

In 2008, however, states are required to collect rebates for the top 20 multisource drugs administered in the office in order to receive federal matching funds. The Centers for Medicare & Medicaid Services (CMS) is responsible for identifying and providing a list of those drugs. This requirement cannot be met if J-codes are used because in some cases, one code may represent multiple drugs. As a result, the Deficit Reduction Act of 2005 (DRA) contained language that would require physicians to submit Medicaid claims using NDC numbers beginning January 1, 2007.

Why does Medicaid need the NDC numbers? Why can't we just use the established health care common procedure coding system numbers?

An obstacle to collecting rebates for drugs administered in physician offices is that the health care common procedure coding system cannot distinguish each drug when multiple source drugs share the same J-code. Because NDC numbers specifically identify a drug and the manufacturer, NDC numbers are more specific. Hence the DRA requires physicians to submit NDC numbers on their Medicaid claims.

What do you mean by drug rebates?

Under the Medicaid Drug Rebate Program, drug manufacturers enter into agreements to pay state Medicaid agencies for drugs used by Medicaid beneficiaries. States collect quarterly utilization information for each drug and then bill the manufacturer for the appropriate rebate amount. The rebate amount is determined by using predetermined calculations.

The Medicaid agency in my state required the submission of NDC numbers for the past year. Do these requirements impact us since we have already been reporting NDCs?

No. Some states already require the use of NDC numbers for Medicaid claims. Those states that do not already require NDC numbers on claims will likely impose the billing requirements.

Where can I get a listing of NDC numbers?

NDC numbers can be obtained through the *Red Book*, the drug manufacturer, drug suppliers, and sales representatives (for specific drugs).

Our practice has a practice management system in place that includes billing software. What if the system doesn't accept NDC numbers?

The software you currently have should be tested to verify whether or not NDC numbers can be entered. If not, you should contact the vendor and begin working with them to find a solution.

Where can I get more information on Medicaid rebates?

More information about the Medicaid Drug Rebate Program can be found on the CMS Web site: www.cms.hhs.gov/MedicaidDrugRebateProgram/01_Overview.asp. You can contact someone regarding the rebate program in your state to answer specific questions. Contact information can be found at: www.cms.hhs.gov/MedicaidDrugRebateProgram/downloads/drugcon.pdf.

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