



**Molina Healthcare of New Mexico, Inc.
Nation Drug Code (NDC) Changes
Effective November 1, 2010**

Dear Provider,

You received notification from Molina Healthcare of New Mexico, Inc. (Molina Healthcare) in August 2010, regarding new requirements for billing drug items and the requirement for National Drug Codes (NDC).

Drugs obtained under 340B Drug Pricing Program was not included in this mailing. Please be advised that the following process must be followed effective November 1, 2010.

PHYSICIAN, CLINIC and HOSPITAL BILLING FOR DRUGS OBTAINED UNDER THE 340B DRUG PRICING PROGRAM

The 340B Drug Pricing Program resulted from enactment of Public Law 102-585, the Veterans Health Care Act of 1992, 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 look-alikes, qualified disproportionate share hospitals, some state and local government clinics, family planning projects, and some other types of clinics. Significant savings on pharmaceuticals may be seen by those entities that participate in this program.

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

Furthermore, **when a drug item is purchased at 340B prices, the practitioner/provider cannot bill the Medicaid program more than the actual ingredient cost plus the Medicaid dispensing fee.** In order for the practitioner/provider to bill correctly as required by law and for the Medicaid program to appropriately limit the payment to a hospital and not invoice the manufacturer for rebates, the hospital must adhere to the following billing procedures when dispensing 340B pharmacy items.

Effective November 1, 2010, Molina Healthcare requires all practitioners/physicians, regional health centers, hospitals, family planning organizations, or other clinics that bill for drug items obtained under 340B drug pricing agreements to:

1. Not submit claims to Medicaid for pharmaceutical items acquired through the 340B drug program; OR
2. **If submitting claims for Medicaid recipients for pharmaceutical items acquired through the 340B program, the provider must identify drug items obtained through the 340B program as the billed amount using one of the following methods:**



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a. UB04 Claim: For all pharmaceuticals acquired at 340B rates, for each claim line for the following revenue codes pharmacy revenue codes 0250, 0251, 0252, 0254, 0631, 0632, 0633, 0634, 0635, and 0636 include the HCPCS or CPT code immediately followed by the modifier UD in form locator 44. An example for HCPCS J0135 will be J0135UD.

b. CMS1500 Claim: For all pharmaceuticals acquired at 340B rates by entering the HCPCS code in form locator 24C followed by the modifier UD.

When using the 837 transaction, the UD modifier is reported as follows:

837I

Loop 2400 SV2, can send up to 4 modifiers in SV202-3, SV202-4, SV202-5, SV202-6

837P

Loop 2400 SV1, can send up to 4 modifiers in SV101-3, SV101-4, SV101-5, SV101-6

The billed charge for any drug item obtained through the 340B program cannot be more than the 340B acquisition cost plus \$2.50. This applies to all providers using either the UB04 or CMS1500 claim form. Charging more than is allowed by the 340B rules is considered an abuse of the Human Services Department (HSD) /MAD program.

The notification that was mailed in August 2010 is posted on the Molina **Healthcare Provider Website: www.molinahealthcare.com**. You may also obtain another copy by contacting Provider Services toll free at **(800) 377-9594**.

Molina Healthcare of New Mexico, Inc.