



PI (Payment Integrity) Payment Policy 40 340B Reimbursement Missing Modifier

Purpose

This policy is intended to ensure correct provider reimbursement and serves only as a general resource regarding Molina Healthcare's reimbursement policy for the services described in this policy. It is not intended to address every aspect of a reimbursement situation, nor is it intended to impact care decisions. This policy was developed using nationally accepted industry standards and coding principles and guidelines. In the event of a conflict, federal and state guidelines, as applicable, as well as the member's benefit plan language, supersede the information in this policy. Additionally, to the extent there are any conflicts between this policy and the Provider's contract language, the provider contract language will prevail. Coverage may be mandated by applicable legal requirements of a State, the Federal government or the Centers for Medicare and Medicaid Services (CMS). References included were accurate at the time of policy approval and are subject to change.

Overview

In 1992, Congress enacted Section 340B of the Public Health Service Act requiring pharmaceutical manufacturers to enter into a pharmaceutical pricing agreement (PPA) with the Health and Human Services (HHS) secretary in exchange for having their drugs covered by Medicaid and Medicare Part B. As part of this agreement, pharmaceutical companies provide up front discounts directly to outpatient eligible providers that deliver health care services to many underserved, underinsured, and vulnerable populations (safety-net providers). The program is administered by the Office of Pharmacy Affairs (OPA), a division within the Health Resources and Services Administration (HRSA). Qualifying covered entities (see below) purchase drugs at discounted prices and either dispense or administer them to patients. These providers receive reimbursement for the drugs from the insurance companies at standard or higher than standard rates. The discounts allow hospitals to expand or improve care for vulnerable populations. Monies saved from the discounts is intended for expand health care services for these populations. The purpose of this policy is to ensure that providers participating in the 340B Drug Pricing Program are correctly reporting 340B acquired drugs according to guidelines established by the Centers for Medicare and Medicaid Services (CMS). Effective January 1, 2018, CMS reduced payment to participating providers paid under an Outpatient Prospective Payment System (OPPS) for specific drugs acquired through the 340B program. Providers are required to report either modifier "JG" or "TB" on these claims. Modifier "TB" is reported for informational purposes. Modifier "JG" indicates the 340B drug is payable at a reduced rate of Average Sales Price (ASP) minus 22.5 percent. Eligible patients are those that are patients of the covered entity. The entity must maintain records of healthcare services furnished to the patient and the health care Providers.

Policy

Inclusion

- Outpatient Prospective Payment System claims (bill type 13X)
- Disproportionate Share Hospitals
- Rural Referral Center
- Non-Rural Sole Community Hospital

Exclusions

The following entities are not subject to the ASP minus 22.5 percent reimbursement reduction

- Tribal
- FQHC
- RHC
- CAH

- SCH
- Children's Hospital's (when registered as PED's with HRSA 340B program)
- Cancer Hospital's

Reimbursement Guidelines

- Each separately payable, non-pass through, drug must be billed on a separate claim line with the appropriate 340B modifier.
- Modifier "JG" or state approved applies drug payment rate of ASP minus 22.5 percent.
- Modifier "TB" is informational and does not affect payment.
- If a claim is not billed with the appropriate modifier alerting Molina to the use of 340B drugs, the claim reimbursement rate will automatically be reduced to the Average Sales Price (ASP) minus 22.5%

The modifier is used by entities that are paid under the OPPS, have acquired 340B drugs, but have been excluded from the 340B Payment adjustment.

Pre-Payment Reimbursement Edit Review of Required Modifier:

1. The Health Plan's pre-payment review process will evaluate outpatient claims for the appropriate use of modifier "JG" or "TB."
2. The review will validate on the HRSA website that the entity is participating in the 340B Drug Pricing Program.
3. The review validates that each code billed is a covered drug under the 340B Drug Pricing Program.
4. This applies to Healthcare Common Procedure Coding System (HCPCS) separately payable OPPS drugs assigned a status indicator of "K" by CMS (and meet the definition of "covered outpatient drug."
5. This edit does not apply to vaccines or pass-through drugs assigned a status indicator of "F", "G", "L" or "M".
6. Validate on the Health Resources Services Administration (HRSA) website that the facility is participating in the 340B drug discount program and the drug is a 340B covered drug:
 - a. If yes and the modifier is missing: The code editing software will deny the original service line(s) billed without modifier "JG" or state approved modifier and replace with a new service line(s) with the modifier "JG" or state approved modifier appended.
 - ii. Service line(s) is priced at ASP minus 22.5 percent.
 - b. If no (provider is not a participant in the 340B Drug Pricing Program, the drug is not covered under the program, or the entity is excluded from the 340B Drug Pricing Program):
 - i. The payment reduction will not apply.
 - ii. The claim will adjudicate per the provider fee schedule.
 - iii. Modifier "TB" is an informational modifier and not subject to payment reduction.
 - iv. Modifier "TB" is billed by entities paid under the OPPS, have acquired 340B drugs, but are excluded from the CMS rate reduction policy.
7. Drugs billed appropriately with modifier "JG" are auto adjudicated and reimbursement is applied in the claims payment system

Documentation History

Type	Date	Action
Effective Date		New Policy
Revised Date		

References

Government Agencies

1. CMS:
 - a. [Medicare-FFS Program \(cms.gov\)](https://www.cms.gov/medicare-ffs-program)

- b. [340B Reimbursement Reduction Guidance | 340B Experts | Advis](#)
- 2. HRSA
 - a. [Office of Pharmacy Affairs 340B OPAIS \(hrsa.gov\)](#)
- 3. FL Medicaid:
 - a. [59G-4.251 : Prescribed Drugs Reimbursement Methodology - Florida Administrative Rules, Law, Code, Register - FAC, FAR, eRulemaking \(flrules.org\)](#)
 - b. [340B_instructions.pdf \(myflorida.com\)](#)
- 4. SC Medicaid:
 - a. [Final Action for Reimbursement Changes for Medications Purchased through the 340B Program | SC DHHS](#)
- 5. TX Medicaid:
 - a. [1_06_Claims_Filing.fm \(tmhp.com\)](#)
- 6. KY Medicaid:
 - a. [340BFAQ_v1.pdf \(ky.gov\)](#)
- 7. UT Medicaid:
 - a. [Pharmacy.pdf \(utah.gov\)](#)
- 8. AZ Medicaid
 - a. [CC.PP.070 - 340B Drug Payment Reduction \(azcompletehealth.com\)](#)
- 9. NM Medicaid
 - a. [SUPPLEMENT-21-02-National-Drug-Code-NDC-and-340B-DRUG-REQUIREMENTS.pdf \(state.nm.us\)](#)
- 10. MS Medicaid
 - a. [Mississippi Medicaid OPPS FAQ \(ms.gov\)](#)
- 11. CA Medicaid
 - a. [Medi-Cal Drug Rebate FAQs](#)
- 12. OH Medicaid
 - a. [Hospital Billing Guidelines \(ohio.gov\)](#)
- 13. MI Medicaid
 - a. [Michigan Department of Health & Human Services \(MDHHS\) Important Outpatient ProSPECTIVE PAYMENT System \(OPPS\) 3RD Quarter \(July 1 – September 30, 2016\) Update Information](#)
- 14. IL Medicaid
 - a. [340B Purchased Drugs | HFS \(illinois.gov\)](#)
- 15. WI Medicaid
 - a. [Print \(wi.gov\)](#)
- 16. NY Medicaid
 - a. [340B Advisory Group Meeting #1 \(ny.gov\)](#)
- 17. ID Medicaid
 - a. [heamat_20170406.pdf \(idaho.gov\)](#)
- 18. WA Medicaid
 - a. [340B Drug Pricing Program | Washington State Health Care Authority](#)

Supplemental Information

Definitions

PI_
Approval Date
Revision Date(s):

Term	Definition
CMS	Center for Medicare and Medicaid Services
HRSA	Health Resources and Services Administration
HCPCS	Healthcare Common Procedure Coding System
PPA	pharmaceutical pricing agreement
OPA	Office of Pharmacy Affairs
HHS	Health and Human Services
OPPS	Outpatient Prospective Payment System
ASP	Average Sales Price
Modifier JG	Drug or biological acquired with 340B drug pricing program. discount.
Modifier TB	Drug or biological acquired with 340B drug pricing program. discount, reported for informational purposes
Modifier SE	State/fed funded program/service
Modifier UD	Drug or Biological Drug Acquired with 340B Discount Modifier
Modifier U8	Medicaid level of care 8, as defined by each state
Modifier JW	The JW modifier is a Healthcare Common Procedure Coding System (HCPCS) Level II modifier used on a Medicare Part B drug claim to report the amount of drug or biological (hereafter referred to as drug) that is discarded and eligible for payment under the discarded drug policy
Modifier U6	Medicaid level of care 6, as defined by each state