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INFORMATIONAL NOTICE

DATE: April 8, 2008

TO: Participating Hospitals: Chief Executive Officers, Chief Financial Officers, Patient Accounts Managers, and Health Information Management Directors; Renal Dialysis Facilities; and Ambulatory Surgical Treatment Centers (ASTCs)

RE: Reporting of the National Drug Code (NDC) on Outpatient Institutional Claims

The purpose of this notice is to update providers on the department's implementation schedule for reporting the National Drug Code (NDC) on outpatient institutional claims and to provide specific information on how the NDC is to be reported on paper and electronic claims.

The federal Deficit Reduction Act of 2005 mandates that all state Medicaid Agencies require providers to report NDCs so that the Medicaid Agencies may collect rebates from drug manufacturers for physician-administered or dispensed drugs. HFS applied for a waiver of this requirement for institutional provider claims. The federal Centers for Medicare and Medicaid granted a six-month extension through June 30, 2008.

Therefore, the department will begin mandatory reporting of the NDC on institutional claims for services rendered on or after July 1, 2008.

With the implementation of the UB-04 claim format effective May 1, 2008, and to assist providers in the transition to reporting the NDC, during the period of May 1st through June 30th, new informational messages will be returned to providers for institutional claims that do not contain the applicable NDC coding. Please refer to the NDC informational messages listed later in this notice. The department **encourages** hospitals, renal dialysis facilities, and ASTCs to begin reporting the NDC for certain drugs administered in the outpatient setting as of May 1st.

The renal dialysis drugs that require NDC reporting are referenced in an Informational Notice dated February 14, 2006, on the department's Web site at: www.hfs.illinois.gov/rdc. Although Epogen is not listed in this notice, its current HCPCS code is Q4081 and NDC reporting will be required. The expensive drugs that will require NDC reporting are referenced on the department's Web site at: www.hfs.illinois.gov/reimbursement/expensive.html. Epogen must be reported under revenue code 634 or 635. All other injectable drugs must be billed with revenue code 636.

Effective with dates of service on and after July 1, 2008, if a claim contains a drug that would be eligible for an add-on payment, and the claim prices >\$0.00, but the claim does not contain the corresponding NDC coding, the claim will be paid **without** the applicable add-on. Providers will receive one of the informational messages below regarding NDC reporting. If the provider determines that an incorrect NDC was billed that resulted in non-payment of the add-on, the claim must be voided and rebilled correctly.

Only those products manufactured by companies participating in the federal Medicaid rebate program are reimbursable under Medicaid. Drugs manufactured by companies that do not participate in the federal rebate program do not qualify for add-ons. A list of manufacturers participating in the rebate program is available at:
<<http://www.hfs.illinois.gov/pharmacy/labelers.html>>.

New Informational Messages Regarding NDC Reporting

C01 NDC/Item Number Not on File
D82 NDC Not Covered/MFGR Not on File for Rebate
D83 NDC Not Covered/MFGR NOF (Not on File) for Rebate on Date of Service
D88 NDC/Item Number Not Approved on File
D90 Manufacturer Not on File For Rebate Quarter
E07 Missing NDC
F68 NDC Obsolete/Terminated Check Dates
H23 Inelig for Payment-No Rebate Rate Segment
R77 NDC Not Covered on Date of Service
R78 DESI Drug Not Allowed for Payment
R86 NDC Has Termination Date of *
U65 NDC Not Valid for Date of Service

Conversion of NDC Code to Eleven-Digit Code

These instructions apply to both paper claims and electronic transactions.

Each drug product listed under Section 510 of the Federal Food, Drug, and Cosmetic Act is assigned a unique 10-digit, 3-segment number. This number, known as the NDC, identifies the labeler/vendor, product, and trade package size. The first segment, the labeler code, is assigned by the Food and Drug Administration (FDA). A labeler is any firm that manufactures, repacks or distributes a drug product. The second segment, the product code, identifies a specific strength, dosage form, and formulation. The third segment, the package code, identifies package sizes. The labeler assigns both the product and package codes.

The Health Insurance Portability and Accountability Act (HIPAA) standard code set for NDCs is eleven digits. The first segment must include five digits, the second segment must include four digits, and the third segment must include two digits (5-4-2 configuration). For example, 12345-1234-12 is a correctly configured NDC. However, the NDC on the product label might not contain 11 digits. The labeler may have dropped leading zeros in a segment. In this situation, the appropriate number of leading zeros must be added at the beginning of each segment to ensure that the NDC is shown in the 5-4-2 format. Where the zero is added depends upon the configuration of the NDC.

See the examples below:

An NDC in the 5-3-2 configuration would require a leading zero in the second segment in order to have a 5-4-2 configuration. The following table provides examples of incorrectly configured NDCs and the corresponding correctly configured NDC. The segment that is missing the leading zero is bolded in each example.

NDC on Label	Configuration on Label	NDC in Required 5-4-2 Format
05678- 123 -01	5-3-2	05678-0123-01
5678 -0123-01	4-4-2	05678-0123-01
05678-0123- 1	5-4-1	05678-0123-01

HIPAA 837I Transactions

For HIPAA 837I electronic claim transactions, the HCPCS code is reported in Loop ID 2400, and the NDC is reported in Loop ID 2410. Please refer to the 837I Implementation Guide for further information.

Direct Data Entry Through the MEDI System

Providers registered to bill through the Direct Data Entry (DDE) MEDI System can access instructions by going to: <<http://www.myhfs.illinois.gov/>>.

Paper Transactions

Revenue Description Field – NDC Reporting

- Report the N4 qualifier in the first two (2) positions, left-justified
- Followed immediately by the 11-character National Drug Code (NDC), in the 5-4-2 format (no hyphens)
- Immediately following the last digit of the NDC (no delimiter) the Unit of Measurement Qualifier. The Unit of Measurement Qualifier codes are as follows:
 - F2 – International Unit
 - GR – Gram
 - ML – Milliliter
 - UN – Unit
- Immediately following the Unit of Measurement Qualifier, the unit quantity with a floating decimal for fractional units limited to 3 digits (to the right of the decimal).
- Any spaces unused for the quantity are left blank.

Reporting Quantities

These instructions apply to both paper claims and electronic transactions.

At this time, the department will continue to use the HCPCS code and units for calculation of the add-on payment.

Reporting of Multiple NDCs

These instructions apply to both paper claims and electronic transactions. For series claims, if a drug is administered on multiple days, these instructions apply to each service line date reported on the claim.

When a provider uses more than one NDC of a drug, the provider must include all NDCs for a single HCPCS code on the claim. This situation may occur when two different strengths of the same drug are needed in order to administer the appropriate dose. This will also be necessary when multiple vials of the same drug are used to administer the appropriate dose, and the vials are manufactured by different manufacturers.

The department will price the drug according to the first revenue line HCPCS code and its corresponding HCPCS units. The HCPCS code for the first revenue line must contain **all** of the units and charges for the drug being billed. Additional NDCs must be reported separately by repeating the revenue code and the HCPCS code on subsequent revenue lines. The HCPCS units quantity and the total charges for each subsequent revenue line should be reported as zero.

Medicare Crossover Claims

The NDC requirements apply to Medicare crossover claims for renal dialysis drugs, including Epogen.

Any questions regarding this notice should be directed to the Bureau of Comprehensive Health Services at 1-877-782-5565.

A handwritten signature in black ink, reading "Theresa Eagleson". The signature is fluid and cursive, with a large loop at the end.

Theresa A. Eagleson, Administrator
Division of Medical Programs