



## National Drug Code (NDC) Requirements for Physician Administered Medication

### NDC AND HCPCS FREQUENTLY ASKED QUESTIONS

#### 1. Why do I have to bill with National Drug Codes (NDCs) in addition to Healthcare Common Procedure Coding System (HCPCS) codes?

The Deficit Reduction Act of 2005 (DRA) includes provisions regarding state collection of data for the purpose of collecting Medicaid drug rebates from drug manufacturers for physician-administered drugs. States are **required** to collect rebates on physician-administered drugs in order for Federal Financial Participation (FFP) funds to be available for these drugs. Since there are often several NDCs linked to a single HCPCS code, the Centers for Medicare and Medicaid services (CMS) deem that the use of NDC numbers is critical to correctly identify the drug and manufacturer in order to invoice and collect the rebates.

#### 2. What is the Drug Rebate Program?

The Medicaid Drug Rebate Program was created by the Omnibus Budget Reconciliation Act of 1990 (OBRA '90) and became effective 1/1/1991. The law requires that drug manufacturers enter into an agreement with CMS to provide rebates for their drug products that are paid for by Medicaid. Outpatient Medicaid pharmacy providers have billed with NDCs and submitted for rebates since 1991. The DRA has now expanded the rebate requirement to physician-administered drugs.

#### 3. What is an NDC?

The NDC is the number which identifies a drug. The NDC number consists of 11 digits in a 5-4-2 format. The first 5 digits identify the manufacturer of the drug and are assigned by the Food and Drug Administration. The remaining digits are assigned by the manufacturer and identify the specific product and package size.

Some packages will display fewer than 11 digits, but leading "0"s can be assumed and need to be used when billing.

For example:

XXXX-XXXX-XX = 0XXXX-XXXX-XX

XXXXX-XXX-XX = XXXXX-0XXX-XX

XXXXX-XXXX-X = XXXXX-XXXX-0X

The NDC is found on the drug container, i.e. vial, bottle, tube. The NDC submitted to Medicaid must be the actual NDC number on the package or container from which the medication was administered. Do not bill for one manufacturer's product and dispense another. The benefits of accurate billing include reduced audit, telephone calls and manufacturers' dispute of their rebate invoices. **It is considered a fraudulent billing practice to bill using an NDC other than the one administered.**

**4. Does the drug administered by the physician and billed to Medicaid with an NDC have to be a "rebateable" drug?**

At the present time, the Department will reimburse for covered medications that are administered and billed by the physician regardless of the rebate status of the product used. However, in the future, Medicaid may reimburse only for rebateable drugs.

**5. Do I need to include units for both the HCPCS code and the NDC?**

Yes. Provider reimbursement is based on the HCPCS description and units of service. The State's mandated rebate submission is based on the NDC and those units.

**6. Are the HCPCS code units different from the NDC units?**

Yes. Use the HCPCS code and service units as you have in the past; this is the basis for your reimbursement.

NDC units are based upon the numeric quantity administered to the patient and the unit of measurement. The unit of measurement (UOM) codes are:

F2 = International Unit

GR=Gram

ML = Milliliter

UN = Unit (Each)

The actual metric decimal quantity administered and the unit of measurement are required for billing. If reporting a fraction, use a decimal point. For example: Three 0.5ml vials are dispensed, the correct quantity to bill is 1.5 ml.

7. **If the physician administered a vial of medication to a patient, do I bill the NDC units in grams, milliliters, or units?**

It depends on how the manufacturer and CMS have determined the rebate unit amount. The rule of thumb is:

- a. If a drug comes in a vial in powder form and has to be reconstituted before administration, then bill each vial (unit/each) used. (UN)
- b. If a drug comes in a vial in a liquid form, bill in milliliters. (ML)
- c. Grams are usually used when an ointment, cream, inhaler, or a bulk powder in a jar are dispensed. This unit of measure will primarily be used in the retail pharmacy setting and not for physician-administered drug billing. (GR)
- d. International Units will mainly be used when billing for Factor VIII-Antihemophilic Factors. (F2)

For example:

- A patient received 4 mg Zofran IV in the physician's office. The NDC you used was 00173-0442-02, which is Zofran 2 mg/ml in solution form. There are 2 milliliters per vial. You would bill J2405 (ondansetron hydrochloride, per 1 mg) with 4 HCPCS units, and since this drug comes in a liquid form, you would bill the NDC units as 2 milliliters. (ML2)
8. A patient received 1gram of Rocephin IM in the physician's office. The NDC of the product used was 00004-1963-02, which is Rocephin 500 mg vial in a powder form that you needed to reconstitute before the injection. You would bill J0696 (ceftriaxone sodium, per 250 mg) with 4 HCPCS units, and since this drug comes in powder form, you would bill the NDC units as 2 Units (also called 2 Each). (UN2)

***Please note: NDCs listed above have hyphens between the segments for easier visualization. When submitting NDCs on claims, submit as an eleven digit number with no hyphens or spaces between segments.***

8. **How do I bill for a drug when only a partial vial was administered?**

The HCPCS procedure code used for reimbursement with corresponding units should be billed in order for you to be properly reimbursed for the drug. When calculating the NDC units, the HCPCS procedure code units should be converted to the NDC units, using the proper decimal units.

For example:

If the previously mentioned patient (see Question 9) received only 2 mg of Zofran and you used the same NDC which is Zofran 2 mg/ml in a 2 ml vial, the billing would look like this:

HCPCS J2405 (ondansetron hydrochloride, per 1 mg) 2 units  
NDC 00173044202 ML1

**9. How will NDC information be billed on electronic and paper claims forms?**

Refer to the billing instructions outlined on the Louisiana Medicaid website at:  
<http://www.lamedicaid.com>

**9. If the NDC is not rebatable or I am not sure which NDC was used, can I pick another NDC under the J-Code and bill with it?**

No. The NDC submitted to Medicaid must be the actual NDC number on the package or container from which the medication was administered. It is considered a fraudulent billing practice to bill using an NDC other than the one administered.

**10. Do radiopharmaceuticals or contrast media require an NDC?**

Not at this time.

**11. Do vaccines/immunizations require an NDC?**

No. Vaccines are not included in the rebate requirements.

**12. Are Medicare primary claims excluded from the NDC requirement?**

No. Medicare primary claims will require NDCs with the HCPCS codes.

**13. Do anesthesia drugs require NDCs?**

Not when the drugs used for local anesthesia, or conscious sedation are bundled together under other codes. If these drugs are billed separately, the NDC is required.

**14. What happens if I enter incorrect NDC units?**

Effective with date of service March 1, 2008, new claims processing edits were implemented as education edits for professional providers. These edits are:

Edit 120- "Quantity Invalid/Missing"  
Edit 127- "NDC Code Missing or Incorrect"  
Edit 231- "NDC Code Not on File"

These educational edits will become effective for outpatient hospital and licensed hemodialysis providers on the RA dated May 27, 2008. Effective with date of processing July 1, 2008, these edits will become denial edits for professional claims, outpatient

hospital claims, and hemodialysis claims. Claims that do not contain the required, accurate NDC information submitted as directed in the billing instructions will deny.

If the NDC units are determined to be incorrect or questionable, you can expect to be contacted by Medicaid staff requesting that you verify the correct units administered and then void and rebill the claim to show the corrected NDC units.

**15. My clinic is associated with a 340B participating hospital. Do I need to submit NDC codes for drug claims?**

Yes. 340B providers are not addressed by the DRA, nor has CMS made a ruling regarding the exclusion of 340B providers from this program. Until a ruling is issued on a federal level, 340B providers are not excluded from this program.