



State of New Jersey  
Department of Human Services  
Division of Medical Assistance & Health Services

# NEWSLETTER

Volume 11 No. 17

March 2001

**TO:** Providers of Pharmaceutical Services

**SUBJECT:** **Third Party Liability Payments**

**EFFECTIVE:** Claims with service dates on or after March 1, 2001

**PURPOSE:** To notify providers of pharmaceutical services of the following:  
(1) Submit fee-for-service (FFS) claims covered by third party insurance to the other insurance carriers before submitting them to Medicaid or NJ FamilyCare programs; (2) report all payments made by other insurers on FFS claims submitted to the Medicaid and NJ FamilyCare programs; and (3) third party insurance coverage includes drugs covered by Medicare. Procedures for submitting claims to Medicaid for Medicare-covered drugs is described in the Medicaid Newsletter Volume 10, No. 54, dated July 2000.

**IMPORTANT NOTE:** Providers were previously notified of this policy change in the Medicaid Newsletter Volume 10, No. 79, dated October 2000. Providers were advised that this change would be effective on or after March 1, 2001. With only minor updates, this Newsletter provides the same information and is intended to reiterate this new policy. Also, a comparison of billing procedures for Medicare-covered drugs under Medicaid and PAAD may be found in the DMAHS/DHSS Newsletter Volume 10, No. 79, dated October 2000.

**BACKGROUND:** Currently, pharmacies are not required to bill other insurers prior to billing Medicaid or NJ FamilyCare based on a cost-effectiveness waiver approved by the Health Care Financing Administration (HCFA). Due to changes in the marketplace, it is no longer cost-effective for the State to "pay and chase" payments for these services. As a result, the State is changing its policy to require pharmacies to report payments available from other insurers for pharmacy benefits on Point of Sale (POS) claims.

**ACTION:** For claims with service dates on or after March 1, 2001, Pharmacies are required to submit claims eligible for other pharmacy benefit coverage to the primary insurer prior to submitting a (POS) claim to Unisys, the State's fiscal agent.

1. For beneficiaries in which the State has other insurance information on file, POS claims for these beneficiaries will be denied payment unless payment received from other insurance is reported in the **NCPDP field** defined as **Other Payer Amount**, identified as Number 431, in the Optional Claim Information Section of the Medicaid

Claim Transaction described in the Medicaid POS Billing Manual; or in the “**Other Insurance**” fields on a **MC-6 pharmacy claim form**; or an appropriate “**Other Coverage**” code value is reported on the claim (see below).

Paper claims may be submitted to the State on the MC-6 pharmacy claim form, for those pharmacies unable to submit a POS claim, with a TPL payment amount and Other Coverage Code in the appropriate POS fields. MC-6 claim forms may be requested by contacting Unisys Provider Services at 1-800-776-6334.

**For your convenience, instructions for completing the MC-6 claim form are attached to this Newsletter.**

2. If a claim is denied payment, the POS response will provide insurance information for those policies that are known to provide pharmacy benefit coverage. This information will be limited to the name of the health insurance carrier and the insured's policy number. Specific information, including the identity of the insured's pharmacy benefit manager, subscriber identification number, group number, and person number will not be provided by POS responses. **This information must be obtained from the beneficiary by the pharmacy.**
3. Claims covered by other insurance that has different prescription refill and/or days supply requirements from those of the State will bypass the State's requirements to allow **payment consideration up to the Medicaid, GA or NJFamilyCare FFS payment amount.**
4. Claims reporting payments from other insurance will be exempt from all State prior authorization (PA) requirements for pharmacy services, **with the exception of severe drug-drug interactions.**
5. In those situations in which the pharmacy bills other insurance for the purpose of (1) determining a subscriber's payment liability; (2) the payment response from the other insurance is reflected as a 100% copayment amount; and (3) that payment is paid directly to the subscriber; these claims are exempt from these TPL requirements and should be billed to the State using the Other Coverage Code value of "4" (see Other Coverage codes below).

### **TPL Error Codes**

The State has established new TPL Error Codes to support the processing of payments from other insurance on pharmacy claims. These Error Codes are described in the table below. These codes may be used to determine if the appropriate Other Coverage code value is being reported on a pharmacy claim. Certain codes are for State-use only and are intended for reporting purposes only.

<b>ERROR CODE</b>	<b>DESCRIPTION/PURPOSE</b>
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885	Non-participating pharmacy providing service with PA (Effective for claims with service dates on or after June 1, 2001)
886	Recipient has no other insurance coverage on file. However, an Other Coverage code of "1" was inappropriately reported on the claim. The previous claim was not denied by Error Code 893.
892	No insurance coverage known to the State, but insurance payment received by provider.
893	Claim is denied because the State has other insurance coverage on file.
894	Pharmacist reported Other Coverage code of "1."
895	Payment reported/not reported based on the Other Coverage code value reported on the claim.
896	No insurance payment reported on claim, but pharmacist reported an Other Coverage code of "2."

### **Other Coverage Codes**

Pharmacists are familiar with the reporting of certain override code values to process pharmacy claims. For example, an override value is often used to bypass early refill limits applied by pharmacy benefit managers.

Similarly, the NCPDP claim format used by pharmacists to process POS claims also provides a field for certain "Other Coverage" code values. The State has adopted NCPDP-accepted values to be reported by pharmacists when other insurance payments are being reported on claims or exceptions exist that would allow these claims to be considered for payment without a TPL payment being reported. These "Other Coverage" code values are listed in the table below.

For example, a value has been adopted to allow payment by the State when the pharmacist receives information from a patient who no longer has other insurance coverage.

<b>OTHER COVERAGE CODE VALUES</b>	<b>DESCRIPTION</b>
0	Pharmacist is not aware of other insurance coverage and no further intervention is required.
1	Beneficiary indicates no other insurance coverage and the claim was previously denied for Error Code 893. Error Code 893 denies claims when the State is aware of other insurance coverage.
2	Other insurance coverage exists and a payment amount is being submitted on this claim.
3	Other insurance coverage exists, but drug product is not covered by the other insurance.
4	Other insurance coverage exists, but the other insurance claim cannot be processed electronically or payment reflects 100% copayment liability of the subscriber.

**IMPORTANT NOTE:**

- **If prescription coverage for a Medicaid, GA or NJ FamilyCare beneficiary is provided by an insurance plan in which the pharmacy does not participate, then a pharmacy claim cannot be submitted to the State for payment, except when the participating pharmacy is located more than five (5) miles from the beneficiary's place of residence. These rules shall apply to claims with service dates on or after June 1, 2001 provided by non-participating pharmacies.**
- **In these cases, the non-participating pharmacy must request prior authorization (PA) from First Health Services to provide a pharmacy service. First Health Services may be contacted at 1-877-266-3589.**
- **The pharmacy must report a value of "5" in the first position of the "PA/MC Code and Number" field (NCPDP Field No. 416) followed by the PA number issued by First Health Services.**

**Please Note: pharmacies currently report a value of "1" in the first position of this field in addition to a "0" in the second position to ensure proper placement of the PA number in this field.**

The Division of Medical Assistance and Health Services (DMAHS) will closely monitor the reporting of Other Coverage code values to ensure that these values are not used to avoid the reporting of other insurance payments on pharmacy claims.

If you have any questions concerning this Newsletter, please contact Unisys at 1-800-776-6334, or the Medicaid Chief Pharmaceutical Consultant, at (609) 588-2724. To report changes in insurance coverage to the State, please contact the Bureau of Third Party Liability, DMAHS, at (609) 588-7104.

Attachments

**RETAIN THIS NEWSLETTER NUMERICALLY BEHIND THE NEWSLETTER TAB  
(BLUE TAB MARKED "5")**