



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

# NEWSLETTER

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Volume 12 No. 20

April 2002

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**TO:** Providers of Pharmaceutical Services - **For Action**  
Health Maintenance Organizations - **For Information Only**

**SUBJECT:** Medicare-Covered Prescription Drugs

**EFFECTIVE:** Medicaid/NJ FamilyCare Fee-for-Service (FFS) claims with service dates on or after April 15, 2002

**PURPOSE:** To notify providers of pharmaceutical services of a decision by the New Jersey Division of Medical Assistance and Health Services (DMAHS) to limit Medicaid FFS coverage of Medicare-covered prescription drugs and certain medical supplies.

**BACKGROUND:** Certain prescription drugs and diabetic supplies covered by Medicaid are eligible for reimbursement by the Medicare program as medical supply services. When these services are provided to Medicare beneficiaries who are eligible for Medicaid, the Medicaid FFS programs will pay the deductibles and coinsurance amounts up to the lowest of the provider's usual and customary charge; the Medicaid fee allowance; or the Medicare allowable for these medical supply services.

Medicaid claim payments for Medicare-covered drugs provided to Medicare eligible beneficiaries must be processed as medical supply "crossover" claims. These drugs include, but may not be limited to, certain oral cancer drugs, certain diabetic supplies, certain anti-emetic drugs, certain immunosuppressive drugs, and certain solutions for nebulizers.

**ACTION:**

- (1) **Effective for claims with service dates on or after April 15, 2002**, Medicaid FFS claim payments for certain Medicare-covered drugs and diabetic supplies provided to Medicare-eligible beneficiaries shall be limited to those providers of pharmaceutical services enrolled as Medicare-approved providers of medical supply services. Pharmacy claims for these services will be denied payment by the Point-of-Sale (POS) claims processing system.

(2) **Medical supply claims for certain Medicare-covered drugs and diabetic supplies with service dates on or after April 15, 2002 submitted for Medicare-eligible beneficiaries by pharmacies not approved as Medicare providers of medical supply services shall be denied payment by the Medicaid program.**

(3) To request payment consideration for these Medicare-covered drugs and diabetic supplies, pharmacies enrolled as approved Medicare providers of medical supply services must submit these claims initially to Medicare on the HCFA 1500 claim form or by using an equivalent electronic medium format. These claims must be billed to Medicare using Medicare-approved HCPCS procedure codes. These claims will “crossover” to Medicaid through the electronic process established by DMAHS with the Durable Medical Equipment Regional Carrier (DMERC) for this purpose. Medicaid FFS payments shall be limited to deductibles and coinsurance amounts up to the lowest of a provider’s usual and customary charge; the Medicaid fee allowance; or the Medicare allowable for these services.

Pharmacies/DME suppliers must accept assignment on these claims to receive reimbursement directly from the Medicare program. Participating providers are prohibited from billing Medicaid beneficiaries for any amount related to Medicare payments.

(4) Reporting “Other Coverage” Code values

- For certain pharmacy/medical supply services, claims initially submitted to Medicare may be denied payment due to the service(s) not meeting Medicare medical necessity requirements. Additionally, claims may be denied by Medicare if the beneficiary has not met the annual deductible. In these situations, a pharmacy may submit this claim(s) directly to the Medicaid FFS program through the POS claims processing system only after receiving a denial of payment from Medicare. The Pharmacy must report an Other Coverage Code value of “3” to indicate that the provided service was not eligible for Medicare coverage/reimbursement.
- For information concerning approved values for the “Other Coverage” code indicator in the NCPDP claim format, please see the Medicaid Newsletter Volume 10, No. 47, dated June 2000 (Third Party Payments).
- It is important to note that providers are required to retain documentation from Medicare (Explanation of Medicare Benefits) to justify the use of the Other Coverage Code value of “3”. Claims paid due to inappropriate reporting of this Other Coverage Code may be subject to recoupment by the State of New Jersey.
- Some Medicaid beneficiaries enrolled in Medicare also may have commercial Medicare supplemental or wraparound insurance that pays the Medicare deductible and co-insurance amounts, such as Medigap. This coverage must be billed before the Medicaid is billed, in accordance with Medicaid Newsletter Volume 10, No. 47, dated June 2000 (Third Party Payments).

- Some Medigap carriers have an electronic billing arrangement with the Medicare DMERC that allows a Medicare-processed medical supply claim to “crossover” to the Medigap carrier. In these situations, Medicaid will consider payment of any outstanding claim payment when the provider submits a paper claim to Unisys with explanation of benefits attached from both Medicare and the Medigap carrier.
- (5) For your convenience, please find attached the list of Medicare-covered drugs and diabetic supplies that may be dispensed by a provider of pharmaceutical services.

If you have any questions concerning this Newsletter, please do not hesitate to contact the Chief, Pharmaceutical Services, DMAHS, at (609) 588-2721.

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

**MEDICARE-COVERED DRUGS AND SUPPLIES**  
**EFFECTIVE MARCH 1, 2002**

**Oral Cancer Drugs**

Alkeran 2mg Tablet  
Cytosan 25mg Tablet  
Cytosan 50mg Tablet  
Methotrexate 2.5mg Tablet  
Myleran 2mg Tablet  
Neosar 100mg Vial  
Neosar 200mg Vial  
Neosar 500mg Vial  
Neosar 2 gram Vial  
Vepesid 50mg Capsule  
Xeloda 150mg Tablet  
Xeloda 500mg Tablet  
Zenapax 5mg/ml Vial

**Diabetic Supplies**

Diabetic Test Strips  
Lancets

**Anti-Emetic Drugs**

Kytril 1mg Tablet

**Immunosuppressive Drugs**

Azathioprine 50mg Tablet  
Cyclosporin 25mg Softgel  
Cyclosporin 50mg Softgel  
Cyclosporin 100mg Softgel  
Imuran 50mg Tablet  
Imuran 100mg Tablet  
Neoral 100mg/ml Solution  
Prograf 1mg Capsule  
Prograf 5mg Capsule  
Prograf 5mg/ml Ampule  
Rapamune 1mg/ml Oral Solution

**Solutions for Nebulizers**

Albuterol 0.83mg/ml Solution  
Alupent 4% Solution  
Alupent 5% Solution  
Atrovent 0.02% Solution  
Ipratropium Bromide 0.02% Solution  
Metaproterenol 4% Solution  
Metaproterenol 5% Solution

