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# CMS Manual System

## Pub. 100-04 Medicare Claims Processing

Department of Health &  
Human Services (DHHS)  
Centers for Medicare &  
Medicaid Services (CMS)

Transmittal 131

Date: MARCH 26, 2004

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CHANGE REQUEST 3153

**I. SUMMARY OF CHANGES:** This instruction revises Table 1 in the Medicare Claims Processing Manual, Chapter 17, Section 20, as published in Change Requests 3022 and 3025 on December 24, 2003.

**NEW/REVISED MATERIAL - EFFECTIVE DATE:** January 1, 2004

**\*IMPLEMENTATION DATE:** March 26, 2004

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged.*

### II. CHANGES IN MANUAL INSTRUCTIONS:

(R = REVISED, N = NEW, D = DELETED)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	17/ 20/Payment Allowance Limit for Drugs and Biologicals Not Paid on a Cost or Prospective Payment Basis

### \*III. FUNDING:

These instructions shall be implemented within your current operating budget.

### IV. ATTACHMENTS:

X	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

\*Medicare contractors only

# Attachment - Business Requirements

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**SUBJECT: New Payment Allowance Percentages for DMERC Drugs**

## I. GENERAL INFORMATION

### A. Background:

This Change Request (CR) revises Table 1 in the Medicare Claims Processing Manual, Chapter 17, Section 20, as published in CRs 3022 and 3025 dated December 24, 2003, by adding the payment limit percentage for the drug Capecitabine (Xeloda).

### B. Policy:

Effective January 1, 2004, J8520 (Capecitabine, 150 mg) and J8521 (Capecitabine, 500 mg) will be paid at 90 percent of the April 1, 2003 average wholesale price.

### C. Provider Education:

A provider education article related to this instruction will be available at [www.cms.hhs.gov/medlearn/matters](http://www.cms.hhs.gov/medlearn/matters) shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin.

## II. BUSINESS REQUIREMENTS

*"Shall" denotes a mandatory requirement*

*"Should" denotes an optional requirement*

Requirement #	Requirements	Responsibility
3153.1	The payment limit allowance for J8520 (Capecitabine, 150 mg) shall be 90 percent of the April 1, 2003 average wholesale price.	FIs and DMERCs
3153.2	The payment limit allowance for J8521 (Capecitabine, 500 mg) shall be 90 percent of the April 1, 2003 average wholesale price.	FIs and DMERCs
3153.3	The effective date for the payment allowance percentages is January 1, 2004.	FIs and DMERCs

3153.4	Contractors shall process claims using the following NDC codes: 00004-1100-20 150 mg 00004-1100-51 150 mg 00004-1101-16 500mg 00004-1101-50 500mg	FIs and DMERCs
3153.5	Contractors shall not search their files to either retract payment for claims already paid or to retroactively pay claims. However, contractors shall adjust claims brought to their attention.	FIs and DMERCs
3153.6	A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/medlearn/matters">www.cms.hhs.gov/medlearn/matters</a> shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin.	FIs and DMERCs

### III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

#### A. Other Instructions: N/A

X-Ref Requirement #	Instructions

#### B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

#### C. Interfaces: N/A

#### D. Contractor Financial Reporting /Workload Impact: N/A

#### E. Dependencies: N/A

#### F. Testing Considerations: N/A

#### IV. SCHEDULE, CONTACTS, AND FUNDING

<p><b>Effective Date: January 1, 2004</b></p> <p><b>Implementation Date: March 26, 2004</b></p> <p><b>Pre-Implementation Contact(s): Appropriate Regional Office</b></p> <p><b>Post-Implementation Contact(s): Appropriate Regional Office</b></p>	<p><b>These instructions should be implemented within your current operating budget.</b></p>
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## **20 - Payment Allowance Limit for Drugs and Biologicals Not Paid on a Cost or Prospective Payment Basis**

*(Rev. 131, 03-26-04)*

**AB-02-075, AB-02-174, PRM 2711.2 B.2, B3-5202, R1799B3**

*Prior to January 1, 2004, drugs and biologicals not paid on cost or prospective payment are paid based on the lower of the billed charge or 95 percent of the average wholesale price (AWP) as reflected in published sources (e.g., Red Book, Price Alert, etc.).*

*Examples of drugs that are paid on this basis include, but are not limited to, drugs furnished incident to a physician's service, immunosuppressive drugs furnished by pharmacies, drugs furnished by pharmacies under the durable medical equipment benefit, covered oral anticancer drugs, and blood clotting factors.*

*The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, changed the basis for payment of drugs and biologicals not paid on a cost or prospective payment basis. For January 1, 2004, through December 31, 2004, such drugs or biologicals are paid as described below:*

- The payment limits for blood clotting factors will be 95 percent of the AWP.*
- The payment limits for new drugs or biologicals will be 95 percent of the AWP. A new drug is defined as an unlisted drug (not currently covered by a HCPCS code) that was FDA approved subsequent to April 1, 2003. A drug would not be considered new if: the brand or manufacturer of the drug changed; a new formulation of the vial size is developed; or the drug received a new indication.*
- The payment limits for pneumococcal and hepatitis B drugs and biologicals will be 95 percent of the AWP.*
- The payment limits for certain drugs studied by the OIG and GAO are based on the percentages of the April 1, 2003 AWP's specified on Table 1 below.*
- The payment limits for infusion drugs furnished through an item of implanted durable medical equipment on or after January 1, 2004, will be 95 percent of the October 1, 2003 AWP.*
- Drugs and biologicals not described above are paid at 85 percent of the April 1, 2003 AWP.*

*Payment limits determined under this instruction shall not be updated during 2004.*

*Table 1: Percentages of April 1, 2003 AWP for Selected Drugs*

<i>HCPCS</i>	<i>Applicable Percentage</i>
<i>J0640</i>	<i>80</i>
<i>J1100</i>	<i>86</i>
<i>J1260</i>	<i>80</i>
<i>J1440</i>	<i>81</i>
<i>J1441</i>	<i>81</i>
<i>J1561/J1563</i>	<i>80</i>
<i>J1626</i>	<i>80</i>
<i>J1642</i>	<i>80</i>
<i>J2405</i>	<i>87</i>
<i>J2430</i>	<i>85</i>
<i>J2820</i>	<i>80</i>
<i>J7320</i>	<i>82</i>
<i>J7517</i>	<i>86</i>
<i>J7608</i>	<i>80</i>
<i>J7619</i>	<i>80</i>
<i>J7631</i>	<i>80</i>
<i>J7644</i>	<i>80</i>
<i>J8520/J8521*</i>	<i>90</i>
<i>J9000</i>	<i>80</i>
<i>J9045</i>	<i>81</i>
<i>J9170</i>	<i>80</i>
<i>J9201</i>	<i>80</i>

<i>J9202</i>	<i>80</i>
<i>J9206</i>	<i>80</i>
<i>J9217</i>	<i>81</i>
<i>J9265</i>	<i>81</i>
<i>J9310</i>	<i>81</i>
<i>J9350</i>	<i>84</i>
<i>J9390</i>	<i>81</i>
<i>Q0136</i>	<i>87</i>

*\* Use the following NDC numbers when processing claims:*

*00004-1100-20 150 mg*

*00004-1100-51 150 mg*

*00004-1101-16 500mg*

*00004-1101-50 500mg*