



July 6, 2017

Mr. Jason Helgerson
State Medicaid Director, Deputy Commissioner
State of New York, Department of Health
Empire State Plaza, Corning Tower, Room 1466
Albany, NY 12237

RE: NYS Medicaid FFS July 2017 BLTG Update

Dear Mr. Helgerson,

The National Council for Prescription Drug Programs (NCPDP) is a not-for-profit American National Standards Institute (ANSI)-accredited Standards Development Organization (SDO) consisting of nearly 1600 members who represent drug manufacturers, chain and independent pharmacies, drug wholesalers, insurers, mail order prescription drug companies, claims processors, pharmacy benefit managers, physician services organizations, prescription drug providers, software vendors, telecommunication vendors, industry professional societies, service organizations, government agencies, and other parties interested in electronic standardization within the pharmacy services sector of the healthcare industry. NCPDP creates the standards that facilitate the interchange between pharmacies, physicians, pharmacy benefits managers, payers, processors and manufacturers—including the Telecommunication Standard Version D.0.

NCPDP Work Group 9 Government Programs formed the Medicaid Best Practices Using NCPDP Standards to Implement Reimbursement Methodology Task Group to provide guidance to Medicaid programs on the use of the NCPDP Telecommunication Standard Version D.0 to reduce the frequency of reimbursement errors and to ensure compliance with the HIPAA-named standard. The task group recommendations are available in the attached white paper, "[The Proper Use of the NCPDP Telecommunication Standard Version D.0 as it Applies to the Implementation of Medicaid Reimbursement Methodologies Based on Actual Acquisition Cost \(AAC\) Plus a Professional Dispensing Fee.](#)"

The task group reviewed the recent NYS Medicaid Fee-For-Service BLTG Update (effective July 20, 2017) and the guidance for utilizing Dispense as Written (DAW)/Product Selection Code (408-D8) values when dispensing "brand name drug when less expensive than generic." The following concerns were identified:

- The New York Medicaid program states, "Prescription claims submitted to the Medicaid program do not require the submission of Dispense as Written/Product Selection Code of '1'; Pharmacies can submit any valid NCPDP field (408-D8) value." Dispense As Written codes must be used correctly and in compliance with the NCPDP Telecommunication Standard for proper billing and reimbursement. The New York Medicaid program should request pharmacies to submit "DAW Code 9 - Substitution Allowed By Prescriber but Plan Requests Brand" in compliance with the NCPDP Telecommunication Standard and all other DAW codes should be

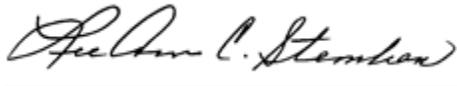
rejected. It is important that pharmacists receive a consistent message from all plans throughout the industry to reinforce the proper utilization of the NCPDP Telecommunication Standard. The NCPDP white paper referenced above discusses the proper use of DAW codes (Refer to *3.1 Appropriate Use of Dispense as Written (DAW)/Product Selection Code Values*).

- There is also no mention of proper reject codes for rejecting claims when formulary changes are implemented. NCPDP requests the New York Medicaid program use appropriate NCPDP reject codes when claims are submitted by the pharmacy for the branded product *once the branded products are no longer on the preferred product list*, ensuring proper communication to pharmacies. The NCPDP white paper demonstrates the proper use of reject codes to communicate formulary changes to the pharmacy (Refer to *3.1.6 Scenario 5: Medicaid program formulary rules require the brand product be dispensed*).

NCPDP strongly encourages the New York Medicaid program to review the white paper and distribute to the appropriate members of your team, including those responsible for implementation of any pharmacy system changes related to the Medicaid Covered Outpatient Drugs final rule.

Please send any questions to Kittye Krempin at kkrempin@ncdpd.org. Work Group 9 Medicaid Best Practices Using NCPDP Standards to Implement New Reimbursement Rules Task Group will address your questions and update this white paper, if necessary. When applicable, responses will be published in the white paper as a Frequently Asked Question.

Sincerely,



Lee Ann C. Stember
President
National Council for Prescription Drug Programs (NCPDP)
9240 E. Raintree Drive
Scottsdale, AZ 85260

Attachment