

# Provider Alert



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## 340B Drugs and Compliance with DHCS Regulation

Attention 340B “Covered Entities”:

We have received notification from the Department of Health Care Services (DHCS) that some 340B providers may not be submitting claims correctly for 340B drugs administered to Medi-Cal beneficiaries. This is a critical compliance issue under the 340B program.

Community Health Group is reminding 340B providers to correctly submit claims for 340B drugs in order to comply with the 340B Program. Physician Administered Drug (PAD) Claims require a “UD” modifier. The UD modifier informs DHCS that a 340B purchased drug was used for the claim.

It is also important to use the correct HCPCS code and unit of measurement associated with the NDC of the product. For example, DHCS recently questioned claims for medroxyprogesterone acetate 150mg/ml vials (Depo-Provera). The correct HCPCS code for this drug is J1050. Each unit of J1050 represents 1mg. Therefore, whenever 150mg of the drug is administered, the amount billed should be 150 units. In this example, 122 claims were disputed because either the incorrect HCPCS code was used (J3490 for Unclassified Drugs vs. the correct J1050 code) or the incorrect number of units were billed (in the majority of the cases, only one (1) unit was billed vs. 150 units).

**Background:** Health Centers, disproportionate share hospitals, and other institutions designated as 340B “covered entities” by the federal government are entitled to pharmacy discounts which they use to further access to services for their patients and to support the under-served. The DHCS also pursues rebates with drug manufacturers but they are prohibited from going after rebates for drugs where the covered entity has already received a 340B discount. As a managed care plan, we need to ensure that when our 340B purchased drugs are administered to Medi-Cal beneficiaries, that these claims are identified by providers as 340B drugs. In order to comply with federal law, the claims must be submitted correctly to prevent “duplicative discounts”.

**Duplicate Discounts** occurs when the drug manufacturer gives the provider the discounted 340B price and pays a Medicaid rebate. In order to prevent “duplicate discount”, providers must include the appropriate code on the claim. The UD modifier on PAD claims informs DHCS that a 340B purchased drug was administered. DHCS then excludes these claims from those submitted to manufacturers for rebates.

If you have any questions please do not hesitate to contact me at (619) 240-8936.

Sincerely,  
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Pharmacy Director, Community Health Group