



Center for Medicaid and State Operations

SMDL #03-002

March 14, 2003

Dear State Medicaid Director:

This letter is being sent to encourage you to identify Medicaid drugs, specifically drugs with Healthcare Common Procedure Coding System (HCPCS) J-codes, by their National Drug Codes (NDCs) so that rebates can be collected for these drugs. Providers use HCPCS J-codes to bill the Medicaid program for injectible prescription drugs, including cancer drugs. However, the NDC number is necessary for the state to bill manufacturers for rebates. The process of crosswalking J-codes and other HCPCS-coded drugs to corresponding NDCs is very simple in cases where there is a one-to-one relationship between the J-coded drug and the NDC number. It can be more labor intensive where one J-code correlates to different NDC numbers.

In the past, many state Medicaid programs have not collected rebates on these drugs, resulting in millions of dollars in uncollected rebates. We strongly encourage each state Medicaid program to collect rebates for all cancer and injectible drugs billed to the Medicaid program and to establish a conversion system which would permit the collection of rebates on any J-coded drug.

We are aware that private contractors have developed innovative systems that crosswalk J-codes to corresponding NDCs, including doing an in-pharmacy review of claims where necessary. These systems allow states to identify NDCs for the J-codes and bill manufacturers for rebates for these drugs.

If you have questions or need further information, you may contact Larry Reed at (410) 786-3325.

Sincerely,

/s/

Dennis G. Smith
Director

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
for Medicaid and State Operations

Michelle Mickey
Acting Director, Health Policy Unit
American Public Human Services Association

Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Matt Salo
Director of Health Legislation
National Governors Association

Brent Ewig
Senior Director, Access Policy
Association of State and Territorial Health Officials

Jim Frogue
Acting Director, Health and Human Services Task Force
American Legislative Exchange Council

Trudi Matthews
Senior Health Policy Analyst
Council of State Governments