

OPERATIONS MANAGEMENT BUSINESS AREA PHARMACY POINT OF SERVICE (POS) CLAIMS PROCESSING CHECKLIST

STATE:	DATE OF REVIEW:	REVIEWER:
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PHARMACY POINT OF SERVICE (POS) CLAIMS PROCESSING CHECKLIST

PHARMACY POINT OF SERVICE (POS) CLAIMS PROCESSING CHECKLIST BACKGROUND

Background for this checklist:

1. Point of Service (POS), a.k.a., Point of Sale or Point-of-Sale, refers to the online real-time receipt, adjudication, and notification to the provider regarding the disposition of a claim. Also referred to as an Electronic Claim Management (ECM) system in Part 11, Section 1128.2. "Point of service" implies that the patient is present and receiving a service concurrently with the creation and transmission of the claim. The transaction is subjected to all required edits and a response (payable, denied, requires more information) is returned to the provider instantly. If the response is "approved for payment," the patient will receive the service with no out-of-pocket expense except where program policy requires a co-pay, deductible, or other Beneficiary share of cost.
2. Included in POS systems are eligibility verification, claim data capture, prior authorization, prospective drug use review, and assistance to the provider in applying for and receiving payment.
3. Almost all non-institutional pharmacy claims are processed as a POS transaction. POS is optional for nursing home and mail order pharmacy claims processing. Other claim types (physician, dentist, laboratory) also could be processed via POS, however, electronic submission with batch processing continues to be the primary method used by these other providers.
4. Pharmacy claims have some specialized functions, e.g., Prospective Drug Use Review (ProDUR). Therefore, this checklist focuses uniquely on Pharmacy POS.
5. The POS process consolidates business processes that are treated as separate functions in a batch processing environment, e.g., claims receipt, eligibility verification, prior authorization validation, adjudication, utilization review, pricing, and response re adjudication status. Therefore, this checklist overlaps requirements found in other checklists. In POS, all actions are rolled into a single event: the claim is created and transmitted. The instant it is received, all edits and validations are applied in a single event, lasting only seconds. A message is transmitted back to the provider regarding the status of the claim: approved for payment; denied; or pended. Payment is still performed separately according the State's payment cycle, e.g., weekly, bi-weekly, or other.
6. Because of the online real-time nature of POS claims processing, interfaces to sources of data needed for complete adjudication (e.g., member eligibility, provider eligibility, claims history, covered drugs, benefit rules, pricing formulas) are critical. The POS system may directly interface to the MMIS data sources, or may use the MMIS sources to update integrated databases.
7. If the POS system is outsourced to a vendor who operates a proprietary system, CMSO will determine how many of the detailed claims

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adjudication criteria will be used in the certification review.

8. This checklist duplicates some requirements found in the Claims Adjudication checklist (CA). This is done to allow this checklist to be used as a stand-alone with a complete set of requirements. The certification review team may wish to consolidate the Claims Adjudication and POS checklists.
9. This checklist does not cover the Drug Manufacturer Rebate system, updates to the master files (e.g., Formulary, Benefit Rules, Pricing Rules), the payment process, the prior authorization process, Retrospective Drug Utilization Review, or a supporting decision support system (DSS). It also does not cover electronic prescribing functions. The certification review team should refer to other checklists that support file maintenance, e.g., Beneficiary file updates; provider file updates. The checklist does cover the capture, editing, and retention of data required for use in reporting, drug rebate invoicing, the prior authorization system, and utilization review.
10. In preparation for review of the pharmacy claims system, the certification review team should be informed about the State's specific business model for pharmacy. The pharmacy POS system may be outsourced to a fiscal agent or to a separate contractor. The pharmacy benefit may be carved out of managed care contracts and be covered by a separate POS contract. The POS contract may include or exclude formulary, drug file, and pricing information. State may include or exclude specific services (e.g., Drug Manufacturer Rebate, ProDUR, Retro DUR, drug file maintenance, formulary committee, and other services).
11. Primary source for Pharmacy POS requirements is found in 42 CFR, Chapter IV, Part 456, Subpart K, Section 456.722 – Electronic claims management system. (Also referenced in Title 42 Chapter 7 Subchapter XIX 1396r-8 Payment for Covered Outpatient Drugs):

Sources for the criteria in this checklist are as follows:

SMM – State Medicaid Manual, MMIS Section, available from <http://www.cms.hhs.gov/Manuals/PBM/list.asp>, Document 45

HIPAA – HIPAA act, available from

http://www.cms.hhs.gov/TransactionCodeSetsStandards/02_TransactionsandCodeSetsRegulations.asp#TopOfPage

IBP – Industry Best Practices. Items are selected from RFPs for MMISs developed by states and approved by CMS.

CFR – Code of Federal Regulations, available from <http://www.access.gpo.gov/uscode/title42/title42.html>

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BUSINESS OBJECTIVES		
Reference #	Business Objectives	Comments
POS1	Maintain interfaces between the POS system and comprehensive, accurate, and up-to-date data sources required to approve and adjudicate claims according to State and Federal rules. Maintain interfaces between POS and reporting applications, e.g., Federal reporting, data warehouse/decision support, drug manufacturer rebate invoicing, program integrity, and others.	
POS2	Ensure timely and accurate adjudication of provider claims.	
POS3	Verify authorization for services that require prior approval in order to manage costs or ensure patient safety.	
POS4	Verify that services are medically appropriate, conform to Federal and State policies, and result in the maintenance or improvement of patient health.	
POS5	Deny claims for members with third party coverage, including Part D Medicare, or flag for pay-and-chase activity.	
POS6	Support other business processes that require pharmacy claims data, e.g., rebate invoicing, retrospective DUR, and decision support.	
POSSS1	<i>Add State-specific business objectives for this checklist here.</i>	

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POS1 – MAINTAIN INTERFACES BETWEEN THE POS SYSTEM AND DATA SOURCES					
Ref #	System Review Criteria	Source	Yes	No	Comments
POS1.1	<p>Provides real-time access to Beneficiary eligibility.</p> <p>Note: Depends on the timing of the updates maintained in the individual State.</p> <p>See State-specific Requirements.</p>	SMM CFR			
POS1.2	<p>Provides real-time access to provider eligibility, including the pharmacy and prescriber National Provider Identifier (NPI) and authorization IDs for electronic submission of claims.</p> <p>Note: Depends on the timing of the updates maintained in the individual State.</p> <p>See State-specific Requirements.</p>	SMM HIPAA CFR			
POS1.3	<p>Provides real-time access to the State's drug and formulary file or maintains an up to date copy for POS use.</p> <p>Note: Depends on the timing of the updates maintained in the individual State.</p> <p>See State-specific Requirements.</p>	SMM CFR			

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POS1 – MAINTAIN INTERFACES BETWEEN THE POS SYSTEM AND DATA SOURCES					
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Ref #	System Review Criteria	Source	Yes	No	Comments
POS1.4	Provides real-time access to benefit business rules.	SMM			
POS1.5	Provides real-time access to drug file and pharmacy claims history.	SMM CFR			
POS1.6	Ensures that all claims are assigned a unique identification number upon entering the system.	SMM			
POS1.7	Interfaces with the MMIS or other payment systems to maintain records of time of claims payment in order for the payment systems to pay claims within 30 days after receipt by the POS system of an error free claim.	SMM CFR			
POS1SS.1	<i>Add State-specific criteria for this objective here.</i>				

POS2 – ENSURE TIMELY AND ACCURATE ADJUDICATION OF PROVIDER CLAIMS					
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Ref #	System Review Criteria	Source	Yes	No	Comments
POS2.1	Performs online real-time capture and adjudication of pharmacy claims submitted by providers via POS devices, a switch, or through the Internet. Accepts ASC X12N NCPDP claims required by 45 CFR Part 162.	SMM HIPAA CFR			

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POS2 – ENSURE TIMELY AND ACCURATE ADJUDICATION OF PROVIDER CLAIMS					
Ref #	System Review Criteria	Source	Yes	No	Comments
POS2.2	Returns to the pharmacy provider the status of the claim and any errors or alerts associated with the processing, such as: <ul style="list-style-type: none"> Edit failures ProDUR alerts Member (Beneficiary) or coverage restrictions Prior authorization missing Required coordination of benefits. Refill to soon Requires generic substitution Deny experimental drugs Requires unit dose (or not) Package size not approved Drug Efficacy Study Implementation (DESI) are not covered 	CFR			
POS2.3	Verifies that the Beneficiary is eligible on the date of service and not otherwise restricted, e.g., enrolled in MCO or a Lock in program; or receiving medication through a Waiver program, a carve-out mental health program, or a disease management program.	SMM CFR			
POS2.4	Verifies that the pharmacy provider is eligible on the date of service.	SMM CFR			

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POS2 – ENSURE TIMELY AND ACCURATE ADJUDICATION OF PROVIDER CLAIMS					
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Ref #	System Review Criteria	Source	Yes	No	Comments
POS2.5	Verifies that all fields defined as numeric contain only numeric data.	SMM			
POS2.6	Verifies that all fields defined as alphabetic contain only alphabetic data.	SMM			
POS2.7	Verifies that all dates are valid and reasonable.	SMM			
POS2.8	Verifies that all data items which can be obtained by mathematical manipulation of other data items, agree with the results of that manipulation.	SMM			
POS2.9	Verifies that all coded data items consist of valid codes, including NDC for drug codes.	SMM HIPAA			
POS2.10	Verifies that any data item that contains self-checking digits (e.g., Beneficiary I.D. Number) pass the specified check-digit test.	SMM			
POS2.11	Verifies that required data items are present and retained (See SMM 11375) including all data needed for State or Federal reporting requirements.	SMM			
POS2.12	Verifies that the date of service is within the allowable time frame for payment.	IBP			
POS2.13	Demonstrates that individual drugs and compounds which indicate a need for manual pricing intervention are flagged for review.	SMM			
POS2.14	Verifies that the claim is not a duplicate of a previously adjudicated claim.	SMM			

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POS2 – ENSURE TIMELY AND ACCURATE ADJUDICATION OF PROVIDER CLAIMS					
Ref #	System Review Criteria	Source	Yes	No	Comments
POS2.15	Pays according to the State plan at the lesser of approved pharmacy reimbursement methods, e.g., <ul style="list-style-type: none"> ▪ AWP minus % + Dispensing Fee ▪ Federal MAC (CMS Upper Limit + Dispensing Fee) ▪ Usual and Customary Charges to the General Public ▪ State MAC (State MAC + Dispensing Fee) 	SMM			
POS2.16	Processes electronic adjustments of paid claims submitted through the Pharmacy POS system.	SMM			
POS2.17	Utilizes data elements and algorithms to compute claim reimbursement for claims that is consistent with 42 CFR 447.	SMM			
POS2.18	Checks claims against state-defined service limitations.	CFR			
POS2.19	Edits claims to ensure that all required attachments, per the reference records or edits, have been received and maintained for audit purposes or have been submitted prior to the claim and a prior authorization has been established.	CFR			
POS2.20	Deducts Beneficiary co-payment amounts, as appropriate, when pricing claims.	IBP			
POS2.21	Deducts TPL amounts, as appropriate, when pricing claims.	IBP			

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POS2 – ENSURE TIMELY AND ACCURATE ADJUDICATION OF PROVIDER CLAIMS					
Ref #	System Review Criteria	Source	Yes	No	Comments
POS2.22	Verifies that the claim is for services covered by the State Plan.	CFR			
POS2.23	Verifies that all data necessary for legal requirements are retained.	SMM			
POS2SS.1	<i>Add State-specific criteria for this objective here.</i> <i>For example:</i> <i>Prices pharmacy claims based on most recent pricing information contained in the weekly update of the pharmacy file.</i> <i>For example:</i> <i>Meets performance standards, e.g.,</i> <ul style="list-style-type: none"> ▪ <i>Provides POS availability 23 x 7</i> ▪ <i>Provides online response notifications to pharmacy providers within 10 seconds of receipt of incoming claim transaction</i> ▪ <i>Maintains a help desk with hold times not exceeding 2 minutes 95% of the time</i> 				

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POS3 – VERIFY AUTHORIZATION FOR SERVICES THAT REQUIRE PRIOR APPROVAL					
Ref #	System Review Criteria	Source	Yes	No	Comments
POS3.1	Interfaces with the pharmacy prior authorization database.	SMM CFR			
POS3.2	Demonstrates that there is a field for authorization or identification when an override indicator (force code) is used.	IBP			
POS3.3	Interfaces with electronic authorization of health care service transactions required by 45 CFR Part 162, as follows: Retail pharmacy drug referral certification and authorization.	HIPAA			
POS3.4	Performs edits to ensure that a prior authorization is present when required.	IBP			
POS3.5	Notifies submitter when required prior authorization is missing.	CFR			
POS3SS.1	<i>Add State-specific criteria for this objective here.</i>				

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POS4 – VERIFY THAT SERVICES ARE MEDICALLY APPROPRIATE, CONFORM WITH FEDERAL AND STATE POLICIES, AND RESULT IN THE MAINTENANCE OR IMPROVEMENT OF PATIENT HEALTH					
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Ref #	System Review Criteria	Source	Yes	No	Comments
POS4.1	Provides an automated, integrated online real-time ProDUR system or provides assistance to the pharmacist to do a prospective drug utilization review.	CFR			
POS4.2	Provides a prospective and concurrent review of prescription practices at the pharmacy and member level.	IBP			
POS4.3	Compares the claim against member history and benefit rules to determine if the new claim complies with State standards for: <ul style="list-style-type: none"> ▪ Therapeutic appropriateness ▪ Over Utilization ▪ Underutilization ▪ Appropriate use of generic products ▪ Therapeutic duplication ▪ Drug-disease contraindications ▪ Drug-pregnancy contraindications ▪ Drug-drug interactions ▪ Incorrect drug dosage or duration of drug treatment ▪ Clinical abuse or misuse ▪ Consistent with patient age ▪ Consistent with patient sex ▪ Consistent with refill policy 	SMM CFR			
POS4.4	Generates alerts (messages) to pharmacy providers as required by State policy.	CFR			

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<p>POS4 – VERIFY THAT SERVICES ARE MEDICALLY APPROPRIATE, CONFORM WITH FEDERAL AND STATE POLICIES, AND RESULT IN THE MAINTENANCE OR IMPROVEMENT OF PATIENT HEALTH</p>
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Ref #	System Review Criteria	Source	Yes	No	Comments
POS4.5	Allows the pharmacy the ability to override an alert.	IBP			
POS4.6	Maintains user controlled parameters for all standards and messages.	IBP			
POS4SS.1	<i>Add State-specific criteria for this objective here.</i>				

<p>POS5 – MANAGE CLAIMS FOR MEMBERS WITH THIRD PARTY COVERAGE</p>
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Ref #	System Review Criteria	Source	Yes	No	Comments
POS5.1	Denies claims for members with appropriate third party coverage, enrollment in MCO, or Medicare Part D assignment. In this case, provides insurance information in the POS message along with notice of denial of payment.	SMM			
POS5.2	Identifies claims appropriate for pay and chase function. If the drug is designated as “pay and chase”, processes and pays the claim (if it meets all other criteria), and reports the claim for follow up activities.	CFR			
POS5.3	Identifies claims requiring third party payment.	CFR			
POS5SS.1	<i>Add State-specific criteria for this objective here.</i>				

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POS6 - SUPPORT OTHER BUSINESS PROCESSES THAT REQUIRE PHARMACY CLAIMS DATA, e.g., REBATE INVOICING, RETROSPECTIVE DUR, AND DECISION SUPPORT

Ref #	System Review Criteria	Source	Yes	No	Comments
POS6.1	Flags claims for Drug Rebate processing.	CFR			
POS6.2	Prepares extracts of pharmacy claims history required by the drug manufacturer rebate process. Claims must include all NDC and other data needed to support the rebate process, as follows: <ul style="list-style-type: none"> • Period of time covered • NDC number • Total units paid • Product names • Number of prescriptions paid • Rebate amount per unit based on the CMS approved formula 	CFR			
POS6.3	Prepares extracts of pharmacy claims history (or access to the claims history) for purposes of retrospective DUR, prescriber and pharmacy provider profiling, management reporting, and other decision support functions.	SMM			
POS6.4	Provides data to support the State in case of a drug manufacturer dispute over the rebate invoice.	CFR			
POS6SS.1	<i>Add State-specific criteria for this objective here.</i>				

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POSSS1 – FIRST STATE-SPECIFIC OBJECTIVE					
Ref #	System Review Criteria	Source	Yes	No	Comments
POSSS1.1	<i>Add criteria based on the APD, RFP, etc., that are relevant to this State-specific objective.</i>				