
Program Memorandum Carriers

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

Transmittal B-01-02

Date: JANUARY 9, 2001

CHANGE REQUEST 1426

SUBJECT: Medicare Requirements for Payment for Medicare-Covered Drugs

On October 11, 2000, HCFA published a final rule (65 FR 197) containing standards a supplier must meet in order to receive payment for durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS).

The new regulations will amend §424.57 of the Code of Federal Regulations (CFR), and are effective for all DMEPOS claims with dates of service (DOS) on or after December 11, 2000.

Section 424.57 (b) (4) of the revised supplier standards states that a “supplier that furnishes a drug used as a Medicare-covered supply with durable medical equipment or prosthetic devices must be licensed by the State to dispense drugs. (A supplier of drugs must bill and receive payment for the drug in its own name. A physician, who is enrolled as a DMEPOS supplier, may dispense, and bill for, drugs under this standard if authorized by the State as part of the physician’s license.)” Therefore, suppliers may not bill the Durable Medical Equipment Regional Carriers (DMERCs) for any Medicare-covered drugs unless they have a State license to dispense the drugs, regardless of whether or not the drugs require a prescription.

Similarly, a physician may not dispense Medicare-covered prescription or non-prescription drugs unless he or she is authorized by the State to dispense such drugs as part of his or her physician’s license.

In Change Request 1286, HCFA issued instructions to the DMERCs to deny claims for prescription drugs, and related equipment when billed on the same claim, if the National Supplier Clearinghouse’s (NSC’s) records show the supplier was not licensed to dispense the drug on the DOS. For DOS on or after December 11, 2000, DMERCs must also deny claims for non-prescription Medicare-covered drugs, and related equipment when billed on the same claim, if the NSC’s records show the supplier was not licensed to dispense the drug on the DOS. In effect, for DOS on or after December 11, 2000, the DMERCs must deny claims for all Medicare- covered drugs dispensed by a supplier or physician who is not licensed to dispense the drug. Until systems changes can be made, DMERCs must monitor this policy using normal post-pay review procedures. If the DMERCs feel that it is necessary, they may coordinate to develop a list of drugs and related equipment that should be subjected to the licensure edit.

This policy does not apply to oxygen.

HCFA will issue instructions relating to systems changes at a later date.

The *effective date* for this Program Memorandum (PM) is December 11, 2000.

The *implementation date* for this PM is January 9, 2001.

These instructions should be implemented within your current operating budget.

This PM may be discarded after December 11, 2001.

If you have any questions, contact Renée Hildt at (410) 786-1446.