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MEMORANDUM

TO: All Part D Plan Sponsors

FROM: Gary Bailey, Deputy Director for Plan Policy and Operations

RE: Long-Term Care Pharmacy Claims Transactions

DATE: February 16, 2006

A number of issues have arisen from the use of different technical solutions implemented by Part D sponsors and their subcontractors for coding the residence of long-term care beneficiaries on Part D claims transactions. CMS has become aware that these issues could be ameliorated with the adoption of a standardized procedure. While this procedure is not required, CMS strongly encourages standardization and the use of the NCPDP standardized coding procedure found in the “Long-Term Care (LTC) Pharmacy Claims Submission Recommendations for Version 5.1” appendix to the National Council for Prescription Drug Programs (NCPDP) *Telecommunication Version 5 Questions, Answers and Editorial Updates* document.

In November 2005, the NCPDP adopted the “Long-Term Care (LTC) Pharmacy Claims Submission Recommendations for Version 5.1” appendix which provides guidance for the long term care industry based upon the existing definitions in the NCPDP *Data Dictionary for the Telecommunication Standard Version 5.1*. The document supports possible solutions that would allow for consistent technical solutions across plan sponsors and their subcontractors, long term care providers, and vendors nationwide.

The solutions established in the appendix are the result of a six-month effort by members of the NCPDP and other interested parties. The Task Group that worked on this document included representatives from the payer, provider, and vendor communities to reach this consensus. The appendix sets forth the specific codes that are recommended to identify whether a beneficiary is a resident of a long term care facility (as defined in 42 CFR 423.100) or an assisted living facility. In addition, the appendix identifies the appropriate code to use for “unit dose” and other transactions unique to these institutional settings. The document is available on the NCPDP website at http://www.ncdp.org/frame_news_hipaa_trans.htm under “Version 5 Editorial”. Although NCPDP provided information about this document to members in newsletters and on CMS-sponsored calls occurring in November and December 2005, many payers had already completed their systems coding requirements for Part D processing and had established varying technical solutions for purposes of coding the location of a beneficiary.

The varying solutions are all valid implementations of optional fields in the HIPAA-mandated Standard. However, the importance of a standard coding procedure for beneficiary residence is illustrated by the following examples of claims submissions. Certain Part B drugs are covered under Part D for residents of long term care facilities. A standard code that identifies the beneficiary as a resident of a long term care facility may be used to determine whether a drug is

payable under Part B or Part D. Also, PDPs' transition plans may vary between retail and long term care. A standard beneficiary location code may be used to determine whether a long term care transition plan is applicable. In addition, unit dose products may be payable for long term care (or, in some cases, assisted living) residents, but not for ambulatory beneficiaries. A standard beneficiary location code for long term care (and another for assisted living) may be used to determine whether special unit dose packaged NDCs are payable under a beneficiary's plan.

Due to the disruption to claims processing caused by the use of differing plan-specific technical solutions, CMS strongly encourages Part D plan sponsors and their subcontractors to employ the standardized guidance contained in the "Long Term Care (LTC) Pharmacy Claims Submission Recommendations for Version 5.1" appendix.

If you have any questions about this issue, please contact your account manager. Thank you for your continued assistance with the implementation of the Part D benefit.