

# MEDICAID POLICY INFORMATION SHEET

**Policy Analyst:** Carly Todd

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Initial

Public Comment

Final

## Brief description of policy:

The purpose of this bulletin is to establish hospital reimbursement for drugs and therapeutics separate from the Diagnosis Related Group (DRG) payment. Effective for dates of service on or after October 1, 2023, separate reimbursement will be available for certain drugs that are medically necessary in the inpatient hospital setting.

## Reason for policy (problem being addressed):

To contain drug and therapeutic cost expenditures, the Michigan Department of Health and Human Services (MDHHS) enters into outcomes-based contract arrangements with manufacturers of certain high-cost drugs and therapeutics. Under these arrangements, MDHHS receives a rebate from the manufacturer if certain adverse health outcomes occur.

## Budget implication:

budget neutral

will cost MDHHS \$ \_\_\_\_\_, and (select one) budgeted in current appropriation

will save MDHHS \$ 1.275 million annual general fund savings.

## Is this policy change mandated per federal requirements?

No

## Does policy have operational implications on other parts of MDHHS?

Pharmacy and Hospital and Clinic Reimbursement Divisions

## Does policy have operational implications on other departments?

No

## Summary of input:

controversial (Explain)

acceptable to most/all groups

limited public interest/comment

## Supporting Documentation:

State Plan Amendment Required: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Public Notice Required: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If Yes, please provide status:	If yes, Submission Date: <b>9/13/23</b>
<input type="checkbox"/> Approved <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Denied	
Date: Approval	Date:

<b>DRAFT FOR PUBLIC COMMENT</b>		
<b>Michigan Department of Health and Human Services</b>	<b>Project Number:</b> 2350-Hospital	<b>Date:</b> January 30, 2024

**Comments Due:** March 5, 2024

**Proposed Effective Date:** As Indicated

**Direct Comments To:** Carly Todd

**Address:**

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<p><b>Policy Subject:</b> Drugs and Therapeutics Carved Out of the Hospital Diagnosis Related Group Payment</p> <p><b>Affected Programs:</b> Medicaid, Healthy Michigan, Children’s Special Health Care Services (CSHCS)</p> <p><b>Distribution:</b> Hospitals, Medicaid Health Plans, Pharmacies</p> <p><b>Summary:</b> The purpose of this bulletin is to establish hospital reimbursement for drugs and therapeutics separate from the Diagnosis Related Group (DRG) payment. Effective for dates of service on or after October 1, 2023, separate reimbursement will be available for certain drugs that are medically necessary in the inpatient hospital setting.</p> <p><b>Purpose:</b> To contain drug and therapeutic cost expenditures, the Michigan Department of Health and Human Services (MDHHS) enters into outcomes-based contract arrangements with manufacturers of certain high-cost drugs and therapeutics. Under these arrangements, MDHHS receives a rebate from the manufacturer if certain adverse health outcomes occur.</p> <p><b>Cost Implications:</b> \$1.275 million annual general fund savings.</p> <p><b>Potential Hearings &amp; Appeal Issues:</b> Limited</p>
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<b>State Plan Amendment Required:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <b>If yes, date submitted:</b> 11/01/2023	<b>Public Notice Required:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <b>Submitted date:</b> 9/13/2023
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**Tribal Notification:** Yes  No  - **Date:** 10/17/2023

**THIS SECTION COMPLETED BY RECEIVER**

<input type="checkbox"/> <b>Approved</b>	<input type="checkbox"/> <b>No Comments</b>
<input type="checkbox"/> <b>Disapproved</b>	<input type="checkbox"/> <b>See Comments Below</b>
	<input type="checkbox"/> <b>See Comments in Text</b>

<b>Signature:</b>	<b>Phone Number</b>
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**Signature Printed:**

<b>Bureau/Administration</b> <i>(please print)</i>	<b>Date</b>
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# Proposed Policy Draft

Michigan Department of Health and Human Services  
Behavioral & Physical Health and Aging Services Administration

**Distribution:** Hospitals, Medicaid Health Plans, Pharmacies

**Issued:** April 1, 2024 (Proposed)

**Subject:** Drugs and Therapeutics Carved Out of Hospital Diagnosis Related Group (DRG) Payment

**Effective:** As Indicated (Proposed)

**Programs Affected:** Medicaid, Healthy Michigan Plan, Children's Special Health Care Services (CSHCS)

**Note: Implementation of this policy is contingent upon approval of a State Plan Amendment (SPA) by the Centers for Medicare & Medicaid Services (CMS).**

The purpose of this bulletin is to establish hospital reimbursement for drugs and therapeutics separate from the Diagnosis Related Group (DRG) payment. Effective for dates of service on or after October 1, 2023, separate reimbursement will be available for certain drugs and therapeutics that are medically necessary in the inpatient hospital setting. Drugs and therapeutics that are carved out of the DRG will be published and maintained on the Michigan Department of Health and Human Services (MDHHS) Inpatient Hospital website at [www.michigan.gov/medicaidproviders](http://www.michigan.gov/medicaidproviders) >> Billing & Reimbursement >> Provider Specific Information >> Inpatient Hospitals.

To contain drug and therapeutic cost expenditures, the MDHHS enters into outcomes-based contract arrangements with manufacturers of certain high-cost drugs and therapeutics. Under these arrangements, MDHHS receives a rebate from the manufacturer when specific parameters are met. Some high-cost drugs and therapeutics may be carved out of the DRG for various reasons, including to maximize savings under these outcomes-based contract arrangements.

Claims for drugs and therapeutics that are carved out of DRG will be paid through the Fee-for-Service (FFS) benefit for beneficiaries in Managed Care and FFS. There is no copayment responsibility to the beneficiary for drugs and therapeutics when administered in the inpatient hospital setting. The rates for drug and therapeutic product reimbursement are outlined in the Michigan Medicaid State Plan. These drugs and therapeutics may be covered as either professional claims or pharmacy claims. If a drug or therapeutic does not have a specific Healthcare Common Procedure Coding System (HCPCS) code established and is identified using an unlisted or not otherwise classified (NOC) code, then it must be submitted on a

pharmacy claim to be considered for reimbursement. Pharmacies and billing providers must ensure that claims are not duplicated. Prior authorization (PA) may be required.

### **Prior Authorization**

If the billing provider purchases the drug or therapeutic directly through a pharmacy, distributor or wholesaler, the provider must request PA and submit the claim for the drug or therapeutic to Medicaid FFS. PA requests may be submitted either via Direct Data Entry (DDE) through the Community Health Automated Medicaid Processing System (CHAMPS) or via faxing a completed PA request (form MSA-6544-B) to the MDHHS Program Review Division.

If the patient is enrolled in a Medicaid and/or CSHCS managed care plan, FFS provides coverage for the carved-out drug or therapeutic only. Refer to the managed care plan's authorization requirements for coverage of procedures and services.

### **Professional Claims**

After receiving PA approval, hospitals may submit a professional claim in order to receive separate reimbursement of a carved-out drug or therapeutic. The professional claim should include the hospital as the billing provider, the practitioner administering the drug or therapeutic as the rendering provider, and include Place of Service code 21-Inpatient Hospital. The provider must use the appropriate HCPCS Level II procedure code and National Drug Code (NDC). For assistance on submitting professional claims in CHAMPS, visit [www.michigan.gov/MedicaidProviders](http://www.michigan.gov/MedicaidProviders) or contact Provider Support at 800-292-2550.

### **Pharmacy Claims**

If the drug or therapeutic is distributed through a specialty pharmacy, the provider must fax the PA approval letter and prescription to the pharmacy. The pharmacy will submit the claim as a pharmacy claim to Medicaid FFS through the MDHHS Pharmacy Benefit Manager. The Place of Service code 21-Inpatient Hospital must be entered in the National Council for Prescription Drug Programs (NCPDP) Patient Segment field 307-C7. For additional information on submitting these claims, refer to the current Pharmacy Claims Processing Manual located at [Michigan.magellanrx.com](http://Michigan.magellanrx.com) >> Provider Portal >> Documents >> Manuals.

**Michigan Department of Health and Human Services (MDHHS)  
Drugs and Therapeutics Carved Out of Hospital Diagnosis Related Group (DRG) Payment  
December 2023**

The following list of products are carved out from DRG payment. They will be reimbursed separately as a fee-for-service (FFS) benefit for all FFS and Managed Care enrollees. These drugs and therapeutics may be covered as either professional claims or pharmacy claims. Pharmacies and hospital providers must ensure that claims are not duplicated. For additional information on submitting claims, consult the MDHHS Medicaid Provider Manual.

<b>HCPCS Code</b>	<b>NDC</b>	<b>Short Description</b>	<b>Maximum Fee</b>	<b>Date Added</b>	<b>PA Required?</b>
J2326	64406005801	Nusinersen (Spinraza)	Manual Price	01/01/2018	Yes
J3590	73554311101	Betibeglogene Autotemcel (Zynteglo)	Manual Price	08/01/2023	Yes
J3399	71894012002 71894012103 71894012203 71894012303 71894012404 71894012504 71894012604 71894012705 71894012805 71894012905 71894013006 71894013106 71894013206 71894013307 71894013407 71894013507	Onasemnogene abeparvovec- xioi (Zolgensma)	Manual Price	07/01/2019	Yes

HCPCS Code	NDC	Short Description	Maximum Fee	Date Added	PA Required?
	71894013608				
	71894013708				
	71894013808				
	71894013909				
	71894014009				
	71894014109				
	71894014210				
	71894014310				
	71894014410				
	71894014511				
	71894014611				
	71894014711				
	71894014812				
	71894014912				
	71894015012				
	71894015113				
	71894015213				
	71894015313				
	71894015414				
	71894015514				
	71894015614				

The rates for therapeutics and drug product reimbursement are outlined in the Michigan Medicaid State Plan.

The information on this page serves as a reference only. It does not guarantee that services are covered. Providers are to refer to the Michigan Medicaid Provider Manual, MMP Bulletins and other relevant policy for specific coverage and reimbursement policies. This information can be found on the Medicaid Policy, Letters & Forms web page. If there are discrepancies between the information on this page and the Medicaid Provider Manual, such as rate or coverage determinations, they will be resolved in favor of the Medicaid Provider Manual language.