



# IEHP Medicare DualChoice Program Pharmacy Program Manual

## Claim processing information

### **Patient Location Code:**

Please enter the appropriate **Patient Location Code** for each claim. Incorrect patient location code submissions may result in "Pharmacy not in network" denials.

### **Retail Pharmacies:**

Please enter the appropriate Patient Location Code for each claim. Incorrect patient location code submissions may result in "Pharmacy not in network" denials.

### **LTC Pharmacies:**

00 or 01 indicates retail claim and can only be submitted by retail pharmacies.  
03 indicates LTC claim that can only be submitted by LTC pharmacies  
05 indicates ALF claim that can only be submitted by LTC pharmacies.

**Home Infusion** claims can only be submitted by Home Infusion pharmacies with:  
Patient Location Code 01 with level of service 06.  
Patient Location Code 05 with level of service 06.

## Claim processing information standard benefit exclusions

### **Standard Benefit Exclusions (Drugs excluded under Medicare Part D):**

- Agents for Anorexia, Weight Loss, or Weight Gain
- Agents used to promote fertility
- Agents used for cosmetic purposes or hair growth
- Agents used for the symptomatic relief of cough and cold
- Prescription vitamins and mineral products; except prenatal vitamins and fluoride preparations
- Nonprescription drugs
- "Less than effective" Medicaid drugs
- Barbiturates
- Benzodiazepine

## **Medicare Compliance Training**

As outlined in Chapter 9 of the Medicare Prescription Drug Benefit Manual, the Centers for Medicare & Medicaid Services (CMS) requires Medicare Part D Sponsors, first tier entities, downstream entities, and related entities to receive compliance training. You are considered a first tier entity if your organization has entered into a written arrangement with IEHP to provide Pharmacy services for a Medicare eligible individual under Part D. You are considered a downstream entity if your organization has entered into a written arrangement below the level of the arrangement between IEHP and a first tier entity. These written arrangements continue down to the level of the ultimate provider of both health or administrative services.

Currently, IEHP has a contract with your organization to provide services related to the Medicare Part D program which places you in one of the categories above. Annual compliance training is a requirement for all persons involved in the administration or delivery of the Medicare Part D benefit. While we are aware you may already have an established code of conduct, compliance policies and/or a compliance program within your organization, CMS suggests that some entities, particularly those which may have fewer resources, may appreciate the access to the Sponsor's Medicare Part D compliance training program.

If you have not received or delivered annual training within your organization, or if you would like to supplement your existing training, we are making the IEHP Medicare Compliance Training presentation module available to you. The training has been modified slightly for our first tier entities, downstream entities, and related entities.

If you elect to utilize this module, you should modify the information as appropriate for your organization (first tier or downstream entity). Please do not duplicate or distribute further without IEHP written consent.

To support your compliance with CMS' expectation relative to Compliance training, you should maintain a log of employees requiring the training, completing the training, and the materials you utilized for training. This information should be available upon request by Sponsors or CMS.

## **MEDICARE PART D TERMS AND CONDITIONS**

1. **Terms for Network Participation.** In order to render services to Medicare Members, Pharmacy must agree to the following terms. Pharmacy will implement and follow all applicable Medicare laws, regulations, and CMS instructions. Pharmacy will ensure that all of its first tier, downstream, and related entities (as defined in 42 CFR § 423.501) implement and follow these federal laws or mandates, and that Pharmacy's first tier, downstream, and related entities agree in writing as outlined in Section 4.19 of the Participating Pharmacy Agreement. Pharmacy will implement and follow all IEHP Medicare policies and procedures related to Pharmacy's services to Medicare Members, and IEHP will make reasonable business efforts to provide Pharmacy with adequate notice of any changes to said policies and procedures. If federal law changes any of Pharmacy's obligations herein, IEHP will make reasonable business efforts to notify Pharmacy of those changes, but in no event does any lack of notice change the applicability of federal law. See 42 CFR § 422.504(i)(4)(v); 42 CFR § 423.505(i)(4)(iv).
2. **CMS Documentation.** CMS policies, forms, and other information on Part D coverage can be found at: [www.cms.gov/PrescriptionDrugCovContra](http://www.cms.gov/PrescriptionDrugCovContra).
3. **Confidentiality and Disclosure.** Without limiting the obligation for confidentiality or non-disclosure owed by one party to the other in the Participating Pharmacy Agreement, Pharmacy agrees that the medical or personal information regarding an Medicare Member or other health and enrollment information about an Medicare Member will be protected from disclosure to any third party, except as otherwise allowed by law. Pharmacy will ensure that unauthorized individuals will not have access to Medicare Member medical records, or other health and enrollment information. Pharmacy will maintain the records and information in an accurate and timely manner and will ensure timely access by Medicare Members to the records and information that pertain to them. Pharmacy will abide by all Federal laws and relevant state laws regarding confidentiality and disclosure of mental health records, medical records, other health information and Medicare Member information. With respect to information that identifies a particular Medicare Member, Pharmacy will have procedures that specify: (1) for what purposes the information is used by Pharmacy; and (2) to whom and for what purposes it will disclose the information to a third party. See 42 CFR § 422.118; 42 CFR § 423.136.
4. **Contractual Obligations.** Medicare Plans are responsible for adhering to and otherwise fully complying with all terms and conditions of their contracts with CMS. For services rendered pursuant to the Participating Pharmacy Agreement, Pharmacy's performance and the performance of any first tier, downstream, or related entity of Pharmacy, may be monitored by IEHP or CMS on an on-going basis. Pharmacy will ensure that any service or other activity performed by Pharmacy or its first tier, downstream and related entities, shall be provided consistent with and comply with the terms of Section 4.19 of the Participating Pharmacy Agreement and IEHP's contractual obligations to CMS. IEHP will make reasonable business efforts to notify Pharmacy of terms of IEHP's contracts with CMS that are applicable to Pharmacy. See 42 CFR § 422.504(i); 42 CFR § 423.505(i).
5. **Suspension of Services.** The Medicare Plan, IEHP or CMS may suspend or revoke the professional or technical services, activities, reporting requirements or any other duties that Pharmacy has agreed to perform hereunder related to Medicare Members, if the Medicare Plan, IEHP or CMS determines that Pharmacy has not performed satisfactorily. See 42 CFR § 422.504(i)(4)(ii); 42 CFR § 423.505(i)(4)(ii).

6. Pharmacy Documentation. Pharmacy shall provide IEHP a copy of any documentation requested by IEHP to audit and/or monitor compliance with the provisions set forth in the Participating Pharmacy Agreement without charge.
7. Complete True and Accurate Data. CMS requires Medicare Plans to submit Pharmacy's claims data and other records to CMS, or a CMS contractor. Pharmacy will submit only complete, true and accurate data to IEHP. In the event CMS alleges or finds that claims data or other records submitted by Pharmacy are not complete, true or accurate, Pharmacy will indemnify and defend the Medicare Plan and IEHP with regard to any claim, demand, allegation, or legal action brought by CMS, or on behalf of CMS, against the Medicare Plan or IEHP, its officers, directors, agents or employees. See 42 CFR § 422.504(1)(3); 42 CFR § 423.505(k)(3).
8. Payment. IEHP shall follow the terms of the Participating Pharmacy Agreement related to prompt payment of claims, or otherwise follow applicable law; as such law maybe amended from time to time.
9. Non-Payment and Timely Submissions. Pharmacy hereby agrees that in no event, including, but not limited to, non-payment by IEHP for any reason such as a determination that the services furnished were not Medically Necessary, IEHP's insolvency, Pharmacy's failure to submit claims within the time period specified herein, or breach of the Participating Pharmacy Agreement, will Pharmacy bill, charge, collect a deposit from, seek compensation, remuneration or reimbursement from, or have any recourse against Medicare Members or persons other than IEHP for Covered Services furnished pursuant to the Participating Pharmacy Agreement. Except as otherwise set forth in Section 4.19.6 of the Participating Pharmacy Agreement, nothing in this provision shall prohibit collection of applicable copayments, coinsurance or deductibles, or late charges thereon, billed in accordance with the terms of the Member Agreement; nor will it prohibit Pharmacy from collecting payments from Medicare Members for non-Covered Services or services that were not Medically Necessary. This section shall survive the termination of the Participating Pharmacy Agreement regardless of the cause giving rise to the termination. See 42 CFR § 422.504(i)(3)(i); 42 CFR § 423.505(i)(3)(i).
10. Cost Sharing. If a Medicare Advantage Member is eligible for both Medicare and Medicaid benefits, Pharmacy shall not collect cost sharing for Medicare B services from such Medicare Member when the State under its Medicaid program is responsible for paying such cost sharing amounts. In such case, Pharmacy shall accept the amount paid by IEHP as payment in full for Covered Services or bill the appropriate State source for the cost sharing amount. See 42 CFR § 422.504(g)(iii).
11. Excluded Individuals, Entities, and Debarred Contractors. Pharmacy acknowledges that neither Pharmacy nor any of its employees, contractors, board members, or any shareholders (interest 5% or more) that work directly or in directly on any Federal healthcare program appear in the List of Excluded Individuals/Entities as published by the Department of Health and Human Services Office of the Inspector General, nor in the List of Debarred Contractors as published by the General Services Administration. The List of Excluded Individuals/Entities can be found at [http://oig.hhs.gov/fraud/exclusions/exclusions\\_list.asp](http://oig.hhs.gov/fraud/exclusions/exclusions_list.asp). The List of Debarred Contractors can be found at <http://epls.arnet.gov/>.

12. Pharmacy Notification of Individuals, Entities, and Debarred Contractors. Pharmacy must notify IEHP immediately if Pharmacy or any employee, contractor, board member or shareholder (interest of 5% or more) that works directly or indirectly on any Federal healthcare program appears in the List of Excluded Individuals/Entities or the List of Debarred Contractors.
13. Pharmacy Review. Pharmacy agrees to review the List of Excluded Individual/Entities and the List of Debarred Contractors for all new employees, contractors, board members or shareholders (interest of 5% or more). Pharmacy also agrees to review the List of Excluded Individuals/Entities and the List of Debarred Contractors for all employees, contractors, board members and shareholders (interest of 5% or more) at least once a year. If an employee, contractor, board member or shareholder (interest of 5% or more) is on such lists, Pharmacy shall immediately remove the person or entity from any work related directly or indirectly to all Federal healthcare programs and will take appropriate corrective actions. Pharmacy will keep a record that such reviews have been completed in support of compliance with this section for inspection and review upon request during scheduled on-site audit or other review process.
14. Conflict of Interest Policy. Pharmacy agrees to comply with IEHP's conflict of interest policy or a conflict of interest policy developed by Pharmacy that meets CMS requirements as outlined in Section 50.2.1.2 of Chapter 9 of the Medicare Prescription Drug Benefit Manual. Pharmacy will require its managers, officers and directors (as applicable) responsible for the administration or delivery of Medicare benefits to sign a conflict of interest certification at the time of hire and annually thereafter certifying that the managers, officers and directors are free from any conflict of interest in administering or delivering Medicare benefits. This certification should state (1) that the individual has reviewed IEHP or the Pharmacy's conflict of interest policy as applicable; (2) that the individual has disclosed any potential conflicts of interest in administering or delivering Medicare benefits; and (3) where a conflict of interest may exist, that the individual has obtained management approval to work despite any conflicts or has eliminated the conflict. Pharmacy will provide a copy of such conflict of interest certifications in support of compliance with this section for inspection and review upon request during a scheduled on-site audit or other review process.
15. Code of Business Conduct and the Code of Business Conduct Guide. Pharmacy agrees to comply with IEHP's Code of Business Conduct and the Vendor Code of Conduct (which includes IEHP's disciplinary guidelines) or to adopt and comply with its own code of conduct and disciplinary guidelines that reflect a commitment to detecting, preventing and correcting non-compliance with Medicare requirements in the delivery of Medicare services, including detecting, preventing and correcting fraud, waste and abuse. IEHP may terminate the Participating Pharmacy Agreement for cause if Pharmacy fails to comply with IEHP has the right to audit compliance with this provision.
16. Audit. Pharmacy agrees that the Medicare Plan, IEHP, HHS, the Comptroller General, or their designees, may inspect, evaluate and audit any pertinent contracts, books, documents, papers, facilities, services, and records of Pharmacy or any first tier, downstream, and related entity of Pharmacy that pertain to the services provided here under. The Medicare Plan, IEHP, HHS, the Comptroller General, or their designees' right to inspect, evaluate, and audit extends through ten (10) years from the final date of the contract period or completion of audit, whichever is later, unless there are special circumstances requiring Pharmacy to retain such documents for a longer period of time. See 42 CFR §

422.504(i)(2); 42 CFR § 423.505(i)(2).

17. Compliance Questions and Reporting of Non-Compliance. IEHP encourages Pharmacies to ask Medicare compliance questions and report potential and actual instances of non-compliance with Medicare requirements to IEHP through its anonymous Compliance Hotline or through other means. To ask compliance questions and report potential and actual instances of non-compliance or to report possible Fraud, Waste and Abuse (FWA) please contact us via:

Telephone (Compliance Hotline) (866) 355-9038

Facsimile (Compliance Department) (909) 890-2973

Mail: IEHP Compliance Dept.; PO Box 19026; San Bernardino, CA 92423-9026

18. Fraud, Waste, and Abuse Federal Laws. Federal funds are used, in whole or in part, to pay Pharmacy's claims. Pharmacy agrees to comply with -- (1) federal laws and regulations designed to prevent or ameliorate fraud, waste, and abuse, including, but not limited to, applicable provisions of federal criminal law, the False Claims Act (31 U.S.C.3729 et seq.), and the anti-kickback statute (section 1128B (b) of the Social Security Act); and (2) HIPAA administrative simplification rules at 45 CFR parts 160, 162, and 164.
19. Reporting Medicare Fraud, Waste and Abuse. IEHP encourages Pharmacy to report potential and actual instances of Medicare fraud, waste and abuse to IEHP through its anonymous Compliance Hotline or through other means. Federal law prohibits IEHP from retaliating against Pharmacy for reporting a fraud, waste and abuse issue.
20. Medicare Compliance Training. Pharmacy shall ensure that Pharmacy, its employees, board members, agents and contractors that provide administrative services or healthcare services for IEHP Medicare business pursuant to the Participating Pharmacy Agreement participate in the appropriate Medicare compliance training, fraud, waste and abuse training and other specialized training (as IEHP determines necessary) that meets CMS's requirements within (30) days of hire and annually thereafter. Such training maybe given by Pharmacy or obtained through a third party. Pharmacy shall keep a copy of such training materials if given by Pharmacy or third party (unless the third party restricts access to such material) and maintain proof that such training has been completed by Pharmacy, its employees, board members, agents and contractors. Upon request, Pharmacy shall provide IEHP a copy of such training material and proof that the training has been completed during a scheduled on-site audit or other review process. Pharmacies that have met the fraud, waste, and abuse certification requirements through enrollment into the Medicare program are deemed to have met the training and educational requirements for fraud, waste, and abuse and do not need to complete the fraud, waste, and abuse training requirements outlined in this section.
21. Information for Medicare Members. Pharmacy must post or distribute notices instructing Medicare Members to contact their Plan to obtain a coverage determination or request an exception if they disagree with the information provided by the pharmacist as required by CMS (e.g., the "Medicare Prescription Drug Coverage and Your Rights" standardized pharmacy notice). See 42 CFR 423.562(a)(3). A copy of the notice can be found on the CMS website at:  
[http://www.cms.gov/MedPrescriptDrugApplGriev/14\\_PlanNoticesAndDocuments.asp#Top](http://www.cms.gov/MedPrescriptDrugApplGriev/14_PlanNoticesAndDocuments.asp#Top)

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22. Pharmacy Member Notification of Lowest Priced Generic Equivalent. Pharmacy must inform Medicare Members of any differential between the price of the dispensed drug and the price of the lowest priced generic version of that drug that is therapeutically equivalent and bioequivalent and available at the Pharmacy, unless the particular drug being purchased is the lowest-priced therapeutically equivalent and bioequivalent version of that drug available at the Pharmacy.
  
23. Notice Requirements. Pharmacy must provide this notice at the point of sale or, in the case of dispensing by mail order, at the time of delivery of the drug. If and to the extent required by CMS, long-term care pharmacies must provide this notice by providing such information to IEHP Medicare Members.
  
24. I/T/U pharmacies and Long Term Care. To the extent required by CMS, the notice requirement in this section does not apply to I/T/U pharmacies, pharmacies located in any of the U.S. territories, and long-term care pharmacies. See 42 CFR 423.132(a), (b), (c).
  
25. Pharmacy Member Notification for Non-covered Medicare Part D Drugs. Beginning January 1, 2012, Part D plan network pharmacies will provide a written copy of the standardized pharmacy notice to enrollees (beneficiaries) when an enrollee's prescription cannot be filled under the Medicare Part D benefit and the rejection cannot be resolved at point of sale. See Revised CMS 10147 section 423.562(a)(3) and an associated regulatory provision at 423.128(b)(7)(iii). A copy of the standardized notice can be found on the CMS website at:  
[http://www.cms.gov/MedPrescriptDrugApplGriev/14\\_PlanNoticesAndDocuments.asp#TopOfPage](http://www.cms.gov/MedPrescriptDrugApplGriev/14_PlanNoticesAndDocuments.asp#TopOfPage).
  
26. Medicare Part D Member Notice. The purpose of this notice is to provide enrollees with information about how to contact their Part D plans to request a coverage determination, including a request for an exception to the Part D plan's formulary. The notice reminds enrollees about certain rights and protections related to their Medicare prescription drug benefits, including the right to receive a written explanation from the drug plan about why a prescription drug is not covered.
  
27. Distributing Instructions. IEHP will arrange with its network pharmacies to distribute notices instructing enrollees to contact their plans to obtain a coverage determination or request an exception if they disagree with the information provided by the pharmacist 423.562(a)(3).



## Examples of Risks for Fraud, Waste and Abuse

### Prescriber Fraud, Waste and Abuse

- o *Illegal remuneration schemes*: Prescriber is offered, or paid, or solicits, or receives unlawful remuneration to induce or reward the prescriber to write prescriptions for drugs or products.
- o *Prescription drug switching*: Drug switching involves offers of cash payments or other benefits to a prescriber to induce the prescriber to prescribe certain medications rather than others.
- o *Script mills*: Provider writes prescriptions for drugs that are not medically necessary, often in mass quantities, and often for patients that are not theirs. These scripts are usually written, but not always, for controlled drugs for sale on the black market, and might include improper payments to the provider.
- o *Provision of false information*: Prescriber falsifies information (not consistent with medical record) submitted through a prior authorization or other formulary oversight mechanism in order to justify coverage. Prescriber misrepresents the dates, descriptions of prescriptions or other services furnished, or the identity of the individual who furnished the services.
- o *Theft of prescriber's DEA number or prescription pad*: Prescription pads and/or DEA numbers can be stolen from prescribers. This information could illegally be used to write prescriptions for controlled substances or other medications often sold on the black market. In the context of e-prescribing, includes the theft of the provider's authentication (log in) information.

### Medicare Beneficiary Fraud, Waste and Abuse Risks

- o *Misrepresentation of status*: A Medicare beneficiary misrepresents personal information, such as identity, eligibility, or medical condition in order to illegally receive the drug benefit. Enrollees who are no longer covered under a drug benefit plan may still attempt to use their identity card to obtain prescriptions.
- o *Identity theft*: Perpetrator uses another person's Medicare card to obtain prescriptions.
- o *Prescription forging or altering*: Where prescriptions are altered, by someone other than the prescriber or pharmacist with prescriber approval, to increase quantity or number of refills.
- o *Prescription diversion and inappropriate use*: Beneficiaries obtain prescription drugs from a provider, possibly for a condition from which they do not suffer, and gives or sells this medication to someone else. Also can include the inappropriate consumption or distribution of a beneficiary's medications by a caregiver or anyone else.
- o *Resale of drugs on black market*: Beneficiary falsely reports loss or theft of drugs or feigns illness to obtain drugs for resale on the black market.
- o *Prescription stockpiling*: Beneficiary attempts to "game" their drug coverage by obtaining and storing large quantities of drugs to avoid out-of-pocket costs, to protect against periods of non-coverage (i.e., by purchasing a large amount of prescription drugs and then disenrolling), or for purposes of resale on the black market.
- o *Doctor shopping*: Beneficiary or other individual consults a number of doctors for the purpose of inappropriately obtaining multiple prescriptions for narcotic painkillers or



- other drugs. Doctor shopping might be indicative of an underlying scheme, such as stockpiling or resale on the black market.
- o *Improper Coordination of Benefits*: Improper coordination of benefits where beneficiary fails to disclose multiple coverage policies, or leverages various coverage policies to “game” the system.
  - o *Marketing Schemes*: A beneficiary may be victimized by a marketing scheme where a Sponsor, or its agents or brokers, violates the Medicare Marketing Guidelines, or other applicable Federal or state laws, rules, and regulations to improperly enroll the beneficiary in a Part D Plan.

#### Pharmacy Fraud, Waste and Abuse

- o *Inappropriate billing practices*: Inappropriate billing practices at the pharmacy level occur when pharmacies engage in the following types of billing practices:
  - o Incorrectly billing for secondary payers to receive increased reimbursement
  - o Billing for non-existent prescriptions
  - o Billing multiple payers for the same prescriptions, except as required for coordination of benefit transactions
  - o Billing for brand when generics are dispensed
  - o Billing for non-covered prescriptions as covered items
  - o Billing for prescriptions that are never picked up (i.e., not reversing claims that are processed when prescriptions are filled but never picked up)
  - o Billing based on “gang visits,” e.g., a pharmacist visits a nursing home and bills for numerous pharmaceutical prescriptions without furnishing any specific service to individual patients
  - o Inappropriate use of dispense as written (“DAW”) codes
  - o Prescription splitting to receive additional dispensing fees
  - o Drug diversion
- o *Prescription drug shorting*: Pharmacist provides less than the prescribed quantity and intentionally does not inform the patient or make arrangements to provide the balance but bills for the fully-prescribed amount.
- o *Bait and switch pricing*: Bait and switch pricing occurs when a beneficiary is led to believe that drug will cost one price, but at the point of sale the beneficiary is charged a higher amount.
- o *Prescription forging or altering*: Where existing prescriptions are altered, by an individual without the prescriber’s permission to increase quantity or number of refills.
- o *Dispensing expired or adulterated prescription drugs*: Pharmacies dispense drugs that are expired, or have not been stored or handled in accordance with manufacturer and FDA requirements.
- o *Prescription refill errors*: A pharmacist provides the incorrect number of refills prescribed by the provider.
- o *Illegal remuneration schemes*: Pharmacy is offered, or paid, or solicits, or receives unlawful remuneration to induce or reward the pharmacy to switch

patients to different drugs, influence prescribers to prescribe different drugs, or steer patients to plans.

- o *True Out-of-Pocket (TrOOP) manipulation:* When a pharmacy manipulates TrOOP to either push a beneficiary through the coverage gap, so the beneficiary can reach catastrophic coverage before they are eligible, or manipulates TrOOP to keep a beneficiary in the coverage gap so that catastrophic coverage is never realized.
- o *Failure to offer negotiated prices:* Occurs when a pharmacy does not offer a beneficiary the negotiated price of a Part D drug.

#### Pharmacy Benefit Manager (PBM) Fraud, Waste and Abuse

- o *Prescription drug switching:* The PBM receives a payment to switch a beneficiary from one drug to another or influence the prescriber to switch the patient to a different drug.
- o *Unlawful remuneration:* PBM receives unlawful remuneration in order to steer a beneficiary toward a certain plan or drug, or for formulary placement. Includes unlawful remuneration from vendors beyond switching fees.
- o *Inappropriate formulary decisions:* PBM or their P&T committee makes formulary decisions where cost takes precedence over clinical efficacy and appropriateness of formulary drugs.
- o *Prescription drug splitting or shorting:* PBM mail order pharmacy intentionally provides less than the prescribed quantity and does not inform the patient or make arrangements to provide the balance but bills for the fully-prescribed amount. Splits prescription to receive additional dispensing fees.
- o *Failure to offer negotiated prices:* Occurs when a PBM does not offer a beneficiary negotiated price of a Part D drug.