



Billing for Drug Wastage

The Centers for Medicare & Medicaid Services (CMS) encourages hospitals to “schedule patients in such a way that they can use drugs or biologicals most efficiently, in a clinically appropriate manner.” However, if the remainder of a single use vial or single use package must be discarded after a drug/biological has been administered to a Medicare patient, Medicare will pay for the wasted amount along with the amount administered, up to the amount of the drug or biological as indicated on the vial or package label. Drug wastage must be documented in the patient’s medical record with date, time, amount wasted, and reason for wastage. This policy does not apply to multi-use vials.

Example given by CMS (Transmittal 1478):

“A physician schedules three Medicare patients to receive botulinum toxin type A (J0585, botulinum toxin type A, per unit) on the same day within the designated shelf life of the product. Currently, Botox® is available only in a 100-unit size. Once Botox® is reconstituted, it has a shelf life of only four hours. Often, a patient receives less than a 100-unit dose. The physician administers 30 units to each patient. The remaining 10 units are billed to Medicare on the account of the last patient.”

To receive payment from Medicare for the discarded amount, your local fiscal intermediary (FI) may require the use of the modifier JW to identify the unused drug or biological. The JW modifier does not apply to drugs or biologicals provided under the Competitive Acquisition Program (CAP). Check with your state’s FI to determine the billing requirements specific to your hospital.

Hospitals may be able to receive payment for drug wastage from commercial payers. The hospital should have a drug wastage policy in place that clearly outlines how drug wastage is billed. A hospital may also have a policy stating all payers are managed and billed in the same manner. Such a policy would refer to CMS’ guidelines on billing for drug wastage. More information can be found at the following links.

The related *MLN Matters* article:

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM5923.pdf>

The official instruction (CR5923):

<http://www.cms.hhs.gov/Transmittals/downloads/R1478CP.pdf>

Medicare Claims Processing Manual, Chapter 17:

<http://www.cms.hhs.gov/manuals/downloads/clm104c17.pdf>