

# Drug Waste Billing Standardization & Financial Opportunities in a Health System

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## BACKGROUND

Beginning January 1<sup>st</sup>, 2017, CMS (Centers for Medicare & Medicaid Services) enacted a regulation stating providers and suppliers are required to report modifier JW on Part B claims for discarded drugs and biologicals. Proper documentation of the discarded amount(s) of drugs or biologicals must be present in the patient medical records. In Chapter 17, Section 40.1 of the Medicare Claims Processing Manual, in addition to paying for the amount of drug that has been administered to a beneficiary, Medicare Part B also pays for the amount of drug that has been discarded, up to the amount that is indicated on the vial or package label. The JW modifier policy applies to all separately payable drugs (Status Indicator (SI) of G (Pass-Through Drugs and Biologicals) or K (Nonpass-Through Drugs and Nonimplantable Biologicals, including Therapeutic Radiopharmaceuticals) that are designated as single-use or single dose on the FDA-approved label or package insert. The use of the JW modifier is not appropriate for drugs that are from multiple dose vials or packages. The modifier cannot be used to report overflow wastage. In addition to drug waste billing, waste can be reported for skin substitutes and implantable biologicals.

Prior to the regulation being mandatory, drug waste billing was a preexisting process throughout the health system, but not at all Heritage Barnabas Health facilities. This was to recover additional reimbursement opportunities on drug wasted items. To note, Heritage Robert Wood Johnson facilities will be assessed and added to the process. They have integrated drug waste billing prior to the merge.

## OBJECTIVE

To demonstrate the financial impact of standardizing drug waste billing in a health system for Heritage Barnabas Health facilities.

## METHODOLOGY

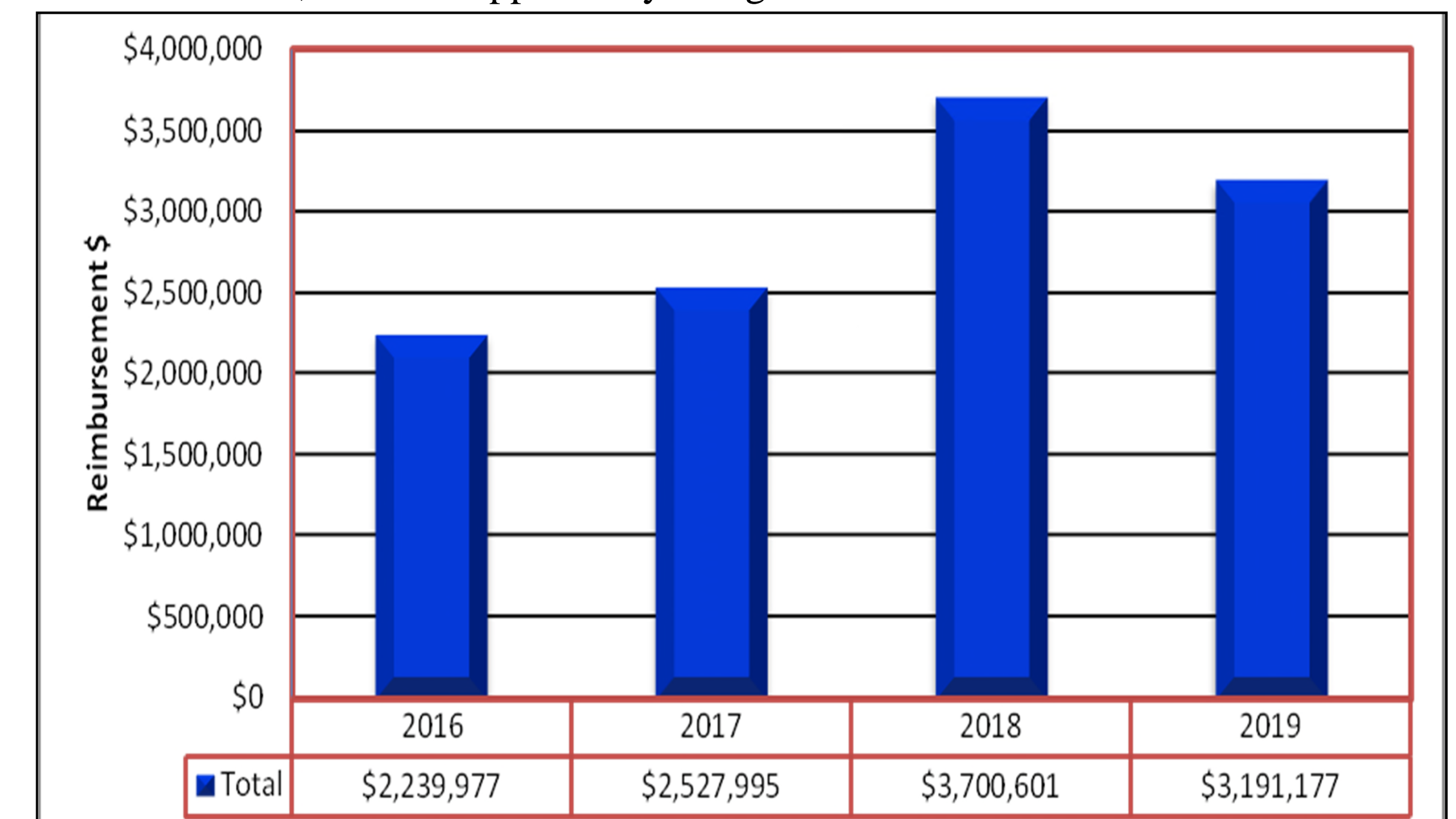
Over the years, drug waste billing became a standard for the Heritage Barnabas Health facilities. The high dollar financial opportunity was recognized and implementation took effect. In efforts to obtain additional reimbursement, multiple reports were created to maintain and monitor the drug waste billing process; *Monthly Waste Opportunity per Facility*, *Weekly Drug Waste Billing Reconciliation*.

The following illustration demonstrates key components for drug waste billing and financial opportunities:



## RESULTS

From 2016 to November 2019, Heritage Barnabas Health facilities gained approximately \$12 million in additional reimbursement for drug waste billed and had a seamless transition in implementing the mandatory drug waste billing regulation in 2017. In 2016 drugs being waste billed and the opportunity were at 45.6% percent. Since 2017 to present, the drug waste billing has significantly improved to 66.7%, of waste opportunity being billed.



**Total Reimbursement: \$11,659,729**

## CONCLUSION

The implementation of the drug waste billing standardization resulted and will continue to bring in additional reimbursement for the health system for Heritage Barnabas Health facilities along with Heritage Robert Wood Johnson facilities.

### Reference

JW Modifier: Drug/Biological Amount Discarded/Not Administered To Any Patient Frequently Asked Questions (2016, August). Retrieved from <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Downloads/JW-Modifier-FAQs.pdf>  
 Medicare Claims Processing Manual Chapter 17 – Drugs and Biologicals (2019, February) Retrieved from <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c17.pdf>

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