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JW Modifier Adds Transparency to Drug-Waste Audits; Math Errors, Vial Sizes Cause Denials

By Nina Youngstrom

When CMS pulled the trigger on the JW modifier for reimbursement of drug waste about two years ago, it became relatively easy pickings for Medicare auditors, as some hospitals have found. Drug waste is a notoriously difficult area in terms of compliance and revenue because there's room for error in calculating and documenting the doses administered and wasted, which is now more apparent to recovery audit contractors (RACs) and Targeted Probe and Educate (TPE) reviewers.

"It seems like they are using data mining to identify math errors," says Samantha Karpenko, manager of corporate compliance at MultiCare Health System in Tacoma, Washington.

MultiCare Health System watched as the RAC's request for medical records on drug administration increased from five per hospital to 72 in eight months—and all the claims were denied. Despite the broad nature of the additional documentation requests (ADRs), the RAC focused on drug waste. With the first denials, MultiCare did its own retrospective review of drug-waste charging and submitted corrected claims because RACs have an audit lookback period of three years. "Our goal was to get the Medicare claims database clean so as the RAC continued to pull from it, they would pull claims that were right instead of claims that were wrong," Karpenko says. And that's what happened. "We are already seeing a decrease in our denials." One error finding took her by surprise: There was systematic rounding up of drugs in the pharmacy system.

Wasted drugs refer to the medication left over in single-use vials after the prescribed amount is administered. Patients often get less than the amount in a single-use drug vial, and the rest should be thrown out according to guidance from the Centers for Disease Control and Prevention, but Medicare pays for it. Waste also is a compliance risk, even though separate payments only apply to drugs with a status indicator of G or K, meaning they're separately payable. Drugs with other status indicators, including N, are irrelevant because they're bundled into the ambulatory payment classification (APC). Claims will be denied if the JW modifier appears on the claim with no backstory.

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