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New Drug Waste Modifier Takes Effect in July; Consider Its Relationship to JW Audits

By Nina Youngstrom

Starting July 1, providers and suppliers are required to report a new modifier, JZ, on their claim forms when they don't waste any drugs from a single-use container under a provision in the 2021 Infrastructure Investment and Jobs Act.^[1] If there is waste, they will continue to report the JW modifier. Medicare claims without one of the modifiers possibly won't be processed after Oct. 1, 2023, and "may be subject to provider audits," CMS said in answers to frequently asked questions (FAQs) posted Jan. 5.^[2]

There's also compliance irony to this policy for hospitals that have been conservative in billing Medicare for drug waste, but we'll come back to that later.

The modifier requirements get at issues of wasted (discarded) drugs and vial size, said Steve Gillis, director of compliance coding, billing and audit at Mass General Brigham in Boston. Medicare Part B reimburses providers for doses left over in single-use containers after the prescribed amount is administered if the drug is separately payable, identified by the JW modifier and documented in the medical records. For example, if the physician orders 75 mg of a chemotherapy drug and it's administered from a 100 mg single-use vial, the hospital is allowed to bill Medicare for 25 mg. But CMS expects hospitals to discard only the leftover drugs from the smallest available vial, which doesn't always happen for any number of reasons (e.g., manufacturers produce more of the larger vials, pharmacists or clinicians pull out the wrong size, or potential patient safety issues discourage staff from using too many vials for one patient administration), Gillis said.

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