(ii) If prospective DUR is conducted using an electronic claims management (ECM) system, apply software approved by the Board.

(iii) If prospective DUR is not conducted through an ECM system, as part of general compliance monitoring, ensure that Medicaid participating pharmacies conduct prospective drug review that screens for the potential drug therapy problems listed in section 1927(g)(2)(A) of the Act.

(3) *Retrospective DUR: Board's activities.* The DUR Board should perform the following activities:

(i) Review and make recommendations on predetermined standards submitted to it by the Medicaid agency or the agency's contractor.

(ii) Make recommendations to the Medicaid agency or the agency's contractor concerning modification or elimination of existing predetermined standards or the addition of new ones.

(4) *Retrospective DUR: Medicaid agency role.* The Medicaid agency or its contractor should apply the predetermined standards to drug claims data in order to generate reports that identify patterns of fraud, abuse, gross overuse, or inappropriate or medically unnecessary care.

(5) *Education program (including interventions): Board's activities.* The DUR Board must perform the following activities:

(i) Identify and develop educational topics if education of practitioners on common drug therapy problems is needed to improve prescribing or dispensing practices.

(ii) Make recommendations as to which mix of the interventions set forth in §§456.711 (a) through (d) would most effectively lead to improvement in the quality of drug therapy. The DUR board recommendations must be based upon an in-depth review of the results of the application of predetermined standards against claims data reports, must be appropriate based upon program experience, and must match the educational program with the drug therapy problems identified.

(iii) Periodically re-evaluate and, if necessary, modify the interventions.

(6) *Education program (including interventions): Medicaid agency's role.* The Medicaid agency or its contractor should perform the following activities.

(i) Apply predetermined standards to drug claims data to generate reports that provide the basis for retrospective education and interventions and furnish those reports to the Board.

(ii) Carry out the educational programs and interventions specified by the Board.

(e) *Funding for the Board.* FFP is available for expenses associated with the operation of the DUR Board in carrying out its responsibilities, and payment is made under procedures established in part 433 of this chapter as follows:

(1) If the requirements for skilled professional medical personnel at §432.50 of this chapter are met, at the rate of 75 percent.

(2) If the requirements for skilled professional medical personnel at §432.50 of this chapter are not met, at the rate specified in §456.719.

[57 FR 49408, Nov. 2, 1992, as amended at 59 FR 48825, Sept. 23, 1994]

§456.719 Funding for DUR program.

FFP is available for sums that the Secretary determines are attributable to the Statewide adoption of a DUR program as described in this subpart, and payment is made under procedures established in part 433 of this chapter as follows:

(a) For funds expended by the State during calendar years 1991 through 1993, at the rate of 75 percent.

(b) For funds expended by the State after December 31, 1993, at the rate of 50 percent.

§456.722 Electronic claims management system.

(a) *Point-of-sale system.* Each Medicaid agency, at its option, may establish, as its principal (but not necessarily exclusive) means of processing claims for covered outpatient drugs, a point-of-sale electronic claims management (ECM) system to perform on-line, real-time (that is, immediate) eligibility verifications, claims data capture, adjudication of claims, and to assist pharmacists and other authorized persons (including dispensing physicians) in applying for and receiving payment. The State determines who

must participate in an ECM system and who may decline to do so. If the State exercises this option and wishes to receive FFP for its ECM system, the system must meet the functional and additional procurement and system requirements in paragraphs (b) and (c) of this section.

(b) *Functional requirements.* The ECM system developed by the State must include at least the on-line, real-time capabilities specified in paragraphs (b)(1) through (3) of this section. The real-time requirement for prescriptions filled for nursing facilities and prescriptions filled by mail order dispensers may be waived by the State to permit claims to be processed in the batch mode at the end of the day or other time mutually agreed to by the nursing facility or mail order dispenser and Medicaid agency.

(1) Eligibility verification, including identification of the following:

(i) Third-party payers.

(ii) Recipients in managed care programs.

(iii) Recipients and providers in restricted service programs (for example, lock-in and lock-out).

(iv) Properly enrolled providers.

(2) Claims data capture, including the following:

(i) Transfer of claims information from the pharmacy to the Medicaid agency or the Medicaid agency's contractor.

(ii) Identification of prescriber.

(iii) Minimum data set (as defined in Part 11 of the State Medicaid Manual).

(3) Claims adjudication, including the following:

(i) Performing all edits and audits contained in the State's Medicaid Management Information System (MMIS) applicable to prescription drugs.

(ii) Notifying the pharmacist (or other authorized person, such as the dispensing physician) about the claim status.

(iii) Taking steps up to, but not including, payment of the claim.

(c) *Additional requirements.* In order to receive FFP for its ECM system, the State must meet the following requirements:

(1) The ECM system must be acquired through applicable competitive procurement process in the State and must be the most cost-effective telecommunications network and automatic data processing services and equipment. The procurement must meet the procurement requirements set forth in 45 CFR part 74, subpart P, and appendix G-O of OMB circular A–102. The request for proposal (RFP) may be substituted for the advance planning and implementation documents otherwise required by part 433 of this chapter, 45 CFR 95.205, and 45 CFR part 307. A cost-benefit analysis must accompany the RFP. If in its advance planning document, a State establishes that a separate procurement is not cost-effective, modification of an existing fiscal agent contract will be acceptable. In this case, procurement of network services and equipment (but not software modifications) must be competitively procured.

(2) States wishing to do prospective DUR as part of their ECM must do the following:

(i) Submit a cost benefit analysis showing the cost-effectiveness of such a system. A State's decisions as to who must participate in the ECM system and who may decline to do so must be included in the cost-benefit analysis.

(ii) Establish a central State-wide electronic repository for capturing, storing, and updating data for all prescriptions dispensed and for providing access to such data by all authorized participants.

(iii) Design the system to assess data for a review of drug therapy before each prescription is filled or delivered to a Medicaid recipient. The type of review conducted must meet the requirements for prospective drug review set forth in § 456.705.

(3) ECM is considered a subsystem and must be fully integrated with the remainder of the State's MMIS. In addition, information about ECM claims must be part of the single comprehensive utilization and management reporting system used by the DUR program.

§ 456.725 Funding of ECM system.

(a) For funds expended during calendar quarters in fiscal years 1991 and 1992 and attributable to the design, development, and implementation of an on-line, real-time claims management