

# Compounded medications

## Workers' compensation state-by-state rules

As of June 2026, the following jurisdictions have no specific workers' compensation rules expressly and uniquely regulating compounded medications: Connecticut, the District of Columbia, Iowa, Illinois, Maryland, Maine, Minnesota, Missouri, North Carolina, Nebraska, New Hampshire, New Jersey, Pennsylvania, South Dakota, Utah, Virginia, Vermont, Wisconsin, and West Virginia.



### Alabama

- **Reimbursement:** Compounding fee for medications used to refill pain pump = \$242.10.



### Alaska

- **Reimbursement:** Reimbursement for compounded or mixed medications will be at the lowest generic NDC for each specific or over-the-counter medication.
- **Restrictions:** Compounded and/or mixed medications shall be limited to medical necessity and must be FDA-approved combinations.



### Arizona

- **Reimbursement:** Bill must identify reimbursement component ingredients, NDC, quantity, and calculated reimbursement value; all component ingredients of a compounded medication must be billed on a single bill.

Reimbursement calculated at component ingredient level and based on sum of reimbursement values of each component ingredient and corresponding NDCs, based on current fee schedule reimbursement methodology.

If any component ingredient in a compounded medication is repackaged, reimbursement for that ingredient based on current fee schedule reimbursement method using AWP of original manufacturer.

Maximum reimbursement for a topical compound = lesser of: \$200 for a 30-day supply (or a pro-rated amount if supply is greater than or less than 30); or reimbursement value of the compounded medication calculated under fee schedule.

- **Restrictions:** Any component ingredient in a compounded medication with no NDC shall not be reimbursed; any component ingredient in a topical compound not FDA approved for topical use shall not be reimbursed.



## Arkansas

- **Prior authorization:** For date of injury (DOI) on or after 07/01/2018: compounded medications require prior authorization from payer and medical certification of the patient's inability to tolerate treatment by other non-compounded medications – per state-specific drug formulary.



## California

### Pharmacy-dispensed compounded medications

- Maximum reimbursement for compound medication(s) shall be lowest of (plus a dispensing fee):
  - Lowest Cost or No Substitution Cost (based upon metric units for each ingredient).
  - Pharmacy's U&C charge to public on date of dispense.
- Pharmacies are also eligible to receive a compounding and/or sterility fee (if applicable).
- Dispensing fee(s) shall be \$10.05 for "large" pharmacies and \$13.20 for "small" pharmacies.

## Physician-dispensed compounded medications

- Maximum reimbursement for compound medication(s) dispensed by a physician shall be the lowest of (plus a dispensing fee):
  - 300% of sum of documented paid cost of the compound drug ingredients, but not more than \$20 above sum of documented paid cost.
  - Sum of drug ingredient costs as determined pursuant to applicable “Lowest Cost\*” or “No Substitution Cost\*” + compounding and sterility fees (if applicable).
  - Physician’s U&C charge to public on date of dispense.

## Physician-dispensed over-the-counter compounded medications

- Physicians shall receive a \$10.05 dispensing fee.
- Maximum reimbursement for a repackaged “**non-legend drug**” shall be physician’s U&C as determined as lowest of (plus a dispensing fee):
  - Drug ingredient calculated cost.\*
  - 120% of documented paid cost to physician.
  - 100% of documented paid cost to physician plus \$250.

*\*Documented Paid Cost” means price paid by physician net discounts and rebates, evidenced by documentation of price actually paid for the drug product.*

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## Colorado

- **Reimbursement:** Rates for prescription strength topical compounds (see definition in rules) categorized per four state-specific DoWC “Z” codes by 30-day supply (fees represent maximum reimbursable amount, inclusive of time, shipping, etc.).
- **Prior authorization:** Prior authorization required for medications “not recommended” in the CO DWC Medical Treatment Guidelines for a particular diagnosis.
- **Restrictions:** If the CO DWC treatment guidelines approve some but not all of the active ingredients for a particular diagnosis, insurer shall count only number of approved ingredients to determine applicable category; automatic refilling not allowed.

All compound ingredients must be listed by quantity used.

The entity packaging two or more products together makes an implied claim that products are safe and effective when used together and shall be billed as identified by their original AWP and NDC, which shall be used to determine reimbursement (supplies are considered integral to the package, not separately reimbursable).



## Delaware

- **Reimbursement:** Compounded medications billed by listing each medication included in the compound and separately calculating charge for each medication, using NDC.

A single compounding fee of \$10 per prescription added to calculated total.



## Florida

- **Reimbursement:** Lesser of [AWP (of each component)] + \$4.18 or contract rate pursuant to statute.
- **Prior authorization:** Dispensing compounded medications identified by DWC in HCP Manual as “specialty service” – under statute, a claim for “specialty services” is not valid or reimbursable unless services have been expressly authorized by carrier, unless carrier has failed to respond within 10 days to a written request for authorization, or unless emergency care is required.
- **Restrictions:** Compounding permitted when prescribed formulation not commercially available.

WC-unique code “COMPD” (with trailing zeros as specified) must be on bill.



## Georgia

- **Reimbursement:** If compound includes a repackaged medication, reimbursement for repackaged medication shall be determined based on AWP of original manufacturer.

Reimbursement for compounded medications = sum of AWP for each active ingredient - 50%, + a single \$20 compounding fee.

Topical compounds shall not be reimbursed greater than the \$240 for Category III topical compounds and shall be limited to a 30 day supply.

- Category I: GA0801 (Any anti-inflammatory medication or any local anesthetic single agent) = \$80 per 30-day supply.
  - Category II: GA0802 (Any anti-inflammatory agent or agents in combination with any local anesthetic agent or agents) = \$160 per 30-day supply.
  - Category III: GA0803 (Any agent(s) other than anti-inflammatory or local anesthetic agents, either alone, or in combination with other anti-inflammatory or local anesthetic agents) = \$240 per 30-day supply.
- **Restrictions:** Compounded medications shall be billed by the compounding pharmacy.

Reimbursement shall only be considered for preparations that contain not less than one, nor greater than three active ingredient(s); active ingredient(s) must be FDA approved.



## Hawaii

- **Reimbursement:** Payment for compounded medications = the sum of 140% of AWP by gram weight of each underlying medication; AWP shall be that set by the original manufacturer.



## Idaho

- **Reimbursement:** Compounds reimbursed at sum of AWP of each medication included in compound + \$5 dispensing fee and \$2 compounding fee.
- **Prior authorization:** Components of compounded medications without NDC may require medical necessity confirmation by treating physician prior to reimbursement.
- **Restrictions:** Physicians not reimbursed a dispensing fee or compounding fee.

All components of compounded medications require NDC of original manufacturer.



## Indiana

- **Prior authorization:** Drug formulary: Reimbursement not permitted for a claim for payment for a medication that is prescribed for use by an injured worker and, according to the ODG formulary, is an “N” drug (includes compounded medications).

If a prescribing physician submits to an employer a request to permit use of an N drug, including the prescribing physician’s reason for requesting use of an N drug, and the employer approves the request, the prescribing physician may prescribe the N drug for use by the injured worker.



## Kansas

- **Reimbursement:** Compounded medications reimbursed same as pharmacies – based on original manufacturer NDC.
- **Prior authorization:** Compounded medications and physician dispensed medications shall only be dispensed on prior approval of employer/carrier.



## Kentucky

- **Reimbursement:** AWP compounded medications is determined using the NDC of the original product from the manufacturer; if not provided, AWP of lowest priced equivalent drug.

A single compounding fee of \$20 shall be reimbursed for a compounded medication.

- **Prior authorization:** State Drug Formulary requires preauthorization for compounded medications.



## Louisiana

- **Reimbursement:** Compound prescriptions paid utilizing same reimbursement formula as generics.
- **Prior authorization:** Prior authorization requirement for certain compounds/topicals not recommended by the state specific treatment guidelines.
- **Restrictions:** Write “COMPOUND RX” directly above RX field# on medication claim form.



## Massachusetts

- **Reimbursement:** Basic dispensing fee for compounded medications also = \$10.02.

Additional compounding fees apply dependent upon type of compounding involved (rates = \$7.50, \$10, \$15, or \$30) – see 101 CMR 331.06 for categories/details.



## Michigan

- **Reimbursement:** Topical compounds billed using specific amount of each component medication and original manufacturer's NDC; reimbursement = maximum of AWP - 10% if original manufacturer's NDC, pro-rated for each component; components without NDCs not reimbursed; single dispense fee for non-sterile compound = \$12.50; provider shall dispense a 30-day supply/Rx.

Reimbursement for custom compound limited to maximum of \$600 (charges exceeding must be accompanied by original component manufacturers' invoice pro-rated for each component amount used, for review by carrier).

- **Restrictions:** A custom compound topical medication shall be reimbursed only when the compound meets all of the following standards:
  - (a) There is no readily available commercially manufactured equivalent product.
  - (b) No other FDA approved alternative medication is appropriate for the patient.
  - (c) The active ingredients of the compound each have an NDC number and are components of medications approved by the FDA.
  - (d) The drug has not been withdrawn or removed from the market for safety reasons.
  - (e) The prescriber is able to demonstrate to the payer that the compound medication is clinically appropriate for the intended use.



## Mississippi

### Compounded medications

- **Reimbursement:** Compounds reimbursed at the individual ingredient level (at Fee Schedule Calculation) using the manufacturers NDC for each ingredient (ingredients without an NDC will not be reimbursed) and reimbursed at the individual ingredient level for the AWP of the ingredient.
- **Prior authorization:** Prior authorization and medical documentation are required for any amount over \$80.
- **Restrictions:** Any ingredient lacking an NDC will not be reimbursed.

### Topical compounds

- Regardless of how many ingredients or what type, compounded topical medications shall not be reimbursed higher than the Level III fee (\$80).
  - Level I: \$40 per 30-day supply. Any anti-inflammatory medication or any local anesthetic – single agent.
  - Level II: \$60 per 30-day supply. Any anti-inflammatory agent or agents in combination with any local anesthetic agent or agents.
  - Level III: \$80 per 30-day supply. Any agent(s) other than anti-inflammatory or local anesthetic agents, either alone, or in combination with other anti-inflammatory or local anesthetic agents.
- The 30-day MAR shall be prorated down to prescribed and dispensed amount.
- Automatic refills not allowed, and all medications shall be billed and reimbursed corresponding to the applicable level.
- The NCPDP file format will be used in all billing and the NDC number for each medication used in the compounded topical medication will be billed.



## Montana

- **Prior authorization:** Under state drug formulary, prior authorization required for compounded medications.



## Nevada

- **Reimbursement:** All bills for compounded medication shall list each ingredient at the individual ingredient level and, where applicable, include a valid NDC.
- **Prior authorization:** Prior authorization required for any compound medication or specific subset of compounds; prior authorization request must include prescriber's justification of medical necessity for and efficacy of compound instead of or in addition to the standard medication therapies.
- **Restrictions:** Insurer and dispensing provider shall agree upon the quantity as well as the reimbursement for a compound before dispensed.

Insurer not required to reimburse any compound ingredient which lacks a valid NDC.

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## New Mexico

- **Reimbursement:** Compounds reimbursed at the ingredient level, with each ingredient identified using the NDC and quantity.

Payment based upon sum of allowable fee for each ingredient + a single dispensing fee per compound.

- **Restrictions:** All bills must include NDC of original manufacturer or its authorized distributor; reimbursement based on manufacturer's AWP of ingredient(s); a repackaged NDC shall not be used and shall not be considered original manufacturer's NDC; if original manufacturer's NDC is not provided on bill, reimbursement based on AWP of lowest priced therapeutically equivalent drug (ingredients lacking a NDC not separately reimbursed).
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## New York

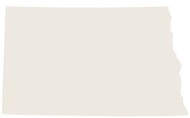
- **Reimbursement:** Compounds reimbursed at ingredient level, with each ingredient identified using NDC and corresponding quantity (ingredients with no NDC not separately reimbursable).

Payment based on sum of allowable fee for each ingredient + a single \$6 dispense fee per compound.

- **Prior authorization:** Prior authorization required before prescribing/dispensing drugs, other than a Phase A, B, or Perioperative drug(s) properly prescribed in accordance with state specific drug formulary requirements, including compound medications.

If not consistent with applicable treatment guidelines (several drug-related provisions noted in MTGs, including for opioids, brand name drugs and compounds).

- **Restrictions:** Compound medications with any non-formulary drug ingredient and/or formulary drugs being prescribed for other than an FDA approved route of administration are not reimbursable.



## North Dakota

- **Reimbursement:** WSI reimburses compounded medication at AWP - 72% + a single item compounding fee based on level of effort (LOE) level.
- **Restrictions:** WSI also has specific quantity limits and product restrictions on compounded topical pain preparations.



## Ohio

### Compounded reimbursement

- Product cost component shall be limited to the lesser of the MAC, if applicable, for each ingredient or the AWP of the commonly stocked package size - 15% for each ingredient.
- No reimbursement for ingredients without NDC.
- Dispense fee for sterile and non-sterile compounds based on level of effort:

|                   |                   |
|-------------------|-------------------|
| 1-4 mins = \$15   | 30-59 mins = \$50 |
| 5-14 mins = \$25  | 60+ mins = \$75   |
| 15-29 mins = \$35 |                   |

- Max product cost component reimbursement for any one non-sterile compounded Rx = \$100 for self-insured.

## State Fund restrictions

- **Reimbursement:** Reimbursement for non-sterile compounded Rx will be denied, except when a commercially available formulary product becomes unavailable.
  - **Prior authorization:** Approval for reimbursement of non-sterile compounded Rx will be for an initial period of 30 days with subsequent approvals contingent upon commercial product availability, and not greater than one prescription for a non-sterile compounded prescription will be approved for reimbursement in any 30-day period.
  - **Restrictions:** Max product cost component reimbursement for any one non-sterile compounded Rx = \$100 for state fund (BWC).
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## Oklahoma

- **Reimbursement:** Compounded medications equals sum of allowable fee for each ingredient + single \$5 dispense fee per prescription (ingredients without NDC not reimbursed).
- **Prior authorization:** Medications excluded from closed formulary, which include compounded medications, require prior authorization.
- **Restrictions:** Compounded medications required to be billed by compounding pharmacy.

Compound bills require listing each ingredient, corresponding NDC and quantity.

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## Oregon

- **Reimbursement:** Maximum fee for compounded medication = AWP - 16.5% for each individual ingredient + a single \$10 compounding fee (compounding fee includes the dispense fee).
- **Restrictions:** Compounded medications must be billed by ingredient, listing each ingredient's NDC (ingredients without NDC not reimbursable).



## Rhode Island

- **Reimbursement:** Reimbursement for compounded medications based upon sum of each individual ingredient at existing pharmacy fee schedule.

Pharmacies shall submit their bills as the U&C fee or \$500 max or 90% of AWP, whichever is less.

In no instances should reimbursement for topical compounds exceed \$500 per prescription (\$500 fee provides 30-day supply).

- **Restrictions:** Any ingredient lacking a valid and recognized NDC shall not be reimbursed.

All compounds shall be billed on a single bill at ingredient level with a separate line item for each ingredient, corresponding quantity and charge amount.

Any ingredient in a topical compounded medication shall be FDA approved for topical use in order to be reimbursable.



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## South Carolina

- **Reimbursement:** Payment for compounded prescription drugs shall be the sum of the AWP by gram weight for each ingredient, + a single \$5 dispensing fee.

Reimbursement for topical compounds shall be a maximum of \$240 for a 30-day supply, pro-rated, not to exceed 90 days plus a \$5 dispensing fee.

- **Prior authorization:** Compounded medication must be preauthorized for each dispensing.

Automatic refills of topical compounds is not permitted.

- **Restrictions:** All medications must be reasonable and medically necessary to cure and relieve the injured worker from effects of the injury.

Any compounded medication product billed by compounding pharmacy or dispensing physician shall be identified at ingredient level and corresponding quantity by original manufacturer's NDC when submitted for reimbursement.

A compounded NDC shall not be used and shall not be considered the original manufacturer's NDC.

Any component ingredient in a compound medication for which there is no NDC shall not be reimbursed.

Any component ingredient in a topical compound medication that is not FDA approved for topical use shall not be reimbursed.



## Tennessee

- **Reimbursement:** Compounding fee not to exceed \$25 per compound Rx may be charged if or more prescriptive drugs require compound preparation when sold by a hospital, pharmacy, or provider of service other than physician.
- **Prior authorization:** Drug formulary adopted which excludes ODG “N” drugs, compounds, topicals, and investigational/experimental drug, which will all require prior approval.
- **Restrictions:** All bills must include NDC of original manufacturer registered with FDA or its authorized distributor’s stock package used in repackaging/compounding.



## Texas

- **Reimbursement:** When compounded medications, add \$15 compounding fee per prescription to AWP-based reimbursement formula in fee schedule.
- **Prior authorization:** Compounded medication prescriptions written require prior authorization regardless of ingredient makeup.
- **Restrictions:** Compounds billed by listing each medication included in compound and calculating charge for each medication separately.



## Washington

- **Reimbursement:** Allowed cost of ingredients + \$4.50 professional fee + \$4 compounding time fee (per 15 minutes); must be billed with NDC for each ingredient.
- **Prior authorization:** Compounded medications require prior authorization.
- **Restrictions:** Only compounding time required to be separated out on bill.



## Wyoming

- **Reimbursement:** Division shall pay for compound prescription medications per the formulary, NDC, and fee schedule.

Physicians billing for compounds must provide pharmacy invoice; Division pays 130% of supplier's/manufacturer's invoice price.

Compounding pharmacies who bill directly are compensated for medications per fee schedule; Division shall allow a professional fee for compounding services; compounded medication shall be reimbursed per line item if each ingredient is determined to be coverable.

- **Restrictions:** Pharmacist/Third-party billers must submit itemization for all ingredients and quantities used in compounding process.

Prescriptions for compound creams must list all medications included and must be filled by a compounding pharmacy.

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## U.S. Department of Labor

- **Reimbursement:** Bifurcated compound reimbursement for DFEC – compounds with three or less ingredients = AWP - 50% of each NDC of compound; compounds with four or more ingredients = AWP - 70% of each NDC in compound.
- **Prior authorization:** All compounded products will require prior authorization through the FECA program.
- **Restrictions:** OWCP/ACS payer sheets specify certain compound-related fields required to be billed (NDCs, compound code/indicator, etc.)

DFEC: Initial Rx's for compounds should be for period not greater than 90 days; initial Rx's for periods greater than 90 days may be subject to further review for medical necessity; DFEC requires compounds to have a completed/approved LMN on file for Rx authorizations submitted (injured worker's treating physician to complete); authorizations for compounds limited to max of 90 days, with initial fills and refills issued in 30-day supplies.

**DEEOIC + DCMWC reimbursement:** Maximum reimbursement for compounds is AWP - 70% plus a \$4.00 dispensing fee.

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