

**AUG
2021**

COMPOUNDED MEDICATIONS

WORKERS' COMPENSATION STATE-BY-STATE RULES



LEGEND  **REIMBURSEMENT**  **PRIOR AUTHORIZATION**  **RESTRICTIONS**

As of August 2021, the following jurisdictions have NO specific workers' compensation rules expressly 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, West Virginia.



ALABAMA

-  Compounding fee for medications used to refill pain pump = \$212.78



ALASKA

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



ARIZONA

-  Bill must identify reimbursable 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

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

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 days); or reimbursement value of the compounded medication calculated under fee schedule



ARKANSAS

- For date of injury (DOI) on/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

- (\$) Compounded medications billed using NDC of each ingredient (ingredients with no NDC not separately reimbursable)
 - MTUS Drug Formulary requires authorization thru prospective review for compounded medications
 - (X) Reimbursement for physician-dispensed compounded medications not to exceed 300% of documented paid costs, but in no case greater than \$20 above documented paid cost
- Reimbursement for physician-dispensed over the counters not to exceed: fee schedule or compound methodology (as applicable), 120% of documented paid cost, or 100% of documented paid cost + \$250



COLORADO

- (\$) 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 required for medications "not recommended" in the CO DWC Medical Treatment Guidelines for a particular diagnosis
- (X) 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 30-day maximum fee schedule value shall be fractioned down to prescribed/dispensed amount given

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 individual line items 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

- \$ 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
- ✓ 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
- ✗ Compounding permitted when prescribed formulation not commercially available

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



GEORGIA

- \$ Reimbursement shall only be considered for preparations that contain not less than 1, nor greater than 3 active ingredient(s); Active ingredient(s) must be FDA approved

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
- ✗ Compounded medications shall be billed by the compounding pharmacy



HAWAII

- \$ Payment for compounded prescription medications = the sum of 140% of AWP by gram weight of each underlying medication; AWP shall be that set by the original manufacturer



IDAHO

-  Compounds reimbursed at sum of AWP of each medication included in compound + \$5 dispensing fee & \$2 compounding fee
-  Components of compounded medications without NDC may require medical necessity confirmation by treating physician prior to reimbursement
-  Physicians not reimbursed a dispensing fee or compounding fee
All components of compounded medications require NDC of original manufacturer



INDIANA

-  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

-  Compounded medications reimbursed same as pharmacies - based on original manufacturer NDC
-  Compounded medications and physician dispensed medications shall only be dispensed on prior approval of employer/carrier



KENTUCKY

-  AWP of physician dispensed compounded medication is determined using the NDC of the original product from the manufacturer
-  State Drug Formulary requires preauthorization for compounded medications
-  Dispensing physician shall include NDC from original manufacturer with invoice; Invoices that do not include NDC of original product may be returned to physician as incomplete



LOUISIANA

- \$ Compound prescriptions paid utilizing same reimbursement formula as generics
- ✓ Prior authorization requirement for certain compounds/topicals not recommended by the state specific treatment guidelines
- ✗ Write "COMPOUND RX" directly above RX field# on medication claim form



MASSACHUSETTS

- \$ 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

- \$ Topical compounds billed using specific amount of each component medication and original manufacturer's NDC; Reimbursement = maximum of AWP -10% of 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)
- ✗ 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



NEW MEXICO

-  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
-  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

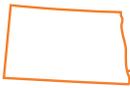


NEW YORK

-  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
-  PA 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 drugs.

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

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



OHIO

- For compounded prescription medication, 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
 Maximum product cost component reimbursement for any one non-sterile compounded prescription for self-insured employer claims = \$400 (\$100 for state fund claims)
 Dispense fee for non-sterile = \$18.75
 Dispense fee for sterile = \$37.50
- For state fund, approval for reimbursement of non-sterile compounded prescriptions limited to an initial period of 30 days with subsequent approvals contingent upon commercial product availability
 For state fund, prior authorization may be required for compounded sterile drug products
- For state fund claims, reimbursement for non-sterile compounded prescriptions will be denied, except when a commercially available formulary product becomes unavailable



OKLAHOMA

- Compounded medications equals Sum of allowable fee for each ingredient + single \$5 dispense fee per prescription (ingredients without NDC not reimbursed)
- Medications excluded from closed formulary, which include compounded medications, require prior authorization
- Compounded medications required to be billed by compounding pharmacy
 Compound bills require listing each ingredient, corresponding NDC and quantity



OREGON

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



RHODE ISLAND

- \$ 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
- X Any ingredient lacking a valid and recognized NDC shall not be reimbursed
 In no instances should reimbursement for topical compounds exceed \$500 per prescription (\$500 fee provides 30-day supply)
 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



SOUTH CAROLINA

- \$ Payment for compounded prescription drugs shall be the sum of the AWP by gram weight for each ingredient, + a single \$5 dispensing fee
- ✓ Compounded medication must be preauthorized for each dispensing
- X All medications must be reasonable and medically necessary to cure and relieve the injured worker from effects of the injury
 Any compounded drug 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

- Drug formulary adopted which excludes ODG "N" drugs, compounds, topicals and investigational/experimental drug, which will all require prior approval
 - 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
- All bills must include NDC of original manufacturer registered with FDA or its authorized distributor's stock package used in repackaging/compounding



TEXAS

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



WASHINGTON

- Compound reimbursement: Allowed cost of ingredients + \$4.50 professional fee + \$4 compounding time fee (per 15 minutes); Must be billed with NDC for each ingredient
- Compounded medications require Prior Authorization
- Only compounding time required to be separated out on bill



WYOMING



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



Pharmacists/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



US DEPARTMENT OF LABOR



Bifurcated compound reimbursement for DFEC: Compounds with 3 or less ingredients = AWP - 50% of each NDC in compound; Compounds with 4 or more ingredients = AWP - 70% of each NDC in compound



OWCP/ACS payer sheets specify certain compound-related fields required to be billed (NDCs, compound code/indicator, etc.)

Compounds over \$1,000 to be billed on paper & at ingredient level

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 auth's submitted (IW's treating physician to complete); Authorizations for compounds limited to max of 90 days, with initial fills & refills issued in 30-day supplies



DISCLAIMER

The information contained within this document is not to be used for legal advice. Review the actual statutes, regulations and case law prior to making decisions.

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