

# Compounded medications

## Workers' compensation state-by-state rules

As of February 2023, 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 = \$221.93



### 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



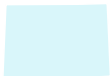
## Arkansas

- **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

- **Reimbursement:** 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-counter not to exceed: fee schedule or compound methodology (as applicable), 120% of documented paid cost, or 100% of documented paid cost + \$250
- **Prior authorization:** MTUS Drug Formulary requires authorization through prospective review for compounded medications
- **Restrictions:** Compounded medications billed using NDC of each ingredient (ingredients with no NDC not separately reimbursable)



## 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
- **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

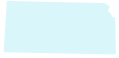
- **Reimbursement:** Compounds reimbursed at sum of AWP of each medication included in compound + \$5 dispensing fee and \$2 compounding fee
- **Prior authorization:** Components of compounded medications without NDC may require medical necessity confirmation by treating physician prior to reimbursement
- **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

- **Reimbursement:** Compounded medications billed listing each individual component ingredient and NDCs as assigned by original manufacturer — calculating charge for each ingredient separately based on their AWP; payment = sum of AWP fee for each ingredient + a single \$5 dispense fee  
Reimbursement for compound topical medications additionally limited to max total reimbursement of \$300 for a max of 120 grams/month (pro-rate if less amount)
- **Prior authorization:** Prior authorization (pre-certification) and medical documentation required for any additional quantity of a compound topical medication greater than this 120 grams/month
- **Restrictions:** Combined medications - the entity packaging two or less products together must bill products as individual line items identified by their original AWP and NDC (used to determine ingredient reimbursement); supplies are considered integral to the package and not separately reimbursed  
Ingredients without NDC not reimbursed



## 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



## 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)



## 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

- **Reimbursement:** 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

- **Prior authorization:** 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

- **Restrictions:** For state fund claims, reimbursement for non-sterile compounded prescriptions will be denied, except when a commercially available formulary product becomes unavailable



## 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



## 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



## 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

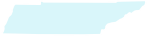
Any compounded medication product billed by compounding pharmacy or dispensing physician shall be identified at ingredient level and corresponding quantity by original manufacturer's NDC when submitted for reimbursement

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



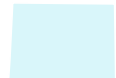
## Texas

- **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

## 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

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### About Optum Workers' Compensation and Auto No-Fault Solutions

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