PHARMACEUTICAL FEE SCHEDULE

I. GENERAL PROVISIONS AND APPLICABILITY OF THE PHARMACEUTICAL FEE SCHEDULE.

A. The Pharmaceutical Fee Schedule (PFS) applies to prescription and over-the-counter (OTC) medications required to treat an injured employee, whether dispensed by a pharmacy (including online or mail order pharmacies) or by a medical practitioner.

B. Medications are not reimbursable unless "reasonably required" at the time of injury or during the period of disability. *See* A.R.S. § 23-1062(A); A.A.C. R20-5-1303(A). The Industrial Commission of Arizona has adopted the Official Disability Guidelines (ODG), including ODG's Drug Formulary Appendix A (ODG Formulary), as the standard reference for evidence-based medicine used in treating injured employees within the context of Arizona's workers' compensation system. Effective October 1, 2018, ODG applies to all body parts and conditions. *See* A.A.C. R20-5-1301(B), (E). ODG is to be used as a tool to support clinical decision making and quality health care delivery to injured employees. The ODG Formulary sets forth pharmaceutical guidelines that are generally considered reasonable and are presumed correct if the guidelines provide recommendations related to a particular medication. *See* A.A.C. R20-5-1301(H). Medical practitioners are encouraged to consult the ODG Formulary before dispensing or prescribing medications to injured employees.

C. Generic drugs must be dispensed to injured employees when appropriate, consistent with A.R.S. § 32-1963.01(A),[1] (B), and (D) through (L).[2] *See* A.R.S. § 23-908(C). For purposes of this subsection, the definitions in A.R.S. § 32-1963.01(L) apply.[3] As a cost reducing measure, medical practitioners should prescribe less costly drugs whenever possible.

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[1] A.R.S. § 32-1963.01(A) states: "If a medical practitioner prescribes a brand name drug and does not indicate an intent to prevent substitution as prescribed in subsection E of this section, a pharmacist may fill the prescription with a generic equivalent drug."

[2] A.R.S. § 32-1963.01(E) states: "A prescription generated in this state must be dispensed as written only if the prescriber writes or clearly displays 'DAW', 'dispense as written', 'do not substitute' or 'medically necessary' or any statement by the prescriber that clearly indicates an intent to prevent substitution on the face of the prescription form. A prescription from out of state or from agencies of the United States government must be dispensed as written only if the prescriber writes or clearly displays 'do not substitute', 'dispense as written' or 'medically necessary' or any statement by the prescriber that clearly indicates an intent to prevent substitution on the face of the prescription form."

[3] A.R.S. § 32-1963.01(L) states, in part:

2. "Brand name drug" means a drug with a proprietary name assigned to it by the manufacturer or distributor.

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4. "Generic equivalent" or "generically equivalent" means a drug that has an identical amount of the same active chemical ingredients in the same dosage form, that meets applicable standards of strength, quality and purity according to the United States pharmacopeia or other nationally recognized compendium and that, if administered in the same amounts, will provide comparable therapeutic effects. Generic equivalent or generically equivalent does not include a drug that is listed by the United States food and drug administration as having unresolved bioequivalence concerns according to the administration's most recent publication of approved drug products with therapeutic equivalence evaluations.

II. DEFINITIONS.

A. “Administer” has the meaning set forth in A.R.S. 32-1901(1).

B. “Average Wholesale Price” or “AWP” means the wholesale price charged on a specific commodity that is assigned by the drug manufacturer and is listed in a nationally-recognized drug pricing file.

C. “Commercially available” means a drug product is widely available for purchase in pharmacies accessible to the general public, including in brick and mortar pharmacies accessible to the general public.

D. “Compound medication” means a pharmaceutical product created by virtue of mixing or combining drugs and/or components to meet the unique needs of an individual patient when the finished product does not recreate a commercially-available product.

E. “Dispense” or “dispensing” means to deliver to an ultimate user by or pursuant to the lawful order of a medical practitioner, including the prescribing, administering, packaging, labeling, or compounding necessary to prepare for that delivery. *See* A.R.S. § 32-1901(27).

F. "Drug" has the meaning set forth in A.R.S. § 32-1901(31).

G. ”Hospital" means any institution for the care and treatment of the sick and injured that is approved and licensed as a hospital by: (1) the Arizona Department of Health Services; or (2) an equivalent regulatory agency in another U.S. state, territory, or district. See A.R.S. § 32-1901(42).

H. "Medical practitioner" means any person who is permitted/licensed and authorized by law to use and prescribe prescription medications, acting within the scope of such authority, for the treatment of sick and injured human beings or for the diagnosis or prevention of sickness in human beings in the State of Arizona or any U.S. state, territory or district. *See* A.R.S. § 32-1901(53).

I. “Non-traditional strength” medication means a finished drug product in a strength (*i.e.* dosage) that is not commercially available in pharmacies accessible to the general public.

J. “Over-the-counter medication” or “OTC medication” means a finished drug product, including label and container according to context, that does not require a prescription order.

K. "Pharmacy" has the meaning set forth in A.R.S. § 32-1901(71).

L. “Pharmacy accessible to the general public” means a pharmacy that is readily accessible and provides pharmaceutical services (including prescription medication services) to all segments of the general public without restricting services to a defined or exclusive group of consumers who have access to services because they are treated by or have an affiliation with a specific entity or medical practitioner.

M. “Pharmacy not accessible to the general public” means a pharmacy that provides services only to a defined or exclusive group of consumers who have access to pharmaceutical services (including prescription medication services) because they are treated by or have an affiliation with a specific entity or medical practitioner. “Pharmacy not accessible to the general public” does not include a hospital pharmacy.

N. “Prescription” means either a prescription order or a prescription medication. *See* A.R.S. § 32-1901(80).

O. "Prescription medication” means any drug, including label and container according to context, that is dispensed pursuant to a prescription order. *See* A.R.S. § 32-1901(81).

P. “Prescription order” shall have the meaning set forth in A.R.S. § 32-1901(84).

Q. “Repackaged medication” means a finished drug product removed from the container in which it was distributed by the original manufacturer and placed into a different container without further manipulation of the drug. The term also includes the act of placing the contents of multiple containers of the same finished drug product into one container. The term also includes “co-pack drug” products which contain two or more separate finished medications that are contained in a single package or unit. The term does not include a drug that is manipulated in any other way, including if the drug is reconstituted, diluted, mixed, or combined with another ingredient.

R. “Traditional strength” medication means a finished drug product in a formulation that is commercially available in pharmacies accessible to the general public.

S. "Ultimate user" means a person who lawfully possesses a prescription medication for that person's own use or for the use of a member of that person's household. *See* A.R.S. § 32-1901(95).

III. GENERAL GUIDELINES FOR BILLING AND REIMBURSEMENT OF PRESCRIPTION MEDICATIONS.

A. Except as permitted in Section VII of the current PFS, an insurance carrier, self-insured employer, or the Special Fund of the Commission is responsible for the payment of prescription medications only if all of the following apply:

1. The prescription medication is dispensed by an individual who is currently licensed to practice the profession of pharmacy by either: (i) the Arizona State Board of Pharmacy; or (ii) an equivalent regulatory agency in another U.S. state, territory, or district; and

2. The prescription medication is dispensed by a pharmacy accessible to the general public, including online or mail-order pharmacies that are accessible to the general public.

B. Reimbursement for prescription medications shall be based on the actual medication dispensed, including a substituted medication that is dispensed pursuant to A.R.S. § 32-1963.01.

C. Except as specified in Sections IV and V of the current PFS, a pharmaceutical bill submitted for a prescription medication must include the National Drug Code (NDC) of the original manufacturer registered with the U.S. Food & Drug Administration (FDA), the quantity dispensed, and the reimbursement value of the medication. Under no circumstance shall an NDC other than the original manufacturer's NDC be used.

D. The reimbursement value for prescription medications shall be based on the current PFS methodology in the absence of a contractual agreement between the pharmacy or medical practitioner and payer governing reimbursement. Network discounts may not be applied in the absence of a contractual agreement with the pharmacy or medical practitioner authorizing such discounts.

E. The reimbursement value for a prescription medication shall be based on a discount from the applicable AWP, as determined by reference to the original manufacturer's NDC. AWP shall be determined on the date a drug is dispensed from pricing published in the most recent issue, as updated in the most recent update, of a nationally-recognized pharmaceutical publication designated by the Commission. For purposes of determining AWP, the Commission has selected Medi-span for the 2019/2020 PFS.

F. The reimbursement value for a prescription medication shall be calculated on a per unit basis based on the applicable AWP per unit and the following methodology:

1. Generic drugs: (85% of AWP per unit) x (number of units dispensed).

2. Brand name drugs: (85% of AWP per unit) x (number of units dispensed).

G. Reimbursement for non-traditional strength prescription medications shall be calculated on a per unit basis, as of the date of dispensing, based on the original manufacturer's NDC and corresponding AWP of the most therapeutically-similar traditional strength form of the same medication. Under no circumstance shall the NDC of the non-traditional strength medication be used.

IV. BILLING AND REIMBURSEMENT FOR REPACKAGED MEDICATIONS.

A. A pharmaceutical bill submitted for a repackaged medication must identify the NDC of the repackaged medication, the NDC of the original manufacturer registered with the U.S. FDA, the quantity dispensed, and the reimbursement value of the repackaged medication. Under no circumstances shall the reimbursement value of a repackaged medication be based upon an NDC other than the original manufacturer's NDC. A repackaged NDC shall not be used for calculating the reimbursement value of a repackaged medication and shall not be considered the original manufacturer's NDC.

B. If a pharmaceutical bill for a repackaged medication is submitted without the original manufacturer's NDC, the payer has the discretion to determine the appropriate NDC (and

corresponding AWP) to use or, alternatively, may deny coverage until the appropriate NDC is furnished.

C. The reimbursement value for a repackaged medication shall be based on the current PFS reimbursement methodology contained in Section III of the PFS, utilizing the NDC(s) and corresponding AWP(s) of the original manufacturer(s).

D. Any component of a co-pack drug product for which there is no NDC shall not be reimbursed.

V. BILLING AND REIMBURSEMENT FOR COMPOUND MEDICATIONS.

A. A pharmaceutical bill submitted for a compound medication must identify each reimbursable component ingredient, the applicable NDC of each reimbursable component ingredient, the corresponding quantity of each component ingredient, and the calculated reimbursement value of each component ingredient. All component ingredients of a compound medication must be billed on a single bill.

B. The reimbursement value for a compound medication shall be calculated at the component ingredient level. The reimbursement value for a compound medication shall be based on the sum of the reimbursement values of each component ingredient and the corresponding component ingredient's NDC, based on the current PFS reimbursement methodology set forth in Section III.

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

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

E. If any component ingredient in a compound medication is a repackaged medication, the reimbursement value for the repackaged medication ingredient shall be determined based on the current PFS reimbursement methodology set forth in Section III, using the AWP corresponding to the NDC of the original manufacturer. *See* Section IV.

F. The maximum reimbursement value for a topical compound medication shall be the lesser of: (1) two hundred ($200) for a thirty-day supply (or a pro-rated amount if the supply is greater or less than thirty days); or (2) the reimbursement value of the compound medication calculated under this section.

VI. BILLING AND REIMBURSEMENT FOR MEDICATIONS ADMINISTERED BY A MEDICAL PRACTITIONER.

A. A pharmaceutical bill submitted for a medication administered by a medical practitioner must comply with billing procedures outlined in Sections III, IV, and V of the current PFS, as applicable.

B. The reimbursement value for a medication administered by a medical practitioner shall be based on the current PFS reimbursement methodology contained in Sections III, IV, and V of the PFS, as applicable.

VII. REIMBURSEMENT FOR MEDICATIONS DISPENSED BY A MEDICAL PRACTITIONER OR IN A PHARMACY NOT ACCESSIBLE TO THE GENERAL PUBLIC.[4,5]

A. An insurance carrier, self-insured employer, or the Special Fund of the Commission is responsible for the payment of prescription medications that are dispensed by a medical practitioner or in a pharmacy not accessible to the general public if all of the following apply:

1. The prescription medication is dispensed by a medical practitioner to the injured employee within seven days of the date of the industrial injury;
2. The prescription medication is limited to no more than a one-time, ten-day supply;
3. The prescription medication conforms to dosages and formulations that are commercially available in pharmacies accessible to the general public.

B. An insurance carrier, self-insured employer, or the Special Fund of the Commission is responsible for the payment of prescription medications that are dispensed by a medical practitioner or in a pharmacy not accessible to the general public if all of the following apply:

1. The injured employee does not have access to a pharmacy accessible to the general public within 20 miles of the injured employee's home address, work address, or the address of the prescribing medical practitioner;
2. The injured employee cannot reasonably acquire the prescription medication from an online or mail order pharmacy accessible to the general public; and
3. The prescription medication conforms to dosages and formulations which are commercially available in pharmacies accessible to the general public.

C. An insurance carrier, self-insured employer, or the Special Fund of the Commission is responsible for the payment of prescription medications that are dispensed by a medical practitioner or in a pharmacy not accessible to the general public if the dispensing of a prescription medication for an individual claim and specified duration has been preapproved in writing by the insurance carrier, self-insured employer, or the Special Fund of the Commission. Nothing in this section requires an insurance carrier, self-insured employer, or the Special Fund of the Commission to preapprove the dispensing of prescription medications under this subsection.

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[4] Dispensing pursuant to Section VII is subject to the Arizona Opioid Epidemic Act, which imposes statutory limits on the prescribing and dispensing of schedule II opioids. For more information about the Arizona Opioid Epidemic Act, please see the FAQs published by the Arizona State Board of Pharmacy, available at https://drive.google.com/file/d/1JCIs8VwtdJ1T-DyGfJN3WWUm4KhDMXe-/view.

[5] Section VII sets forth reimbursement guidelines for medications dispensed in settings that are not accessible to the general public in Arizona's worker's compensation system and does not interfere with a medical practitioner's ability to dispense medications pursuant to A.R.S. § 32-1491 or seek payment from sources unrelated to workers' compensation.

D. The guidelines in this section do not apply to prescription medications dispensed during in-patient hospital care or upon discharge from in-patient hospital care.

E. The reimbursement value for OTC medications dispensed by a medical practitioner or in a pharmacy not accessible to the general public shall be calculated on a per unit basis, as of the date of dispensing, based on the retail price (per unit) of the OTC medication in settings where the medication is commercially available.

F. The reimbursement value for OTC medications that are dispensed by a medical practitioner or in a pharmacy not accessible to the general public and that are not commercially available in pharmacies accessible to the general public shall be calculated on a per unit basis, as of the date of dispensing, based on the retail price (per unit) of the most therapeutically-similar OTC medication commercially available in pharmacies accessible to the general public. Under no circumstance shall the NDC or AWP of the non-commercially-available OTC medication be used.

G. Subject to the limitations in this section, medications that have been provided as free samples to a medical practitioner may be dispensed to an injured employee when appropriate, but are not reimbursable.

VIII. DISPENSING FEE.

A. If a prescription medication is dispensed by a pharmacy accessible to the general public pursuant to a prescription order, a dispensing fee of up to seven dollars ($7.00) per prescription medication, repackaged medication, or compound medication may be charged. The dispensing fee does not apply to OTC medications that are not prescribed by a medical practitioner.

B. If a prescription medication is dispensed by a medical practitioner or in a pharmacy not accessible to the general public pursuant to Section VII(A), (B), or (C), a dispensing fee of up to seven dollars ($7.00) per prescription medication, repackaged medication, or compound medication may be charged. If an OTC medication is dispensed by a medical practitioner or by a pharmacy not accessible to the general public, a dispensing fee is not permitted.

C. If a prescription or OTC medication is administered by a medical practitioner, a dispensing fee is not permitted.

IX. ADDITIONAL BILLING GUIDELINES.

A. Paper billing by a medical practitioner:

The following is an example of how to report both the repackaged NDC and original NDC on the CMS 1500 form using the shaded area of line 24. The information is reported in the following order: qualifier (N4), NDC code, one space, unit/basis of measurement qualifier, quantity, one space, ORIG, qualifier (N4), NDC code."

24. A. DATE(S) OF SERVICE From MM	DD	YY	To MM	DD	YY	B. PLACE OF SERVICE	C. EMG	D. PROCEDURES, SERVICES, OR SUPPLIES (Explain Unusual Circumstances) CPT/HCPCS	MODIFIER	E. DIAGNOSIS POINTER	F. $ CHARGES	G. DAYS OR UNITS	H. EPSDT Family Plan	I. ID. QUAL.	J. RENDERING PROVIDER ID. #
N455289047590 UN30 ORIGN400025152531													N	G2	12345678901
10	01	05	10	01	05	11		J3490		A	500	00 30	N	NPI	0123456789

If a physician does not bill using the CMS 1500 form, or is not able to include all the required information on the CMS 1500 form (due to software/system limitations), then the physician may provide the required information (in the required order) separately or as an attachment to the CMS 1500 form.

B. Paper billing by non-physician entities.

A non-physician entity using paper billing to bill for medications shall use the most recent version of the Workers' Compensation/Property & Casualty Universal claim Form (WC/PC UCF) adopted by the National Council for Prescription Drug Programs.

X. SEVERABILITY CLAUSE.

If any provision of Pharmaceutical Fee Schedule or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or application of the Pharmaceutical Fee Schedule which can be given effect without the invalid provisions or application, and to this end the provisions of this Pharmaceutical Fee Schedule are severable.