Ohio | Bureau of Workers' Compensation

2010 BWC Policy Alert

Managed Care Organization Policy Flash **August 2010**

Alert # 08-2010-02: Correct Coding of Compounded Drugs

Reference Policy:

Location:

Purpose: This BWC policy alert explains the proper coding of compounded drugs for billing purposes.

Issue: A compounded drug is a blend of drugs combined (compounded) by a pharmacist or physician. These medications contain pharmaceuticals in dosage forms and combinations that are not commercially available. Compounded medications do not have a National Drug Code (NDC) number, an average sale price or an average wholesale price.

The Healthcare Common Procedure Coding System (HCPCS) J codes for the individual drugs used in formulating the compounded medication do not accurately reflect the compounded drug. Do not submit the specific HCPCS J codes for the individual drugs used in the compounded formulation on provider bills. Billing with the HCPCS J codes for the individual drugs used on the compounded medication generally results in excessive reimbursement amounts and/or delayed reimbursement.

Providers must submit HCPCS code J3490 (unclassified drug) for reimbursement of compounded medication. Reimbursable costs include usual, customary and reasonable expenses for specific doses and volumes of drugs and diluents used to prepare the compound as well as prorated expenses for acquisition of drugs (i.e., mailing, storage). When requested by an MCO or BWC, providers are required to provide an invoice of itemized costs to facilitate proper bill processing. This invoice must include the NDC number for all drugs and diluents used to prepare the final compound. Reimbursement for compounded drugs is negotiated. The reimbursement amount provided by BWC, typically, should not be greater than 120 percent of the provider's actual cost of the compounded medication per the itemized invoice and any documented prorated expenses.