

## PHARMACEUTICAL FEE SCHEDULE

### A. GENERAL PROVISIONS AND APPLICABILITY OF PHARMACEUTICAL FEE SCHEDULE.

1. The Pharmaceutical Fee Schedule (PFS) applies to prescription medicines (drug/drugs) required to treat an injured employee. Prescription medication is defined under A.R.S. § 32-1901(74) to mean “any drug, including label and container according to context, that is dispensed pursuant to a prescription order.”
2. The PFS applies to drugs that are dispensed by a pharmacy or dispensed by a physician.
3. The PFS applies to over-the-counter medication (OTC) that is dispensed pursuant to a prescription order. The PFS does not apply to OTC medication that is not dispensed pursuant to a prescription order.
4. Generic drugs shall be dispensed to injured employees when they are available and as provided in A.R.S. § 32-1963.01, subsections A and C through J.<sup>1</sup> For purposes of this Section, the definitions found in A.R.S. § 32-1963.01 apply.<sup>2</sup>
5. As another cost reducing measure, the Commission is asking the medical community to voluntarily prescribe less costly drugs whenever possible.

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<sup>1</sup> Arizona Revised Statute § 23-908(C) states, in part, that if the schedule of fees for prescription medicines includes provisions regarding the use of generic equivalent drugs, those provisions shall comply with section 32-1963.01, subsections A and C through J.

<sup>2</sup> Subsection J of A.R.S. § 32-1963.01 provides, in part, as follows:

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

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3. "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 federal 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.

## **B. REIMBURSEMENT FOR PHARMACEUTICALS.**

1. Reimbursement for prescription medicines shall be based on the medication dispensed, including a brand name drug that is dispensed as provided in A.R.S. § 32-1963.01.<sup>3</sup>
2. Reimbursement for prescription drugs shall be based on this fee schedule in the absence of a contractual agreement between the pharmacy and payer governing reimbursement. Network discounts may not be applied in the absence of a contractual agreement with the pharmacy authorizing such discounts.
3. Reimbursement for prescription medicines shall be based on a discount from “average wholesale price” (AWP). Average wholesale price is the AWP established by a wholesaler that sells that brand name or generic drug to a pharmacy. For a repackaged or compounded drug, this would be the AWP of the underlying drug product used in the repackaging or compounding. If information pertaining to the original labeler of the underlying drug product is not provided or unknown, then discretion is vested in the payer to select the AWP to use (as published in the nationally recognized pharmaceutical publication designated by the Commission) when making payment for the repackaged or compounded drug. For purposes of this Section, AWP shall be determined as follows:
  - a. Except as provided below (in this subsection), 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.
  - b. An entity responsible for payment of prescription drugs may select the following as an alternative to the foregoing if the selection is made no later than October 1<sup>st</sup> of each year. This selection shall be communicated in writing to the Commission and remain in effect until the following October 1<sup>st</sup>: AWP shall be determined on the date a drug is dispensed from pricing published in the most recent issue, as updated quarterly, of the publication designated by the Commission. For purposes of this paragraph, quarterly means the first day of the month on January, April, July and October.

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<sup>3</sup> Subsection A of A.R.S. § 32-1963.01 provides: “If a medical practitioner prescribes a brand name drug and does not indicate an intent to prevent substitution as prescribed in subsection D of this section, a pharmacist may fill the prescription with a generic equivalent drug.” Subsection D of A.R.S. § 32-1963.01 provides: “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”, “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.”

4. Effective October 1, 2016 the *Official Disability Guidelines* (ODG) will apply to compound medications that are prescribed for the management of chronic pain.
5. The Commission shall post on its website at <http://www.azica.gov/> (under the fee schedule link of its home page) the name of the nationally recognized pharmaceutical publication designated by the Commission to determine AWP. The Commission has selected Medi-span for the 2016/2017 Fee Schedule.
6. Reimbursement for prescription medicines shall be based the following formulas:
  - a. Generic drugs: 15% discount from the average wholesale price.
  - b. Brand name drugs: 5% discount from the average wholesale price.

#### **C. DISPENSING FEE.**

1. Whether dispensed by a pharmacy or dispensed by a physician, the dispensing fee per prescription shall be seven dollars (\$7.00).
2. This dispensing fee applies only to drugs, including OTC drugs that are dispensed pursuant to a prescription order. This dispensing fee does not apply to OTC drugs that are not prescribed by a physician.

#### **D. BILLING FOR PHARMACEUTICALS.**

1. A billing for an injectable drug shall identify the drug given through the use of an accepted industry identifier, such as the applicable NDC code.
2. A billing for a physician dispensed repackaged drug shall include the National Drug Code (NDC) of the repackaged drug and the NDC of the original manufacturer.
3. A billing for a compound drug shall include the NDC for each underlying ingredient used in the compound.
4. Paper billing by a Physician:
  - a. A physician using paper billing (including the CMS 1500 form) to bill for a physician dispensed drug shall list the repackaged NDC first, followed by the original manufacturer NDC, along with appropriate qualifiers and units.

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

b. 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.

5. Paper billing by non-physician entities.

A non-physician entity using paper billing to bill for pharmaceuticals, 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.