

## LEGEND DRUGS AND INSULIN

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### I. APPLICABILITY

This policy is mandatory for reimbursement of services provided by either network or non-network providers. However, alternative network reimbursement methodologies are permitted when approved by TMA and specifically included in the network provider agreement.

### II. ISSUE

How are legend drugs and insulin to be reimbursed?

### III. POLICY

A. Pricing of legend drugs (those drugs that require a prescription by law) and insulin will depend on the claimant: beneficiary (consolidated drug claim) or provider (vendor pharmacy or physician).

B. For beneficiary submitted claims, reimbursement is to be based on the billed charge. For vendor pharmacy (participating provider) submitted claims, the allowable charge for outpatient prescription drugs paid to a vendor pharmacy will be the acquisition cost (taking into account the strength, quantity, and generic/nongeneric status) plus a flat amount determined by the contractor for each prescription. This fixed fee does not apply to insulin. The acquisition cost should include the sales tax.

C. The acquisition cost of drugs for participating providers, i.e., vendor pharmacies, physicians, etc., is to be determined from the Drug Topics Blue Book, which lists the wholesale price. In all cases the contractor is to use the latest annual edition of the Blue Book as well as the monthly updates.

D. Allergy preparations are custom made in a laboratory and are not considered prescription drugs. Since the cost of these allergy preparations are not found in the Drug Topics Blue Book, reimbursement will be based on the allowable charge methodology. The prevailing will include both the cost of the drug and the administrative fee. An allowance of a separate additional charge for an "office visit" would not be warranted where the services rendered did not really constitute a regular office visit.

TRICARE REIMBURSEMENT MANUAL 6010.55-M, AUGUST 1, 2002

CHAPTER 1, SECTION 15

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E. The Centers for Medicare and Medicaid Services Common Procedure Coding System, National Level II Medicare "J" codes are to be priced using the following. Drugs administered other than oral method, which would include chemotherapy drugs, are to be priced as follows:

1. The TRICARE contractor is to use the Medicare policy which is 95 percent of the median Average Wholesale Price (AWP). The median AWP is defined as the lesser of the median AWP of the generic forms or the lowest price brand name within a "J" code definition. This could be done in two ways:

Contractors are to use the "J" code pricing list developed by BCBS of Arkansas (<http://www.arkmedicare.com>) until further notification. This is a complete listing of injections allowed amounts which is both printable (including date of last update). It can be downloaded as a data file which could be put into a software program or spreadsheet.

2. For pricing of drugs that do not appear on the Medicare "J" code pricing list, the TRICARE contractor is to use 95 percent of the median AWP.

F. A separate payment shall be made for the compounding fees associated with home infusion drugs and biologicals.

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