Washington State Department of Labor & Industries

Payment Policies for Healthcare Services

Provided to Injured Workers and Crime Victims

Chapter 24: Pharmacy Services

Effective July 1, 2024

Link: Look for possible **updates and corrections** to these payment policies on L&I's website.

Table of Contents

Definitions

The following terms are utilized in this chapter and are defined as follows:

General

Average wholesale price (AWP): A pharmacy reimbursement formula by which the pharmacist is reimbursed for the cost of the product plus a mark-up. The AWP is an industry benchmark, which is developed independently by companies that specifically monitor drug pricing.

Initial prescription drug or "first fill": Any drug prescribed for an alleged industrial injury or occupational disease during the initial visit.

Initial visit: The first visit to a healthcare provider during which the Report of Accident (Workplace Injury, Accident or Occupational Disease) is completed and the worker files a claim for workers' compensation.

Preferred drug list (PDL)

Preferred drug list (PDL): Washington preferred drug list or "WPDL" is the list of drugs selected by the appointing authority to be used by applicable state agencies as the basis for the purchase of drugs in state purchased healthcare programs.

The following terms defined related to the PDL are utilized in this chapter:

Endorsing practitioner: A practitioner who has notified the health care authority that he or she has agreed to allow therapeutic interchange.

Preferred drug: A drug selected by the appointing authority for inclusion in the Washington preferred drug list and designated for coverage by applicable state agencies or a drug selected for coverage by applicable state agencies.

Refill: The continuation of therapy with the same drug including the renewal of a previous prescription or adjustments in dosage.

Therapeutic alternative: Drug products of different chemical structure within the same pharmacologic or therapeutic class and that are expected to have similar therapeutic effects and safety profiles when administered in therapeutically equivalent doses.

Therapeutic interchange: To dispense a preferred drug in place of a prescribed nonpreferred drug within the same therapeutic class listed on the Washington preferred drug list.

Wrap around formulary: The formulary the department uses for the drug classes that aren't part of the PDL but are part of the department's allowed drug benefit.

Note: Also see WAC 296-20-01002 for the above definitions.

Payment policy: All pharmacy services

Services that can be billed

The Outpatient Drug Formulary is a list of therapeutic classes and drugs that are covered under L&I's drug benefit. L&I uses a subset of the Washington State PDL and a wrap-around formulary for the remaining drug classes. Drugs or therapeutic classes listed on the formulary do not guarantee coverage and may be subject to specific L&I policy and determination of appropriateness for the accepted conditions.

Links: The Drug Lookup tool gives current coverage status for all non-injectable drugs, as well as a list of formulary alternatives and links to coverage policies, when applicable.

The outpatient formulary can be found online.

L&I's website has a list of policies relating to drug coverage, including limitations, criteria for coverage and treatment guidelines.

Prior authorization

If a drug requires prior authorization but approval isn't obtained before filling the prescription, the drug won't be covered by the insurer.

Non-preferred drugs

To obtain authorization for non-preferred drugs:

If the **non-preferred drug** is part of the…	And you are a **PDL endorsing provider**, then:	Or you are a **non-endorsing provider**, then:
Preferred drug list	Change to the preferred drug *or* Write DAW for non-preferred drug.	Change to the preferred drug *or* For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.

If the **non-preferred drug** is part of the…	And you are a **PDL endorsing provider**, then:	Or you are a **non-endorsing provider**, then:
Wrap-around classes	Change to the preferred drug *or* For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.	Change to the preferred drug *or* For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.

Note: The PDL Hotline is open Monday through Friday 8:00 am to 5:00 pm (Pacific Time), and the toll free contact number is 1-888-443-6798.

Links: A list of Self-Insured Employers (SIEs)/TPAs is available online.

Filling prescriptions after hours

If a pharmacy receives a prescription for a non-preferred drug when authorization can't be obtained, the pharmacist may dispense an **emergency supply** of the drug by entering a value of 6 in the DAW field. An emergency supply is typically 72 hours for most drugs or up to 10 days for most antibiotics, depending on the pharmacist's judgment.

The insurer must authorize additional coverage for the non-preferred drug.

Who must perform pharmacy services to qualify for payment

The pharmacy services fee schedule applies to pharmacy providers only. It doesn't apply to medical providers administering drugs in the office. Please see Chapter 16: Medication Administration.

Requirements for writing prescriptions

Prescription forms

Orders for over the counter drugs or non-drug items must be dispensed pursuant to a prescription from an authorized prescriber for coverage consideration.

Recordkeeping for prescriptions

Records must be maintained for audit purposes for a minimum of 5 years.

Link: For more information on recordkeeping requirements, see WAC 296-20-02005.

Requirements for billing

NCPDP payer sheet, version D.0 and 5.1

For State Fund claims, L&I currently accepts versions D.0 and 5.1 of the NCPDP payer sheet to process prescriptions for payment in the point of service (POS) system.

POS hours:

- 6 a.m. to midnight Sunday through Friday.
- 6 a.m. to 10 p.m. on Saturday.

Link: The current version of the NCPDP payer sheet is available online.

Payment methods

Payment for drugs and medications, including all oral over the counter drugs, will be based on these pricing methods:

If the **drug type** is…	Then the **payment method** is:
Generic	AWP less 50% (+) **$4.50** professional fee
Single or multisource brand	AWP less 10% (+) **$4.50** professional fee
Brand with generic equivalent (dispense as written only)	AWP less 10% (+) **$4.50** professional fee
Compounded prescriptions	Allowed cost of ingredients (+) **$4.50** professional fee (+) **$4.00** compounding time fee (per 15 minutes)

Pricing details

Orders for over the counter non-oral drugs or nondrug items are priced on a 40% margin.

Prescription drugs and oral or topical over the counter medications are nontaxable.

No payment will be made for repackaged drugs.

Links: For more information on tax exemptions for sales of prescription drugs, see RCW 82.08.0281. For a definition of Average Wholesale Price (AWP), see WAC 296-20-01002.

Payment policy: Compound drugs

Prior authorization

All compounded drug products require prior authorization. Failure to seek authorization before compounding will risk non-payment of compounded products.

Compounded drug products include, but aren't limited to:

- Antibiotics for intravenous therapy,
- Pain cocktails for opioid weaning, and
- Topical preparations containing multiple active ingredients or any non-commercially available preparations.

Link: For more information, see L&I's coverage decision on compound drugs.

Services that aren't covered

Compounded topical preparations containing multiple active ingredients aren't covered. There are many commercially available, FDA-approved alternatives, such as oral generic non-steroidal anti-inflammatory drugs, muscle relaxants, tricyclic antidepressants, gabapentin and topical salicylate and capsaicin creams on the Outpatient Drug Formulary.

Requirements for billing

Compounded drug products must be billed by pharmacy providers on the Statement for Compound Prescription with national drug code (NDCs or UPCs if no NDC is available) for each ingredient. No separate payment will be made for this service:

- **99070** (Supplies and materials)

Payment policy: Emergency contraceptives and pharmacist counseling

Coverage policy

The insurer covers emergency contraceptive pills (ECPs) and associated pharmacist counseling services when **all** of the following conditions are met:

- A valid claim for rape in the workplace is established with the insurer, *and*
- The ECP and/or counseling service is sought by the worker, *and*
- The claim manager authorizes payment for the ECP and/or the counseling, *and*
- The pharmacist is approved by the Department of Health Board of Pharmacy to follow this particular protocol.

Requirements for billing

Once the Coverage policy conditions listed above have been met, the dispensed medication must be billed with the appropriate NDC and the counseling service with HCPCS code **S9445**.

Payment policy: Endorsing practitioner and Therapeutic Interchange Program

Requirements for writing prescriptions

Endorsing practitioners may indicate “dispense as written” or DAW on a prescription for a non-preferred drug on the PDL, and the prescription will be filled as written.

Alternatively, if an endorsing practitioner indicates “substitution permitted” on a prescription for a non-preferred drug on the PDL:

- The pharmacist will interchange a preferred drug for the non-preferred drug, *and*
- A notification will be sent to the prescriber.

Additional information: When therapeutic interchange won’t occur

Therapeutic interchange won’t occur if the endorsing practitioner indicates “dispense as written” on the non-preferred prescription; if the prescription is a refill of:

- An antipsychotic,
- An antidepressant,
- An antiepileptic,
- Chemotherapy,
- An antiretroviral,
- Immunosuppressive drug,
- Immunomodulator/antiviral treatment for hepatitis,
- If the pharmacy and therapeutics committee has determined therapeutic interchange isn’t clinically appropriate for a specific drug or drug class on the Washington preferred drug list, *or*
- If the prescription is for a schedule II controlled substance.

Link: For exception criteria, see L&I’s website.

Payment policy: Infusion therapy

Prior authorization

Regardless of who is providing services, prior authorization is required for:

- Home infusion nurse services, *and*
- Drugs, *and*
- Any infusion supplies.

The insurer will only pay for proper and necessary services required to address physical restrictions caused by the industrial injury or disease.

Home infusion services can be authorized independently or in conjunction with home health services.

Home infusion skilled nurse services will only be authorized when infusion therapy is approved as treatment for the workers' allowed industrial condition.

Who must perform these services to qualify for payment

Home infusion nurse services

Skilled nurses contracted by the home infusion service provide infusion therapy as well as:

- Education of the worker and family,
- Evaluation and management of the infusion therapy, *and*
- Care for the infusion site.

Drugs

Drugs for outpatient use, including infusion therapy drugs, must be billed by pharmacy providers, either electronically through the point-of-service (POS) system or on appropriate pharmacy forms (Statement for Pharmacy Services, Statement for Compound Prescription or Statement for Miscellaneous Services) with national drug codes (NDCs or UPCs if no NDC is available).

Note: Total parenteral and enteral nutrition products are exceptions and may be billed by home health providers using the appropriate HCPCS codes.

Equipment and supplies

Durable medical equipment (DME) providers may bill for equipment and supplies required to provide authorized IV infusion therapy under their L&I DME provider account numbers.

If rental or purchase of an infusion pump is medically necessary to treat a patient in the home, refer to the payment policy for “Home infusion services” in Chapter 11: Home Health Services for more information.

Links: For information on home infusion therapy in general, see the Home infusion services section of Chapter 11: Home Health Services.

Billing instructions for non-pharmacy providers are detailed in the Payment policy for Injectable medications in Chapter 16: Medication Administration and Injections.

Payment policy: Initial prescription drugs or "first fills" for State Fund claims

Payment methods

L&I will pay pharmacies or reimburse workers for prescription drugs prescribed during the initial visit for State Fund claims regardless of claim acceptance.

Payment for "first fills" will be based on L&I's fee schedule including but not limited to:

- Drug utilization review (DUR) criteria, *and*
- Preferred drug list (PDL) provisions, *and*
- Supply limit, *and*
- Formulary status.

Links: For definitions of "initial prescription drug" and "initial visit," see WAC 296-20-01002.

For billing and payment for initial prescription drugs information, see WAC 296-20-17004.

Requirements for billing

Your bill must be received by L&I within 1 year of the date of service.

For non-state fund claims, pharmacies should bill the appropriate federal or self-insured employer. If a payment is made by L&I on a claim that has been mistakenly filed as a State Fund claim, payment will be recovered.

Link: For additional information and billing instructions, visit the Pharmacy Services website.

A list of Self-Insured Employers (SIEs)/TPAs is available online.

Payment limits

L&I won't pay:

- For refills of the initial prescription before the claim is accepted, *or*
- For a new prescription written after the initial visit but before the claim is accepted, *or*
- If it is a federal or self-insured claim.

Payment policy: Opioids

Coverage policy

When treating an acute injury, generic short-acting opioids will be covered without authorization for up to 6 weeks from the date of injury.

Prior authorization

Providers must seek authorization from the insurer for opioid coverage beyond the acute phase of the injury (>6 weeks). Coverage will depend on documented use of specific best practices.

For post-surgical pain medication, contact the insurer so that post-surgical opioids can be authorized.

Link: For more information, see the department's opioid policy.

Services that aren't covered

Long-acting opioids (such as OxyContin, MS ER, MS Contin, methadone, Opana ER) aren't covered for acute post-injury or post-surgical pain.

Requirements for billing

The number of days' supply of opioids prescribed for acute and subacute pain are subject to Department of Health rules.

Prescriptions for opioids from dental providers are limited to a maximum of a 3-day supply.

Prescriptions for chronic opioids are limited to a maximum of a 28-day supply.

Payment policy: Third party billing for pharmacy services

Requirements for billing

Pharmacy services billed through a third party pharmacy biller will be paid using the pharmacy fee schedule **only when**:

- A valid L&I claim exists, *and*
- The dispensing pharmacy has a signed Third Party Pharmacy Supplemental Provider Agreement on file at L&I, *and*
- All POS edits have been resolved during the dispensing episode by the dispensing pharmacy.

Pharmacy providers that bill through a third party pharmacy billing service must:

- Sign a Third Party Pharmacy Supplemental Provider Agreement, *and*
- Allow third party pharmacy billers to route bills on their behalf, *and*
- Agree to follow L&I rules, regulations and policies, *and*
- Ensure that third party pharmacy billers use L&I's online POS system, *and*
- Review and resolve all online POS system edits using a licensed pharmacist during the dispensing episode.

Payment limits

Third party pharmacy billers **can't resolve** POS edits.

Additional information: Third Party Pharmacy Supplemental Agreements

Third Party Pharmacy Supplemental Agreements can be obtained either:

- Through the third party pharmacy biller, *or*
- By contacting L&I's Provider Credentialing (see contact info, below).

The third party pharmacy biller and the pharmacy complete the agreement together and return it to L&I.

Links: To contact L&I's Provider Credentialing, email PACMail@Lni.Wa.gov.

For more information about these agreements, refer to the Pharmacy Services website.

Links to related topics

If you're looking for more information about…	Then see…
Administrative rules for pharmacy services	Washington Administrative Code (WAC) 296-20-01002 WAC 296-20-17004 WAC 296-20-03014(6) WAC 296-20-1102 WAC 296-20-02005
Becoming an L&I provider	Become A Provider on L&I's website
Billing instructions and forms	Chapter 2: Information for All Providers
Drug coverage policies	Drug coverage policies on L&I's website
PDL	Drug Formulary
Endorsing the PDL	Online registration through the Health Care Authority WA State Endorsing Practitioner Customer Service: 1-877-255-4637
Fee schedules for all healthcare facility services (including ASCs)	Fee schedules on L&I's website
NCPDP payer sheet current version	NCPDP payer sheet
Opioid Policy	L&I's opioid policy
Outpatient formulary	Outpatient formulary
PDL Hotline	Open Monday through Friday, 8:00 am to 5:00 pm (Pacific Time): 1-888-443-6798
Therapeutic Interchange Program exception criteria	Therapeutic Interchange Program

If you're looking for more information about…	Then see…
Third Party Pharmacy Supplemental Agreements	Third party pharmacy supplemental agreement form

Need more help?

Email L&I's Provider Hotline at PHL@Lni.wa.gov. If you would prefer a phone call, please email us your name and contact number.