Coding Policy **Policy and Procedure**		
SUBJECT: Coding Policy 97.0 Compound Medications Administered in Physician's Office	DEPARTMENT: Pharmacy	
ORIGINAL EFFECTIVE DATE: 06/06/16	DATE(S) REVIEWED/REVISED: 06/06/16, 01/01/18, 02/05/18, 01/01/19, 06/19, 10/19, 01/20, 01/21, 01/22	
APPROVED BY: Coding Policy Review Committee	NUMBER: **MC 97.0**	PAGE: **1 of 2**

SCOPE:
Providence Health Plan, Providence Health Assurance, Providence Plan Partners, and Ayin Health Solutions as applicable (referred to individually as "Company" and collectively as "Companies").

APPLIES TO:
All Lines of Business

POLICY:
Compounded medications are created by a pharmacist in accordance with the Federal Food, Drug and Cosmetic Act and may be covered when their use meets all other criteria for services incident to a physician's service. In order to meet all the general requirements for coverage under the "incident to" provision, a compounded medication must be furnished by a physician and administered by the physician or by auxiliary personnel employed by the physician and under the physician's personal supervision. The charge, if any, for the compounded medication must be included in the physician's bill and the cost of the drug must represent an expense to the physician.

Compounded medications do not have a National Drug Code (NDC) number, an average sales price (ASP) or an average wholesale price (AWP). Accordingly, the specific HCPCS J codes for the drugs in the compounded formulation may not be submitted. Instead, providers must use HCPCS code J7999 (Compound drug, NOC) effective with dates of service January 1, 2016 and after for reimbursement of the compound.

Whether a single agent or a combination of agents is used, the compounded medication must be submitted with HCPCS code J7999 (Compound drug, NOC) effective with dates of service January 1, 2016 and after) even though the compound is similar to or includes a drug with a specific HCPCS code (e.g., HCPCS code J2275 for preservative free morphine or J9035 for bevacizumab prepared for intravitreal injections).

Compounded medications billed with NOC codes (i.e., J3490, J3590, J7799, J9999, etc.) will be rejected as a billing error.

- Reimbursement for Avastin (bevacizumab) compounded for intraocular injection (when billed by Ophthalmologists only) will be:
    - For dates of service on or after 1/1/2018 through 9/30/2019: The allowed amount will be $75.00 per unit.
    - For dates of service on or after 10/1/2019: The allowed amount will be $94.00 per unit.
        - 1 unit = 1 injection.
        - For compounded Avastin, Ophthalmologists will no longer be required to submit the invoice cost when billing for dates of service or after 1/1/2018.

  - For dates of service on 12/31/2017 or prior: The allowed amount will be calculated based on the invoice cost per unit plus up to $15.00 per claim. Report invoice cost per PROCEDURE below.
- Reimbursement for ALL other compounded medications will be calculated based on the invoice cost per unit plus up to $60.00 per claim (for claims received by Company after 5/1/19). Invoice cost plus up to $15.00 prior to 5/1/19. Report invoice cost per PROCEDURE below.

PROCEDURE:
Billing claims for Compounded Drugs administered in the physician office must be specific to the individual member for whom the drug is prescribed. It must include the following:

- Member name, member ID, member date of birth for whom the drug is prescribed.
- Drug name and dose administered in Item 19 of CMS-1500 claim form or in Loop 2300 or 2400, NTE, 02 for electronic claims.
- The **compounding invoice cost per unit*** billed in box 19 of CMS-1500 or in Loop 2300 or 2400, NTE, 02 for electronic claims.

In accordance with CMS guidance providers should maintain a copy of the invoice in the patient's file, and it should be made available to Company upon request.

* Compounding invoice cost per unit **is not** required for compounded bevacizumab for intravitreal injection for claims with dates of service on or after 1/1/2018.

REFERENCE:
CMS/Medicare Rules and Regulations
Pharmacy Policy
HCPCS, Medicare National Level II Codes