

Chapter 19: Pharmacy

**Payment Policies for Healthcare Services
Provided to Injured Workers and Crime Victims**

Effective July 1, 2025



How to navigate this document

Use the keyboard command **CTRL+F** on Windows (**Command+F** on Mac) to search for specific topics. If you can't find what you're looking for, try different keywords or combinations of words.

The Table of Contents lists each policy. To jump to a policy, click on the page number.



Links to appendices

For definitions of terms used throughout these payment policies, see [Appendix A: Definitions](#).

For explanations of modifiers referenced throughout these payment policies, see [Appendix B: Modifiers](#).

For information about place of service codes, see [Appendix C: Place of Service \(POS\)](#).

Updates and corrections

An annual update of the entire payment policies and fee schedules (MARFS) is published routinely to coincide with the beginning of each state fiscal year (July 1).

Throughout the year, updates and corrections may be needed to modify existing policies and fees or create new ones. Updated and corrected information supersedes the policies in MARFS. Look for possible [updates and corrections](#) to these payment policies and fee schedules on L&I's website.

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Payment policy: All pharmacy services

General information

For the purposes of this policy, the average wholesale price (AWP) refers to 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.

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](#).

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 (PDL)	Change to the preferred drug , <i>or</i> Write DAW for non-preferred drug .	Change to the preferred drug , <i>or</i> For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.
Wrap-around classes	Change to the preferred drug , <i>or</i> For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.	Change to the preferred drug , <i>or</i> For State Fund claims, contact the PDL Hotline. For self-insured claims, contact the self-insured employer.



Links: 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.

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**.

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 (a 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) 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.

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

Services that can be billed

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 Pharmacy Quality Assurance Commission 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

An endorsing practitioner is one who has notified the Health Care Authority that he or she has agreed to allow therapeutic interchange.

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: Initial prescription drugs or “first fills” for State Fund claims

General information

An initial prescription drug (or “first fill”) is any drug prescribed for an alleged industrial injury or occupational disease during the **initial visit**. 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

Services that can be billed

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 L&I'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?

Contact Provider Hotline with billing and authorization questions by emailing PHL@Lni.wa.gov or calling **1-800-848-0811** between 8 am and 12 pm PT Monday through Friday.