



TEXAS DEPARTMENT OF INSURANCE

Division of Workers' Compensation - Medical Fee Dispute Resolution (MS-48)
7551 Metro Center Drive, Suite 100, Austin, Texas 78744-1645
(512) 804-4000 | F: (512) 804-4811 | (800) 252-7031 | TDI.texas.gov | @TexasTDI

MEDICAL FEE DISPUTE RESOLUTION FINDINGS AND DECISION

GENERAL INFORMATION

Requestor Name

Memorial Compounding Pharmacy

Respondent Name

American Interstate Insurance

MFDR Tracking Number

M4-18-2290-01

Carrier's Austin Representative

Box Number 01

MFDR Date Received

February 27, 2018

REQUESTOR'S POSITION SUMMARY

Requestor's Position Summary: "The above patient was prescribed medication and the carrier received and processed the bill. Carrier denied the claim and the provider submitted a request for reconsideration. The request for reconsideration in accordance with Rule 133.250 was submitted to the carrier but claim was processed and denied again."

Amount in Dispute: \$726.62

RESPONDENT'S POSITION SUMMARY

Respondent's Position Summary: "The carrier disputed payment of the compound medication as lacking preauthorization ... The Requestor has submitted no scientific or clinical documentation regarding the efficacy of the treatment to provide evidence that this compound is broadly accepted as the prevailing standard of care. This further supports the carrier's contention that the manner in which this compound medication was to be used is experimental/investigational. As preauthorization was neither sought nor obtained, the carrier is not liable for the billed services."

Response Submitted by: Parker & Associates LLC

SUMMARY OF FINDINGS

Table with 4 columns: Dates of Service, Disputed Services, Amount In Dispute, Amount Due. Row 1: February 27, 2018, Pharmacy Services - Compound, \$726.62, \$582.56

FINDINGS AND DECISION

This medical fee dispute is decided pursuant to Texas Labor Code §413.031 and applicable rules of the Texas Department of Insurance, Division of Workers' Compensation.

Background

- 1. 28 Texas Administrative Code §133.307 sets out the procedures for resolving medical fee disputes.
2. 28 Texas Administrative Code §134.502 sets out the procedures for pharmaceutical benefits.

3. 28 Texas Administrative Code §134.503 sets out the fee guidelines for pharmaceutical services.
4. 28 Texas Administrative Code §134.530 sets out the closed formulary requirements for claims not subject to certified networks.
5. Texas Insurance Code, Chapter 4201 provides requirements related to utilization review.
6. The insurance carrier reduced payment for the disputed services with the following claim adjustment codes:
  - 197 – No prior request for authorization was received. Precertification/authorization/notification absent. Rx Number 4188952 reduced \$726.62
  - W3 – Original payment decision is being maintained. Upon review, it was determined that this claim was processed properly
  - 60(B13) – The provider has billed for the exact services on a previous bill

### Issues

1. Is the insurance carrier’s reason for denial of payment supported?
2. Is Memorial Compounding Pharmacy (Memorial) entitled to reimbursement of the disputed services?

### Findings

1. Memorial is seeking reimbursement of \$726.62 for a compound dispensed on July 27, 2017. American Interstate Insurance denied the disputed service with claim adjustment reason code 197 – “No prior request for authorization was received. Precertification/authorization/notification absent. Rx Number 4188952 reduced \$726.62”, W3 – “Original payment decision is being maintained. Upon review, it was determined that this claim was processed properly” and 60(B13) – “The provider has billed for the exact services on a previous bill.” 28 Texas Administrative Code §134.530(b)(1) states that preauthorization is **only** required for:
  - (A) drugs identified with a status of “N” in the current edition of the *ODG Treatment in Workers’ Comp (ODG) / Appendix A, ODG Workers’ Compensation Drug Formulary*, and any updates;
  - (B) any compound that contains a drug identified with a status of “N” in the current edition of the *ODG Treatment in Workers’ Comp (ODG) / Appendix A, ODG Workers’ Compensation Drug Formulary*, and any updates; and
  - (C) any investigational or experimental drug for which there is early, developing scientific or clinical evidence demonstrating the potential efficacy of the treatment, but which is not yet broadly accepted as the prevailing standard of care as defined in Labor Code §413.014(a).

Provision §134.530(b)(1)(A) preauthorization requirement is not discussed in this dispute because it was not asserted by either party in this dispute and is not applicable to the compound in question.

While not asserted by American Interstate Insurance, Memorial was not required to seek preauthorization pursuant to §134.530(b)(1)(B) because none of the compounded ingredients have a status of “N” in the current edition of the ODG/Appendix A.

Parker & Associates, LLC, on behalf of American Interstate Insurance, argued that “The Requestor has submitted no scientific or clinical documentation regarding the efficacy of the treatment to provide evidence that this compound is broadly accepted as the prevailing standard of care. This further supports the carrier’s contention that the manner in which this compound medication was to be used is experimental/investigational. As preauthorization was neither sought nor obtained, the carrier is not liable for the billed services.”

The determination of a service’s investigational or experimental nature is not subject to the *Official Disability Guidelines (ODG)*. Instead, it is determined on a case by case basis as a utilization review pursuant to Texas Insurance Code §4201.002. Further, Texas Insurance Code §4201.002(13) states that utilization review, in relevant part, “includes a system for prospective, concurrent, or retrospective review to determine the experimental or investigational nature of health care services.”

The division found **no evidence** that American Interstate Insurance engaged in a prospective or retrospective utilization review (UR) as required by Texas Insurance Code §4201.002 in order to establish that the following compound is investigational or experimental in nature:

| Compound Cream in Dispute |         |
|---------------------------|---------|
| Ingredient                | Amount  |
| Meloxicam                 | 0.18 gm |
| Flurbiprofen              | 4.8 gm  |
| Tramadol HCL              | 6.0 gm  |
| Cyclobenzaprine HCL       | 1.8 gm  |
| Bupivacaine HCL           | 1.2 gm  |
| Ethoxy Diglycol           | 3.0 gm  |

Because American Interstate Insurance failed to perform UR on the above listed compound, the requirement for preauthorization under §134.530(b)(1)(C) **is not triggered** in this case. American Interstate Insurance's preauthorization denial is therefore not supported.

Absent any evidence that American Interstate Insurance presented other defenses to Memorial before medical fee dispute resolution that conform with the requirements of Title 28, Part 2, Chapter 133, Subchapter C, the division finds that the compounds in question are eligible for reimbursement.

2. 28 Texas Administrative Code §134.503 applies to the services in dispute and states, in pertinent part:

- (c) The insurance carrier shall reimburse the health care provider or pharmacy processing agent for prescription drugs the lesser of:
- (1) the fee established by the following formulas based on the average wholesale price (AWP) as reported by a nationally recognized pharmaceutical price guide or other publication of pharmaceutical pricing data in effect on the day the prescription drug is dispensed:
    - (A) Generic drugs:  $((\text{AWP per unit}) \times (\text{number of units}) \times 1.25) + \$4.00$  dispensing fee per prescription = reimbursement amount;
    - (B) Brand name drugs:  $((\text{AWP per unit}) \times (\text{number of units}) \times 1.09) + \$4.00$  dispensing fee per prescription = reimbursement amount;
    - (C) When compounding, a single compounding fee of \$15 per prescription shall be added to the calculated total for either paragraph (1)(A) or (B) of this subsection; or
  - (2) notwithstanding §133.20(e)(1) of this title (relating to Medical Bill Submission by Health Care Provider), the amount billed to the insurance carrier by the:
    - (A) health care provider; or
    - (B) pharmacy processing agent only if the health care provider has not previously billed the insurance carrier for the prescription drug and the pharmacy processing agent is billing on behalf of the health care provider.

The compounds in dispute were billed by listing each drug included in the compound and calculating the charge for each drug separately as required by 28 Texas Administrative Code §134.502(d)(2).

Reimbursement is calculated as follows:

| Ingredient          | NDC & Type             | Price/Unit | Total Units | AWP Formula §134.503(c)(1)                   | Billed Amt §134.503 (c)(2) | Lesser of (c)(1) and (c)(2) |
|---------------------|------------------------|------------|-------------|--|----------------------------|-----------------------------|
| Meloxicam           | 38779274601<br>Generic | \$194.67   | 0.18 gm     | $\$194.67 \times 0.18 \times 1.25 = \$43.80$ | \$35.04                    | \$35.04                     |
| Flurbiprofen        | 38779036209<br>Generic | \$36.58    | 4.8 gm      | $\$36.58 \times 4.8 \times 1.25 = \$219.48$  | \$168.72                   | \$168.72                    |
| Tramadol HCL        | 38779237409<br>Generic | \$36.30    | 6.0 gm      | $\$36.30 \times 6 \times 1.25 = \$272.25$    | \$168.00                   | \$168.00                    |
| Cyclobenzaprine HCL | 38779039509<br>Generic | \$46.33    | 1.8 gm      | $\$46.332 \times 1.8 \times 1.25 = \$104.25$ | \$80.37                    | \$80.37                     |
| Bupivacaine HCL     | 38779052405<br>Generic | \$45.60    | 1.2 gm      | $\$45.60 \times 1.2 \times 1.25 = \$68.40$   | \$46.02                    | \$46.02                     |
| Ethoxy Diglycol     | 38779190301<br>Generic | \$0.34     | 3 gm        | $\$0.34 \times 3 \times 1.25 = \$1.28$       | \$1.03                     | \$1.03                      |

|                 |    |    |    |             |         |          |
|-----------------|----|----|----|-------------|---------|----------|
| Compounding Fee | NA | NA | NA | \$15.00 fee | \$15.00 | \$15.00  |
|                 |    |    |    |             | Total   | \$582.56 |

The total allowable reimbursement for the compound in dispute is \$582.56. This amount is recommended.

**Conclusion**

For the reasons stated above, the division finds that the requestor has established that additional reimbursement is due. As a result, the amount ordered is \$582.56.

***ORDER***

Based on the submitted information, pursuant to Texas Labor Code Section 413.031 and 413.019 (if applicable), the division has determined the requestor is entitled to additional reimbursement for the disputed services. The division hereby ORDERS the respondent to remit to the requestor \$582.56, plus applicable accrued interest per 28 Texas Administrative Code §134.130, due within 30 days of receipt of this order.

**Authorized Signature**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Medical Fee Dispute Resolution Officer

5/25/2018  
Date

***YOUR RIGHT TO APPEAL***

Either party to this medical fee dispute has a right to seek review of this decision in accordance with Rule §133.307, effective May 31, 2012, *37 Texas Register 3833*, **applicable to disputes filed on or after June 1, 2012.**

A party seeking review must submit a **Request to Schedule a Benefit Review Conference to Appeal a Medical Fee Dispute Decision** (form **DWC045M**) in accordance with the instructions on the form. The request must be received by the division within **twenty** days of your receipt of this decision. The request may be faxed, mailed or personally delivered to the division using the contact information listed on the form or to the field office handling the claim.

The party seeking review of the MFDR decision shall deliver a copy of the request to all other parties involved in the dispute at the same time the request is filed. **Please include a copy of the *Medical Fee Dispute Resolution Findings and Decision*** together with any other required information specified in 28 Texas Administrative Code §141.1(d).

**Si prefiere hablar con una persona en español acerca de ésta correspondencia, favor de llamar a 512-804-4812.**