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## CHAMPVA POLICY MANUAL

CHAPTER 3  
SECTION 5.11  
TITLE: PHARMACY REIMBURSEMENT

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**AUTHORITY:** 38 CFR 17.270(a); 38 CFR 17.272(a)(b) and 17.274(a)

**RELATED AUTHORITY:** 32 CFR 199.4

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### I. POLICY

A. Drugs and medications, including "unlabeled or off label use", whether administered by a physician or obtained by prescription, are covered benefits when dispensed in accordance with the related authority and CHAMPVA policy, [Chapter 2, Section 22.1, Pharmacy](#).

B. CHAMPVA is a cost sharing program and the cost of covered pharmacy supplies is shared with the beneficiary. Upon satisfaction of the annual deductible requirement of \$50 per beneficiary or \$100 per family, CHAMPVA's cost share for covered pharmaceuticals is 75% of the allowable amount. Beneficiaries are responsible for the remaining 25% of the allowable amount and they are also responsible for charges associated with noncovered services. [38 CFR 17.274(a)]

1. CITI Program. Pharmacy services and supplies obtained through VA medical facilities under the CITI program are not subject to cost sharing or deductibles.

2. Meds by Mail Program. Pharmacy services obtained through the Meds by Mail Program are not subject to cost sharing or deductibles.

C. For pharmacy submitted claims, the allowable amount for FDA approved outpatient prescription drugs and medical requisites (i.e., diabetic strips, syringes, insulin, etc.) is limited to the average wholesale price (AWP) as reflected in the [Drug Topics Red Book](#) (a nationally recognized standard pricing list used by pharmacies) plus a \$3.00 dispensing fee. The latest annual edition of the [Drug Topic Red Book](#), as well as monthly updates must be used in determining the AWP.

1. CITI Program. Reimbursement is the lesser of the VA cost for the drug plus a \$5.00 dispensing fee or the average wholesale price plus a \$3.00 dispensing fee.

2. Meds by Mail Program. Reimbursement is made to the Leavenworth CMOP for the **actual** VA cost of the drugs plus varying administrative costs.

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 Red Book, reimbursement will be based on the allowable charge methodology. The prevailing rate will include both the costs of the drug and the administrative fee.

E. Compounded prescriptions consist of two or more medications that are “compounded” or mixed together by a pharmacist to form one medication. The cost of the compounded drug will include the ingredients and the services of the pharmacist.

## II. POLICY CONSIDERATIONS

A. Double Coverage (Other Health Insurance). When double coverage exists, the CHAMPVA payment will not exceed that which would have been paid in the absence of other health insurance (OHI). After deductibles have been met, the CHAMPVA payment usually covers all of the beneficiaries’ OHI co-payment requirements. Benefits will not be paid until the claim has been filed with the OHI and an explanation of benefits (EOB) issued (see [Chapter 3, Section 4.1](#), *Other Health Insurance (OHI)*).

B. CHAMPVA and Health Maintenance Organizations (HMOs). Benefits will not be paid until the claim has been filed with the HMO. In the case of an HMO, CHAMPVA does not require documentation of the actual prescription cost to process the claim. The full HMO co-payment will be reimbursed to the beneficiary as long as it does not exceed what the CHAMPVA payment would have been in the absence of other health insurance.

C. CHAMPVA and Medicare. CHAMPVA is the primary payer. Medicare does not currently have a prescription drug benefit and prescription drugs are not covered under the Medicare program (except in limited circumstances).

Note: Medicare will pay for some drugs or biologic products during an office visit that cannot be administered by the patient. Examples of these drugs are immunosuppressive agents for beneficiaries who have received organ transplants, erythropoietin for patients with renal disease who are undergoing dialysis and who have anemia, oral anticancer agents, and clotting factors for the treatment of hemophilia. In these instances, an EOB must be received from Medicare before payment can be made by CHAMPVA.

D. CHAMPVA and Medical Matrix (MM). Medical Matrix is a pharmacy third-party biller with whom CHAMPVA has an agreement that allows MM to forward pharmacy claims electronically to CHAMPVA for processing and payment.

1. Beneficiaries who use Medical Matrix pharmacies pay only their 25% cost share (after the outpatient deductible has been met).

2. Beneficiaries have no claims to file and cannot bill CHAMPVA for their cost share.

3. Beneficiaries are not eligible for MM if they have OHI with pharmacy coverage.

E. Ordering Drugs and Medications from Foreign Countries. Beneficiaries who reside in the United States and order their prescriptions from foreign countries are responsible for their deductible and cost share as indicated in Policy B. above.

**\*END OF POLICY\***