This notice is being sent to notify you of changes for the TennCare pharmacy program. We encourage you to read this notice thoroughly and contact Magellan’s Pharmacy Support Center (866-434-5520) should you have additional questions.

This communiqué is being sent to prescribers and pharmacies who are TennCare’s most frequent providers of compounded prescriptions. As a result of the State of Tennessee’s Legislature adoption of budget reductions this coming fiscal year, TennCare will be managing prescription compounds by requiring prior authorization to ensure medical necessity, and by implementing a level of effort compound fee structure.

Effective July 1, 2015, prescription compounds will be approved only when the indication, therapeutic amount and route of administration of each of the active ingredients in the compound are FDA-approved or CMS-recognized compendia supported. The following criteria will be in effect starting July 1, 2015:

**Criteria for Approval:** ALL of the following MUST be met for approval of a compound:

- The drug manufacturer has a signed rebate agreement with CMS.
  - TennCare considers bulk chemical supplies used in compounded prescriptions as nondrug items, which do not require a drug rebate agreement. The Bureau covers such bulk chemical supplies only as specifically approved by the department. Link to TennCare’s list of covered API’s and select excipients can be found here: [https://tenncare.magellanhealth.com/static/docs/Program_Information/Covered_APIs.pdf](https://tenncare.magellanhealth.com/static/docs/Program_Information/Covered_APIs.pdf)

- The enrollee’s drug therapy needs are unable to be met by commercially available dosage strengths and/or forms of the drug, as indicated by one of the following:
  - Per FDA-approved dosing, patient’s age or weight requires a dose or route of administration for which there is no commercially available product
  - Children age 12 and older that have trouble swallowing, or adults with documented dysphagia or with feeding tube and require administration with an oral liquid, or by topical, rectal, or other appropriate non-oral routes, when these routes of administration are not commercially available OR
  - Patients who have sensitivity to dyes, preservatives, or fillers in commercial products and require allergy-free medications as documented in the medical record, OR
  - There is a current supply shortage of the commercial product OR
The commercial product has been discontinued by the pharmaceutical manufacturer for reasons other than lack of safety or effectiveness (provider must submit documentation to support request for off-label use.

- The compounded product contains at least one covered prescription-only ingredient
  - The vehicle or base used in the compound does not qualify as the sole covered legend ingredient.

- The active ingredient(s) in the compounded product is FDA approved, or is supported by peer-reviewed medical literature for the diagnosis in the requested route of delivery.

- If any ingredient in the compounded product requires Prior Authorization, the patient must meet the Prior Authorization criteria for that ingredient,

- When oral dosage forms are used in compounds, the most cost-efficient strength meeting the needs of the compound should be used - e.g., #10 Tacrolimus 5mg capsules to be used instead of #100 Tacrolimus 0.5mg capsules

**Criteria for Denial:** Compounded Product may be denied if it meets ANY of the following:

- The compound does not contain any prescription-only ingredient otherwise covered by the plan.
- The compound is being used for cosmetic purposes.
- The compound includes prescription ingredients for non-FDA approved indications or purposes given the route of delivery.
- The compound includes investigational or experimental drugs
- Compounded formulations that use drugs withdrawn or removed from the market for safety reasons
- The compound contains extended release formulations or orally disintegrating formulations.
- Compounded formulations to replace, or copy drug products not covered by or requiring Prior Authorization by TennCare.
- Prescription ingredients compounded for the purpose of convenience only.
- Compounds for the purposes of diluting higher strength topical corticosteroids, when lower strength topical corticosteroids are commercially available.
- Compounds for topical use that contain any of the following ingredients: amitriptyline, Amantadine, Baclofen, Cholestyramine, Clonidine, Cyclobenzaprine, Dextromethorphan, Duloxetine, Diclofenac, Gabapentin, Indomethacin, Ketamine, Ketoprofen, Meloxicam, Nabumetone, Orphenadrine, Piroxicam, Sucralfate, Tramadol, Flurbiprofen (excluding ophthalmic solution)

**Who may submit requests for Prior Authorization?**

For compounded prescriptions, TennCare’s pharmacy benefit manager, Magellan Medicaid Administration, will accept requests for Prior Authorization from both pharmacies and from prescribers. **Compounds will not be approved if written by prescribers who do not have an active TennCare Medicaid ID.**

If pharmacy is submitting a request for Prior Authorization, please include a copy of the prescription that was received from the prescriber, as documentation that the compound was requested by the prescriber.
Pharmacy Compounding Fee Changes

TennCare has posted a public notice regarding pharmacy’s compounding fee reimbursement which can be found at the following: [http://www.tn.gov/tenncare/article/notice-of-change-in-medicaid-state-plan](http://www.tn.gov/tenncare/article/notice-of-change-in-medicaid-state-plan)

Pharmacies must submit a “Level of Effort Code” of either “11”, “12” or “13”, or the compounded claim will reject. Please refer to Magellan Medicaid Administration’s Payer Specifications (found on page 14) for details of how to enter the Level of Effort Code: [https://tenncare.magellanhealth.com/static/docs/Program_Information/TennCare_D0_Payer_Spec.pdf](https://tenncare.magellanhealth.com/static/docs/Program_Information/TennCare_D0_Payer_Spec.pdf)

Magellan Medicaid Administration will not be editing the compounding fee during the adjudication of the claim; however compounds will be examined retrospectively. As general rules, pharmacies should consider the following:

- TennCare considers the combining of 2 topical creams/ointment as a Level 11 claim  
  - Example: Mupirocin ointment mixed with nystatin ointment
- TennCare considers the combining of solutions/suspensions/liquids as a Level 11 claim  
  - Example: magic mouthwash
- TennCare considers adding an oral capsule or tablet to a solution/suspension for a child who cannot swallow the oral dosage form, as a Level 11 reimbursement claim, unless complex formulation and special considerations are necessary, to be documented on the prior authorization request.

Please Contact your Magellan Provider Educators at [TnProviderEducation@magellanhealth.com](mailto:TnProviderEducation@magellanhealth.com) if you have any questions.

**Important Phone Numbers:**
- TennCare Family Assistance Service Center 866-311-4287
- TennCare Fraud and Abuse Hotline 800-433-3982
- TennCare Pharmacy Program Fax 888-298-4130
- Magellan Pharmacy Support Center 866-434-5520
- Magellan Clinical Call Center 866-434-5524
- Magellan Call Center Fax 866-434-5523

**Helpful TennCare Internet Links:**
- Magellan: [https://tenncare.magellanhealth.com](https://tenncare.magellanhealth.com)
- TennCare website: [www.tn.gov/tenncare/](http://www.tn.gov/tenncare/)

Please visit the Magellan TennCare website regularly to stay up-to-date on changes to the pharmacy program.

For additional information or updated payer specifications, please visit the Magellan website at: [https://tenncare.magellanhealth.com](https://tenncare.magellanhealth.com) then click on pharmacy and choose program information from the drop down menu. Please forward or copy the information in this notice to all providers who may be affected by these processing changes.

Thank you for your valued participation in the TennCare program.