



IDAHO DEPARTMENT OF  
**HEALTH & WELFARE**

C.L. "BUTCH" OTTER – Governor  
RICHARD M. ARMSTRONG – Director

LESLIE M. CLEMENT – Administrator  
DIVISION OF MEDICAID  
Post Office Box 83720  
Boise, Idaho 83720-0036  
PHONE: (208) 334-5747  
FAX: (208) 364-1811

December 31, 2010

**Medicaid Information Release MA11-02**

**To:** Idaho Medicaid Pharmacy Providers  
Prescribing Providers

**From:** Leslie M. Clement, Administrator  
Division of Medicaid 

**Subject:** CMS Coverage Changes for Compounding Ingredients

Effective January 1, 2011, Idaho Medicaid will no longer reimburse for bulk powders and several other compounding ingredients. This is due to recent guidance from the Centers for Medicare and Medicaid Services (CMS) removing active pharmaceutical ingredients (APIs) and excipients from the list of covered outpatient drugs. An API is defined as a bulk drug substance that when used in the manufacturing, processing, or packaging of a drug, becomes an active ingredient or a finished dosage form of the drug. Excipient products include many compounding bases such as aquaphor or petrolatum. CMS has determined that APIs do not meet the definition of covered outpatient drugs and excipient products are non-drug products. The CMS memo is on the Web at [www.cms.gov/MedicaidDrugRebateProgram/02\\_StateReleases.asp](http://www.cms.gov/MedicaidDrugRebateProgram/02_StateReleases.asp) (select *Downloads for Calendar Year 2010* then release 155).

The list of newly excluded APIs and excipients is extensive and revisions are expected to the list as CMS identifies additional products in the marketplace that meet their criteria. The list is currently on our Web site at [www.medicaidpharmacy.idaho.gov](http://www.medicaidpharmacy.idaho.gov) and on the CMS Web site at [www.cms.gov/reimbursement/02\\_Spotlight.asp](http://www.cms.gov/reimbursement/02_Spotlight.asp). Select the zipped file under Downloads named *API and Excipient NDCs Identified*, which contains two listings, one for APIs and one for excipients.

If you frequently compound prescriptions for Medicaid recipients, you will want to review the CMS list. You should expect that claims for some compounded prescriptions that have been paid in the past will reject effective January 1, 2011.

If you have any questions regarding this information release, please contact the pharmacy unit supervisor in the Division of Medicaid at (208) 364-1829.

Thank you for your valued participation as an Idaho Medicaid Provider. We encourage you to share this information with other Idaho Medicaid providers who may be impacted by this change.

LMC/rs