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Reimbursement Methodologies in Health System Pharmacy

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Disclosures

The following faculty speakers and/or planning committee members have disclosed the following:

Faculty Name	Name of Ineligible Companies	Nature of Relationship
Christina Maki	Eli Lilly	Expert Advisory Board-Alzheimer's

All of the relevant financial relationships listed for this individual have been mitigated.

The other planner(s) and speaker(s) have indicated that there are no relevant financial relationships with any ineligible companies to disclose.

Learning Objectives

At the end of this session, learners should be able to:

1. Define reimbursement within health system pharmacy and explain its significance across the medication-use process.
2. Describe how reimbursement mechanisms such as diagnostic related groups impact practices in inpatient and outpatient settings.
3. Discuss pharmacy's role in ensuring formulary compliance, optimizing reimbursement, and supporting accurate charge capture through documentation and billing practices.
4. Outline how medication administration practices impact reimbursement in the inpatient and outpatient setting.

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Introduction to Health System Pharmacy Reimbursement
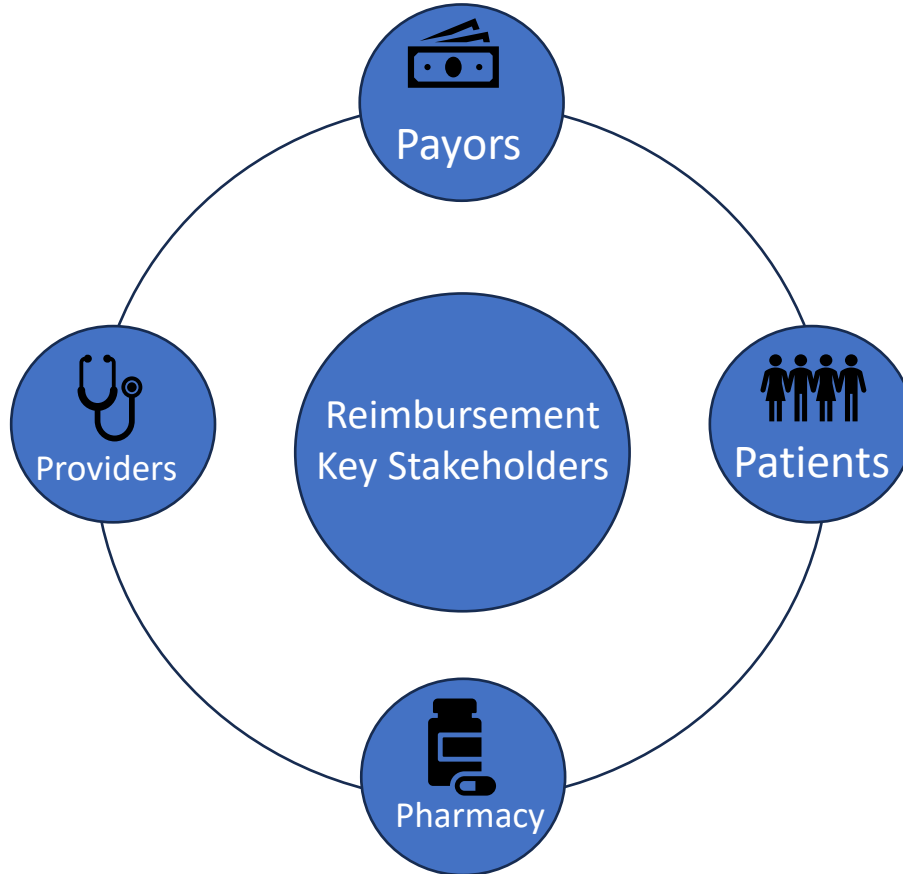
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What is Reimbursement?
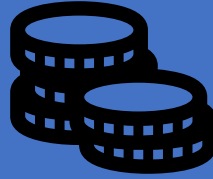
Reimbursement
The payment hospitals receive from third-party payors and patient portion for services and medications dispensed to patients.

HealthTrust. (n.d.). Understanding drug reimbursement in pharmacy. Retrieved from https://healthtrustpg.com
Pritchard, J. (2023, December 5). How To Navigate Pharmacy Billing and Reimbursement. FreeCE. Retrieved from https://www.freece.com

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Key Stakeholders

Payors

Major decision makers and influencers for reimbursement

Private Payors

- Employer-based coverage
- Individually Purchased Health Insurance

Public Payors

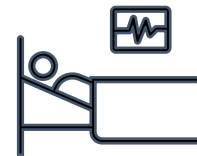- Medicare
- Medicaid

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What is the Revenue Cycle?

Revenue Cycle

All the administrative and clinical functions that contribute to capturing, managing and collecting payment for patient services.

Revenue Cycle

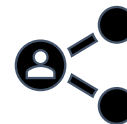| Pre-registration	→	Registration	→	Charge Capture

Prior Authorization

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Revenue Cycle

Utilization Review → **Coding** → **Claim Submission**

Revenue Cycle

Remittance Review

Delays, denials, follow ups

Patient Collection

Revenue Cycle Components

Pre-Registration

Registration

Pre-authorization

Charge Capture

Utilization Review

Coding

Claim Submission

Remittance Review

Patient Collection

Delays, denials, follow ups

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American Society of Health-System Pharmacists. (2025). *Revenue cycle management in health-system pharmacy*.
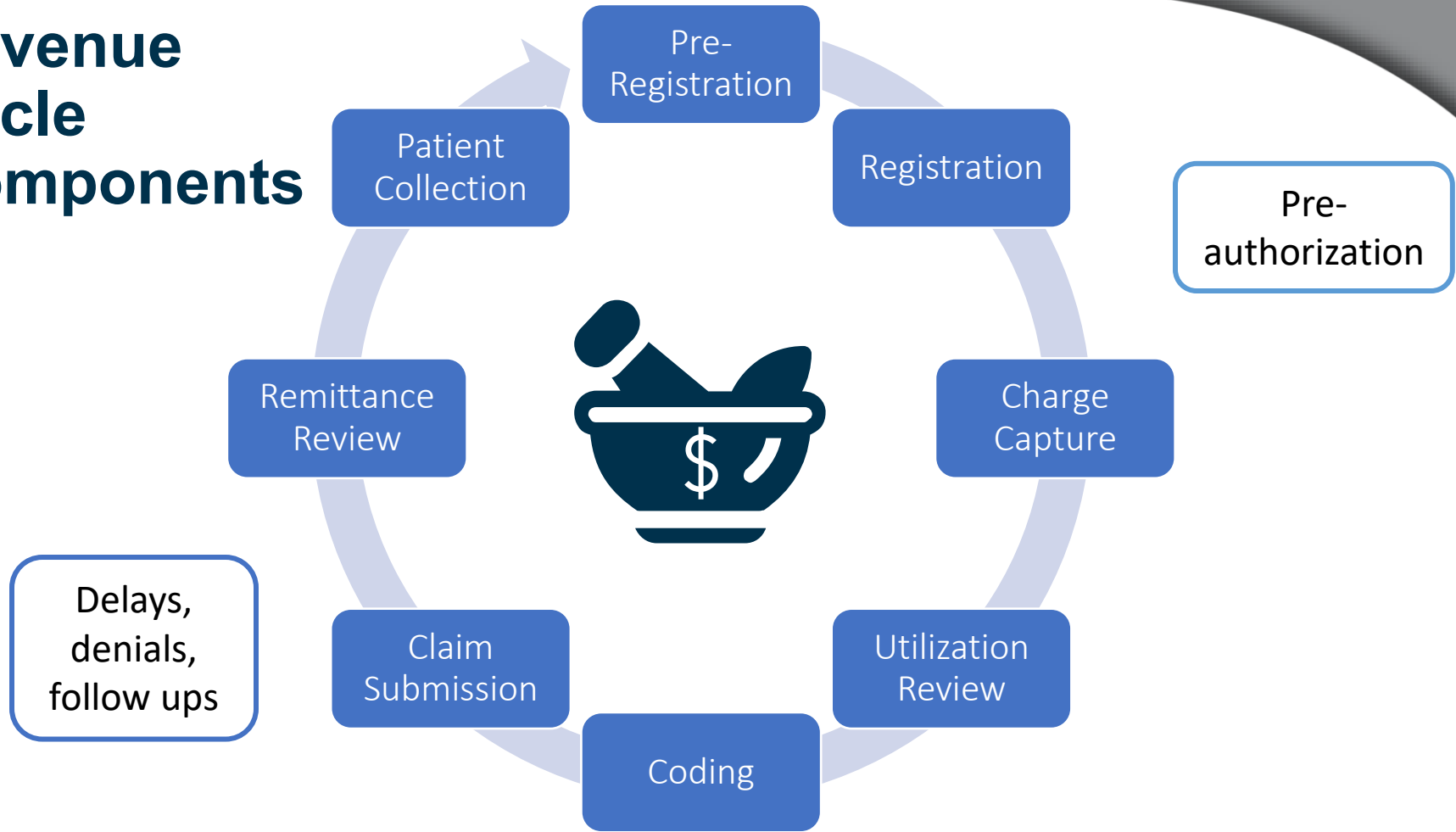
Coding

ICD (International Classification of Diseases)
- Classifies diagnoses, diseases, and conditions

CPT (Current Procedural Terminology)
- Describes medical procedures, services, vaccines, immunoglobulin

HCPCS (Healthcare Common Procedure Coding System)
- Describes medical procedures and services

DRG (Diagnostic-related group)
- Describes medical procedures and services

Medical Coding and Billing: A Beginner's Guide. Aapc.com. Published 2025. Accessed January 8, 2026. https://www.aapc.com/resources/getting-started-in-medical-coding-and-billing-a-guide-to-the-fundamentals?msockid=07e7306d6a0a6d82112126f76b8c6c80

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Medical Coding Examples

ICD	E11.9 - Type 2 Diabetes Mellitus Without Complication
CPT	96372 - Injection of Therapeutic or Diagnostic Substance
HCPCS	J2997 – Injection, alteplase recombinant, 1 mg
DRG	Range 209-360 – Diseases & Disorders of the Circulatory System

Top 20 Most Commonly Used ICD-10 Codes for Medical Billing and Diagnosis in 2026. S10.ai. Published 2026. Accessed January 8, 2026.
https://s10.ai/blog/top-20-most-commonly-used-icd-10-codes
Diseases & Disorders of the Circulatory System - DRG Code Range 209-360. Aapc.com. Published 2026. Accessed January 8, 2026.
https://www.aapc.com/codes/drg-codes-range/6/40

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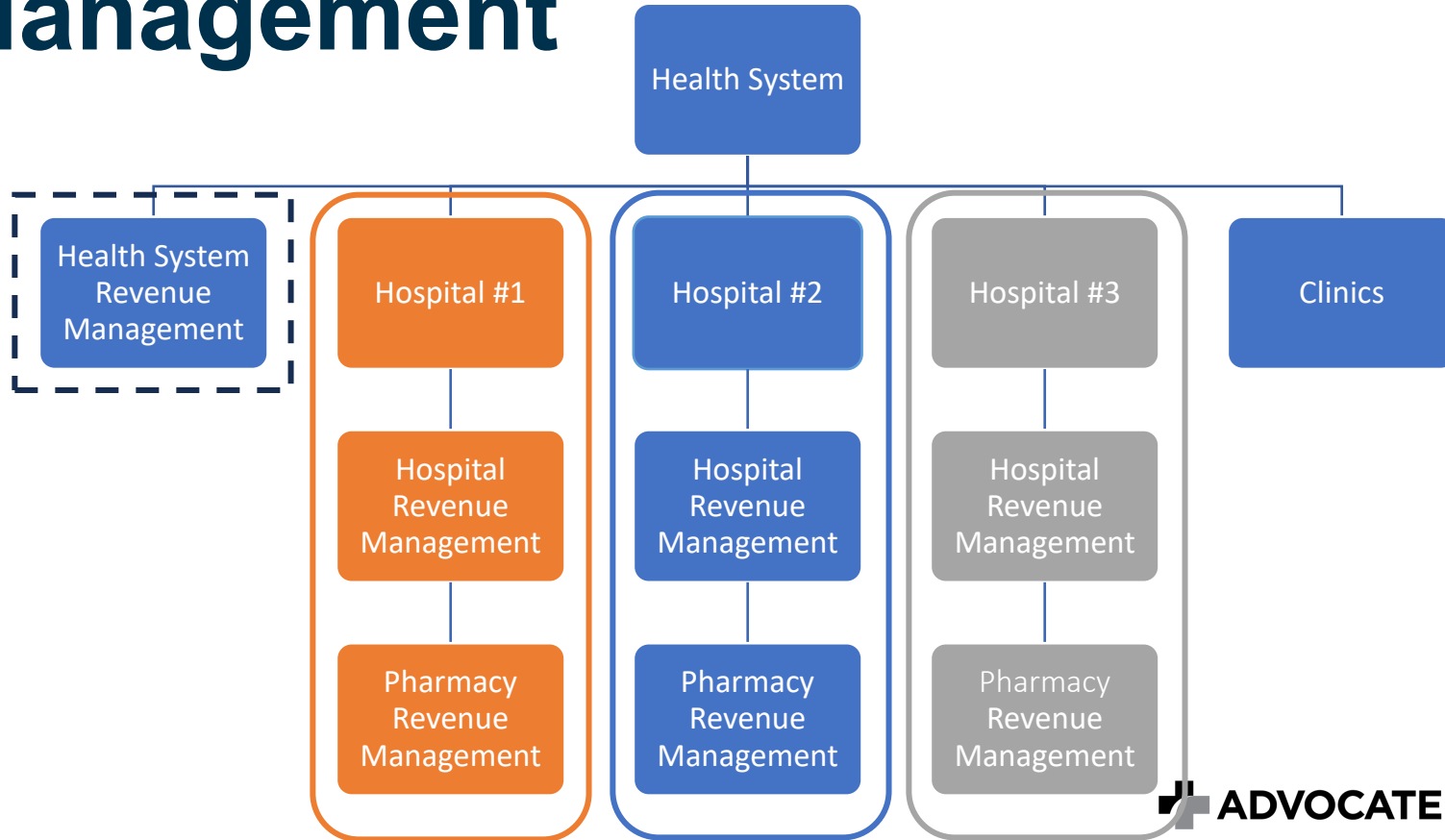
Claims: Inpatient vs Outpatient

Inpatient Claims

- Paid on MS-DRG classification
- Charges grouped by revenue code
- No itemization of HCPCS codes

Outpatient Claims

- Includes both revenue code and HCPCS codes
- HCPCS codes reported separately by date of service

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Health System Revenue Management

Health System Revenue Management Team

- Submit payment to payor

- Submit bills to patient

- Billing compliance

- Revise/update charge formulas

- Maintain payor relationships
  - Strong understanding of
    - Contractual terms and conditions
    - Reimbursement model for each contract

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Healthcare Financial Management Association. (n.d.). *Revenue cycle 101.*

Pharmacy Revenue Integrity Team

- Interface between hospital revenue management team and clinical staff about charging for medications.

- Waste charge integrity

- Pricing quality assurance, updates/validation

- Ensuring proper reimbursement for certain aspects of pharmacy services

- Reimbursement review and evaluations

- Ensuring appropriate modifiers on claim

- Error mitigation

Reimbursement Models

Reimbursement Models

Fee-for-Service

Value-Based Care

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Fee-for-Service

- Applicable Setting
  - Outpatient
  - Retail/Community (PBM contracts)
- Pay Structure
  - Payment for each service performed
- Advantages
  - Simple understanding
  - Incentives for high volume
- Disadvantages
  - Risk of overutilization
  - Less focus on outcomes

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Matthews Aa, Harris. What Is Fee-for-Service? The Most Used Reimbursement Model - Benchmark Solutions, a division of Harris. Nov 2025.

Value-Based Care

- Applicable Setting
  - Hospital outpatient
  - Ambulatory
  - Population Health

- Pay Structure
  - Rewards based on patient outcomes

- Five Key Goals
  - Advance health equity.
  - Provide the best patient experience
  - Improve patients' health outcomes.
  - Deliver health care services at a reasonable cost.
  - Support the well-being of the health care workforce.

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Centers for Medicare & Medicaid Services. (2025). *Achieving shared savings: Quality performance standards for accountable care organizations.*

Value-Based Care

- Advantages
  - Rewards quality/outcomes
  - Emphasis on quality, whole-person, care

- Disadvantages
  - Complexity in measurement
  - Revenue unpredictability
  - High data burden
  - Noncompliant patients
  - Difficult to capture pharmacy impact

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Centers for Medicare & Medicaid Services. (2025). *Achieving shared savings: Quality performance standards for accountable care organizations.*

Value-Based Care Example

Patient A

- 34yr old female A1c 10.3%
  - Switched from basal-bolus to weekly GLP1 to improve adherence and glucose control
  - A1c improved to 7.8% (Quality impact with goal <9%)
- Contributes to a higher quality score or star rating
- Could contribute towards improved reimbursement

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Value-Based Care

Patient B

- 67yr old male A1c 11.3%
  - Switched from basal-bolus to weekly GLP1 to improve adherence and glucose control
  - 6 months A1c is now 10.6% (Quality impact with goal <9%)
- Contributes to a lower quality score or star rating
- Could contribute towards lower reimbursement

Value-Based Care

**Patient A
(A1c <9%)** → Improves quality scores → Improves shared savings or qualiy bonus payments

**Patient B
(A1c >9%)** → Decreases quality scores → Can block shared savings or reduce bonus payments

Value Based Care Examples
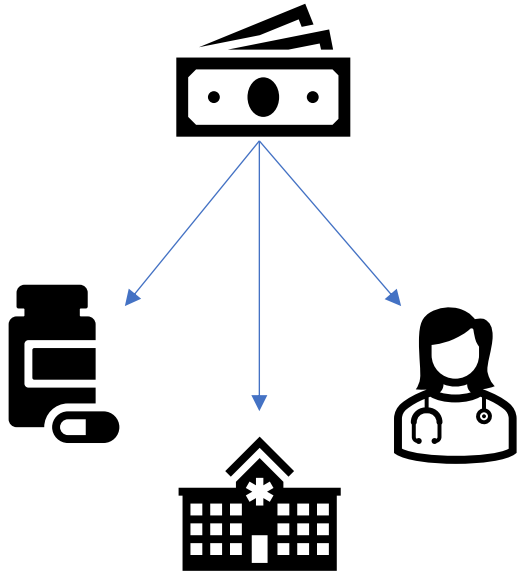
Bundled Payments

Pay For Performance

Bundled Payments

- Diagnosis Related Groups (DRG)

- Applicable Setting
  - o Inpatient

- Pay Structure
  - o Payor sets a single price for all services necessary to treat an episode of care
    - ▪ Payment may cover multiple providers and all medications in the episode
  - o An episode is defined as a set of services and supplies to treat a medical condition, for a defined length of time.
    - ▪ Example: Episode of care might begin with hip replacement surgery and end 30 days after hospital discharge
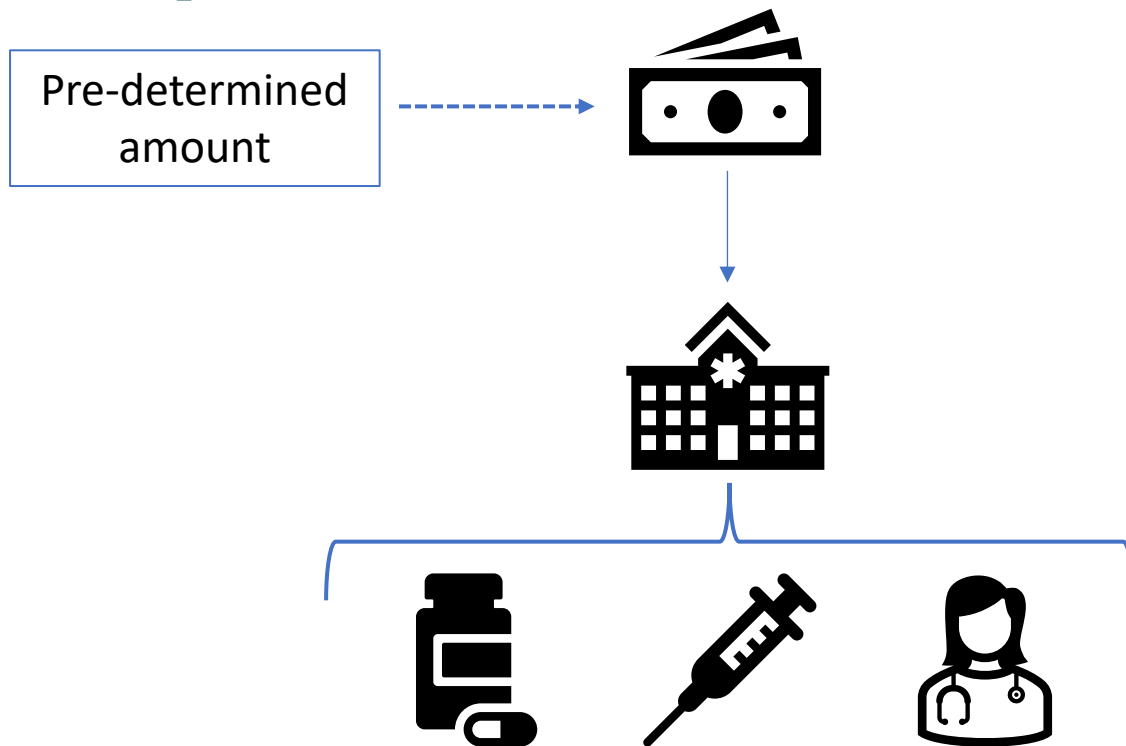
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Bundled Payments

- Types of Bundled Payments
  - Retrospective bundled
  - Prospective bundled

- Advantages
  - Cost efficiency
  - Promotes coordination

- Disadvantages
  - Complex tracking
  - Risk variability
  - Relies on accurate documentation in EHR

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Retrospective Bundled Payments

Prospective Bundled Payment
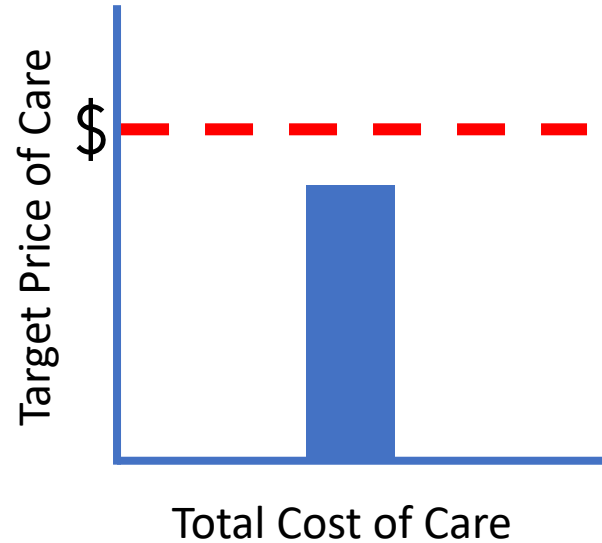
Pre-determined amount

Bundled Payments

- Types of Bundled Payments
  - Retrospective bundled
  - Prospective bundled

- Advantages
  - Cost efficiency
  - Promotes coordination

- Disadvantages
  - Complex tracking
  - Risk variability
  - Relies on accurate documentation in EHR

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Pay-for-Performance

- Applicable Setting
  - Outpatient
- Pay Structure
  - Bonuses/penalties based on performance of quality benchmarks
- Advantages
  - Encourages high standards
- Disadvantages
  - Variability in metrics
  - Potential care reduction
  - High data burden

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Centers for Medicare & Medicaid Services. (2023). *Value-based programs*. https://www.cms.gov/medicare/quality/value-based-programs

Pay-for-Performance

JV is a 58-year-old male seen in a primary care clinic for follow up of hypertension. His blood pressure is at goal and medications are optimized.

- If a high percentage of patients meet blood pressure control targets, the primary care clinic earns a performance bonus
- If targets are not met, the clinic may receive reduced reimbursement

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Reimbursement Models

Reimbursement Model	Payment Basis	Applicable Setting	Advantages	Disadvantages
Fee-for-Service	Payment for each service performed	Outpatient, retail/community (PBM contracts)	Simple understanding; incentives for high volume	Risk of overutilization; less focus on outcomes
Value-Based Care	Rewards based on patient outcomes	Hospital outpatient, ambulatory, population health	Rewards quality/outcomes; emphasis on quality care	Complexity in measurement; revenue unpredictability
Bundle Payments/Diagnosis Related Groups (DRG)	Single payment for an episode of care	Inpatient	Cost efficiency; promotes coordination	Complex tracking; risk variability
Pay-for-Performance	Bonuses/penalties based on performance of quality benchmarks	Outpatient	Encourages high standards	Variability in metrics; potential care reduction

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Case Study #1: Inpatient Pharmacy

Case Study #1

A 68-year-old patient is admitted for hip replacement surgery. The hospital operates under a Diagnosis Related Group (DRG)-based payment system. The DRG for hip replacement provides a fixed reimbursement amount for the entire episode of care, including surgery, medications, and post-operative care. During the stay, the physician prescribes a high-cost non-formulary anticoagulant for VTE prophylaxis instead of the formulary option.

Assessment Question #1

Under a DRG-based payment model, what is the most effective pharmacy intervention to optimize reimbursement?

A. Approve the non-formulary anticoagulant without review

B. Recommend switching to a formulary anticoagulant with similar efficacy

C. Submit a prior authorization for the non-formulary medication

D. Bill the patient separately for the non-formulary medication

Provider & Pharmacy Personnel Role in Health System Pharmacy Reimbursement

The Role of Pharmacy

Accurate Documentation

Formulary Adherence

Prior Authorization Support

Compliance Awareness

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The Role of Pharmacy

- Accurate Documentation
  - Ensure medications are verified and documented correctly in the electronic health record

- Formulary Adherence
  - Select formulary medications when possible, to align with reimbursement models
  - Communicate alternatives to prescribers for cost containment
  - Utilize site-based high-cost process

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The Role of Pharmacy

- Prior Authorization Support
  - Provide clinical information to help support prior authorization requests
  - Respond promptly to payor inquiries to avoid delays in therapy
  - Appeal support

- Compliance Awareness
  - Follow protocols for 340B eligibility and billing compliance
  - Document medical necessity for high-cost medications

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The Role of Pharmacy Technicians

Charge Capture

Prior Authorization Assistance

Billing Support

Communication

The Role of Pharmacy Technicians

- Charge Capture
  - Enter medication charges accurately into the billing system
  - Verify NDC and HCPCS codes for dispensed medications

- Prior Authorization Assistance
  - Facilitating prior authorization rejections and submit requests to payors

- Billing Support
  - Ensure all medications administered are captured for billing
  - Pharmacy charge queues, Epic work queues

- Communication
  - Coordinate with pharmacists, nurses, providers to resolve discrepancies

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Case Study #2

TH is a 67yo female with rheumatoid arthritis and presents to her outpatient specialty pharmacy to pick up her infliximab (Remicade).

Remicade requires prior authorization, and the pharmacy obtains approval and dispenses the medication.

The HCPCS code for the drug is J1745 (Infliximab, 10mg per billing unit), and the patient receives a 120mg dose.

The CMS reimbursement rate is $5.00 per billing unit.

Assessment Question #2

The pharmacy dispensed 120mg of infliximab. The CMS reimbursement rate is $5.00 per unit. What is the expected reimbursement for this claim?

A. $60

B. $120

C. $12

D. $50

Barriers & Key Takeaways to Health System Pharmacy Reimbursement

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Barriers to Reimbursement Capture

Rising claim denials

Changing reimbursement policies

Complex prior authorization process

Slow adoption of data, analytics and automation solutions

Nguyen K. Reimbursement issues in healthcare: a guide to resolution - Healthcare Blog. Healthcare Blog. Published September 26, 2024. Accessed January 8, 2026. https://www.experian.com/blogs/healthcare/reimbursement-issues-in-healthcare-a-guide-to-resolution/?msockid=07e7306d6a0a6d82112126f76b8c6c80

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Key Takeaways

- Reimbursement drives financial sustainability in health systems and impacts every step of the medication use process

- Accurate coding and documentation are essential to avoid claim denials and revenue loss

- Several challenges remain

- Payment models vary by setting

- Pharmacy teams play a critical role

Assessment Question #3

What is the primary reimbursement risk if provider documentation of services and diagnosis is not documented accurately in the inpatient setting?

A. The patient will be billed twice

B. The hospital may not receive full DRG payment

C. The payor will automatically adjust the claim

D. The pharmacy will be reimbursed separately

Revenue Management at Advocate Health

Pharmacy Revenue Integrity Team

- Director: Ellen Secaras, MBA, RPh

- Pharmacy Coordinator: Marjorie Young, RPh, MSHI

- Have A Pharmacy Revenue Integrity Question?
  - PharmacyRevenueIntegrity@Advocatehealth.org

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Thank You! Questions?

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