College of Pharmacy
Center for the Advancement of Pharmacy Practice

CAPP RESOURCE | ONE-PAGER

Medical Benefits vs Pharmacy Benefits

Two different forms of coverage that impact pharmacists

Why This Distinction Matters

Most insurance plans split a member's benefits into two separate categories: a pharmacy benefit that covers medications dispensed and a medical benefit that covers clinical services. These two categories have different administrators, claims formats, fee schedules, and contracts. Kentucky law mandates coverage of pharmacists' services under the medical benefit category so it is important for pharmacists to familiarize themselves with each.

COMPARING THE TWO CATEGORIES

	Pharmacy Benefit	Medical Benefit
What it pays for	Dispensed medications and devices, supplies dispensed at point of sale, some medication administration	Clinical services delivered by a provider e.g. visits, test and treat, education/counseling, screenings, drug administration
Who administers	Pharmacy Benefits Manager (PBM)	Medical insurer or Managed Care Organizations
Claim format	NCPDP D.0 (electronic) submitted in real time by dispensing software	CMS-1500 form (paper) or 837P (electronic) submitted via clearinghouse or billing system
Code sets used	NDC (drug product), GPI, days' supply, quantity dispensed	CPT, HCPCS Level II, ICD-10 diagnosis codes, modifiers
Provider identifier	NCPDP Provider ID (the pharmacy)	NPI (the individual pharmacist) and tax ID (the entity)
Adjudication	Real-time at point of sale	Process takes weeks to months
Patient copay	Collected at point of sale	Collected at time of service
Credentialing	Pharmacy contracts with the PBM (often via PSAO)	Each pharmacist credentialed individually with each payer (CAQH + payer-specific enrollment)
Documentation expected	Prescription record, dispensing log, signature log	Detailed clinical encounter note that supports services provided and billed for

KEY TAKEAWAYS

- **Pharmacy and medical benefits are separate.** Different administrators, different claim formats, different contracts. A pharmacy can be in-network on one and out-of-network on the other.
- **Medical billing is what HB 3 allows for Medicaid (like HB 48 did for Commercial Insurance).** Pharmacy-benefit billing is unchanged; the new opportunity is in clinical service billing on the medical benefit side.
- **Each category has its own credentialing and documentation expectations.** PBM contracts (often via PSAO) do not give medical-benefit access; that requires CAQH plus payer-specific enrollment, plus a clinical encounter note that supports the code billed.
- **Avoid billing the same service on both benefits.** A given service should generally be billed for only once.
- **Ensure you document your encounters and that it supports the services billed for.** This is especially important for patient education and counseling services. To bill these services medically, you must document the encounter, including what was said to the patient and the time spent with the patient, to justify billing for the service.