

Pharmacy Billing and Reimbursement Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What does "step therapy" entail?**
 - A. Patients must always choose the highest-cost medications first**
 - B. Patients must try less expensive treatments before insurers cover more expensive ones**
 - C. Patients are required to switch medications every six months**
 - D. Patients can bypass regular authorization processes**

- 2. What is typically included in a pharmacy's dispensing fee?**
 - A. The cost of the medication itself**
 - B. Costs associated with filling the prescription**
 - C. The rebate from the manufacturer**
 - D. A fee for providing information on the medication**

- 3. What does the term "rebate" refer to in pharmacy billing?**
 - A. A payment made by pharmacies to patients**
 - B. A discount offered at the point of sale**
 - C. A financial incentive from manufacturers to reduce medication costs**
 - D. A fee charged by pharmacies for processing claims**

- 4. Which DAW code indicates that a patient can only receive the brand medication?**
 - A. DAW 7**
 - B. DAW 4**
 - C. DAW 5**
 - D. DAW 8**

- 5. What does NPI stand for in pharmacy billing?**
 - A. New Provider Identification**
 - B. National Provider Identifier**
 - C. National Pharmacy Institute**
 - D. Network Provider Information**

- 6. When is DAW code 5 used in a prescription?**
- A. Brand dispensed as generic despite allowing generic substitution**
 - B. Generic substitution permitted, but not available**
 - C. Pharmacist discretion overrides generic substitution**
 - D. Generic prescribed, but brand dispensed**
- 7. For successful reimbursement, which component is NOT deducted when calculating WAC?**
- A. Retail Cost**
 - B. Markup**
 - C. Dispensing Fee**
 - D. None of the Above**
- 8. What does TPN stand for in the context of home health care?**
- A. Total Parenteral Nutrition**
 - B. Targeted Patient Nutrition**
 - C. Transitional Parenteral Nutrition**
 - D. Therapeutic Parenteral Nourishment**
- 9. What DAW code indicates that the medication must be dispensed exactly as written, with no substitutions allowed?**
- A. DAW 0**
 - B. DAW 1**
 - C. DAW 2**
 - D. DAW 3**
- 10. What is the main goal of pharmacy billing ethics?**
- A. To maximize profits for pharmacies**
 - B. To ensure transparency, honesty, and integrity in billing practices**
 - C. To facilitate faster claims processing**
 - D. To improve communication between patients and insurance companies**

Answers

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1. B
2. B
3. C
4. A
5. B
6. A
7. D
8. A
9. B
10. B

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Explanations

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1. What does "step therapy" entail?

- A. Patients must always choose the highest-cost medications first
- B. Patients must try less expensive treatments before insurers cover more expensive ones**
- C. Patients are required to switch medications every six months
- D. Patients can bypass regular authorization processes

Step therapy is a managed care process used by insurers to control prescription drug costs while ensuring patients receive necessary treatments. It requires patients to try one or more less expensive medications before moving on to higher-cost treatments. This approach promotes the use of generic and more affordable options, which can reduce overall healthcare expenses. If the initial treatments do not prove effective or if the patient experiences intolerable side effects, the healthcare provider may then seek authorization for a more expensive medication. This approach encourages trial of cost-effective therapies first and supports the rationale behind many insurance plans seeking to ensure that premium pharmaceuticals are reserved for situations where more affordable options are ineffective. Consequently, this method aims to balance patient care with responsible spending in the healthcare system.

2. What is typically included in a pharmacy's dispensing fee?

- A. The cost of the medication itself
- B. Costs associated with filling the prescription**
- C. The rebate from the manufacturer
- D. A fee for providing information on the medication

The dispensing fee in a pharmacy typically includes the costs associated with filling the prescription. This fee compensates the pharmacy for various operational expenses involved in the dispensing process, such as the pharmacist's time for verifying the prescription, preparing the medication, and providing patient counseling. It covers the professional services required to ensure that the prescription is filled accurately and safely. This fee is distinct from other components such as the medication's cost, which represents the actual purchase price of the drug, or any rebates from manufacturers, which are discounts provided to pharmacies and do not affect dispensing fees directly. Providing information on the medication might be part of the overall service but is not typically encapsulated within the dispensing fee itself; rather, it is part of the professional services that a pharmacy offers when dispensing a medication.

3. What does the term "rebate" refer to in pharmacy billing?

- A. A payment made by pharmacies to patients
- B. A discount offered at the point of sale
- C. A financial incentive from manufacturers to reduce medication costs**
- D. A fee charged by pharmacies for processing claims

The term "rebate" in pharmacy billing refers to a financial incentive provided by pharmaceutical manufacturers to wholesalers, pharmacies, or directly to managed care organizations. This is intended to reduce the overall cost of medications and encourage the use of specific drugs or brands. By offering rebates, manufacturers aim to boost their market share by making their products more financially accessible to patients and healthcare providers. Rebates are typically negotiated between parties and are not directly given to patients at the time of purchase; instead, they affect the overall cost structure of medications within the healthcare system. In contrast, payments made by pharmacies to patients, discounts at point of sale, or fees charged for processing claims do not fit the definition of a rebate. Payments to patients generally relate to programs aimed at improving affordability, while discounts are immediate reductions in price that do not involve post-sale financial incentives. Fees for processing claims are administrative costs and do not pertain to the concept of reducing medication prices through manufacturer incentives.

4. Which DAW code indicates that a patient can only receive the brand medication?

- A. DAW 7**
- B. DAW 4
- C. DAW 5
- D. DAW 8

The correct DAW code that indicates a patient can only receive the brand medication is indeed DAW 7. This code specifically indicates that the brand name drug prescribed is the only option available for the patient due to both the prescriber's indication and insurance regulations. Using DAW 7 signifies that the patient is unable to accept a generic version of the medication because either the healthcare provider mandates the brand name product or there are formulary restrictions that prevent generic alternatives. This detail is crucial in pharmacy billing and reimbursement processes because it influences how the claims are processed and reimbursed by insurance companies. When properly applied, DAW 7 helps ensure that pharmacies are compensated for dispensing the brand name medication, acknowledging the restrictions that dictate its use over generics. This helps in maintaining a transparent billing process in accordance with the patient's needs and provider requirements.

5. What does NPI stand for in pharmacy billing?

- A. New Provider Identification
- B. National Provider Identifier**
- C. National Pharmacy Institute
- D. Network Provider Information

The term NPI stands for National Provider Identifier. This unique identification number is assigned to healthcare providers, including pharmacies, by the Centers for Medicare and Medicaid Services (CMS). The purpose of the NPI is to streamline the billing process for healthcare services, ensuring that providers are easily identifiable across different insurance plans and settings. The NPI is vital in insurance claims processing and helps reduce fraud and administrative inefficiencies by providing a standardized identifier for all healthcare providers. It is used in various healthcare transactions, such as claims submission, referral authorizations, and the sharing of health information. In contrast, the other options do not accurately reflect the definition of NPI. The phrase "New Provider Identification" does not represent the established term used in the industry. "National Pharmacy Institute" suggests an organization related to pharmacy education but does not correspond to billing processes. Lastly, "Network Provider Information" might imply a collection of data regarding providers within a network but lacks the specific context of a unique identifier. Thus, understanding the significance of the National Provider Identifier is crucial for effective pharmacy billing and reimbursement practices.

6. When is DAW code 5 used in a prescription?

- A. Brand dispensed as generic despite allowing generic substitution**
- B. Generic substitution permitted, but not available
- C. Pharmacist discretion overrides generic substitution
- D. Generic prescribed, but brand dispensed

The DAW (Dispense As Written) code 5 is utilized when a brand-name medication is dispensed as a generic, despite the prescription allowing for generic substitution. This situation typically arises when a pharmacist decides to substitute a medication for one that is similar in formulation but differs in branding or manufacturer. In this context, the use of DAW code 5 indicates that although the prescriber did not specifically request to dispense a brand-name medication, the pharmacist exercised their professional judgment to select a different medication, classified as a generic alternative. This scenario is particularly relevant when the pharmacist determines that the generic version may not meet the therapeutic needs of the patient or when there may be slight differences in efficacy or tolerability between the specific brand and the generic. The choice represents a unique situation where there is a departure from what would typically occur when a prescription allows for substitutions, focusing instead on clinical decision-making by the pharmacist.

7. For successful reimbursement, which component is NOT deducted when calculating WAC?

- A. Retail Cost**
- B. Markup**
- C. Dispensing Fee**
- D. None of the Above**

When calculating the Wholesale Acquisition Cost (WAC) for reimbursement purposes, it's essential to understand what WAC represents. WAC is the manufacturer's list price for a drug to wholesalers, and it serves as a benchmark for pricing in the pharmaceutical distribution chain. In the context of the question, the components that are typically deducted when determining the net amount paid to the pharmacy include the retail cost and markup. However, the dispensing fee is often not factored into the WAC calculation. This fee covers the cost incurred by the pharmacy for dispensing the medication, and it is usually billed separately from the drug cost itself. Thus, since none of the components listed is deducted from WAC when calculating the reimbursement rate, the answer indicating that none of them are deducted is accurate. This understanding is crucial for pharmacy professionals to properly navigate the reimbursement landscape and ensure they are compensated fairly for their services.

8. What does TPN stand for in the context of home health care?

- A. Total Parenteral Nutrition**
- B. Targeted Patient Nutrition**
- C. Transitional Parenteral Nutrition**
- D. Therapeutic Parenteral Nourishment**

Total Parenteral Nutrition is the correct term used in the context of home health care. It refers to a method of feeding that bypasses the gastrointestinal tract and delivers nutrients directly into the bloodstream. This is especially crucial for patients who cannot eat or absorb food through their digestive system due to various medical conditions, such as gastrointestinal disorders, cancer, or severe malnutrition. TPN provides all the essential nutrients including carbohydrates, proteins, fats, vitamins, and minerals in a sterile solution, allowing patients to receive necessary nutrition safely at home. This method of nutrition support is tailored to the individual needs of the patient based on their nutritional requirements and medical condition. The other options, while they touch on nutrition, do not accurately reflect the widely accepted terminology and practice used in home health care for administering nutrition intravenously. Understanding the significance and application of TPN in home health care settings emphasizes its critical role in managing patients who require advanced nutritional support.

9. What DAW code indicates that the medication must be dispensed exactly as written, with no substitutions allowed?

- A. DAW 0**
- B. DAW 1**
- C. DAW 2**
- D. DAW 3**

The DAW code that indicates a medication must be dispensed exactly as written, with no substitutions allowed, is DAW 1. This code signifies that the prescriber has specified that the brand-name drug should be used, and no generic equivalents or alternative formulations are acceptable. It reflects the prescriber's intention that the patient receives the specific product prescribed, often due to therapeutic reasons, past experiences with the patient, or the unique characteristics of the medication formulation. Using DAW 1 in billing ensures that the pharmacy is reimbursed based on this directive, and it helps to communicate the importance of adhering to the original prescription without any changes.

10. What is the main goal of pharmacy billing ethics?

- A. To maximize profits for pharmacies**
- B. To ensure transparency, honesty, and integrity in billing practices**
- C. To facilitate faster claims processing**
- D. To improve communication between patients and insurance companies**

The main goal of pharmacy billing ethics is to ensure transparency, honesty, and integrity in billing practices. This focus on ethical standards is critical in maintaining trust between patients, healthcare providers, and insurance companies. When billing practices are transparent and honest, it helps to safeguard against fraudulent activities and inaccuracies, which can have serious consequences for all parties involved. An ethical approach ensures that patients are billed fairly for the medications and services they receive, and it fosters an environment where pharmacists and insurers operate with integrity. This approach ultimately serves to protect the welfare of patients and uphold the reputation of the pharmacy profession. While the other options may offer benefits to the pharmacy system or improve efficiency, they do not prioritize the foundational ethical principles that guide billing practices. Maximizing profits, facilitating faster claims processing, and improving communication, while important in their own right, should not overshadow the necessity for ethical conduct in financial dealings.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://pharmbillingreimbursement.examzify.com>

We wish you the very best on your exam journey. You've got this!

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