

## **Proposed Cuts to Medicare Part B Drug Reimbursement: Harmful to Vulnerable Seniors and to Public Health**

In 2011, as Congress considered ways to reduce federal deficits, policy proposals emerged that would reduce the reimbursement rate for drugs under the Medicare Part B program. This proposed cut would have had a minimal impact on the nation's multi-trillion dollar annual deficit, but could have had severe ramifications for our nation's health care system and for the health and well-being seniors confronted with life-threatening illnesses.

With many experts projecting that a lame-duck Congress will revisit deficit reduction and attempt to revise the mix of budget sequestrations scheduled to begin in 2013, it is important to understand why it would be harmful and counterproductive to make deeper cuts the Medicare Part B reimbursement formula.

### **Understanding Medicare Part B Drugs**

Medications in the Medicare Part B program are not the kind that patients can buy themselves at the local pharmacy and take at home. Rather, Part B drugs are a limited number of medicines that predominantly must be of injected or infused for patients with cancer, multiple sclerosis and other serious illnesses. These drugs are purchased directly by health care professionals, who then administer the drugs and carefully monitor patients. These doctors and their clinical staff must have detailed clinical knowledge to mix and prepare proper dosages and they must follow to FDA label requirements regarding storage and handling.

### **A Lean Reimbursement Rate**

The Medicare Modernization Act of 2003 reformed the way drugs are reimbursed in the Medicare Part B program and was estimated to save the Medicare program \$16 billion. The reformed payment formula is set at a market-based Average Sales Price – reflecting the average price, minus negotiated discounts and rebates, paid by drug purchasers – plus six percent. The six percent reflects the costs borne by physicians for shipping, handling, storage, drug preparation and clinical monitoring of patients, as well as differences in acquisition cost by different purchasers. MedPAC has reported that for most physicians the difference between ASP+6% and their costs for drugs is “slim” and that some drugs cost the physician more to acquire than the ASP+6% reimbursement rate. According to studies, the ASP+6% payment formula has kept Part B drug costs well below the overall medical inflation rate, as well as reduced out-of-pocket spending for beneficiaries.

Finally, the reimbursement is about to become more lean. Although Congress did not pass cuts targeted to the Part B drug reimbursement formula as part of the deficit reduction legislation enacted last year, across the board cuts to reimbursement to all Medicare providers is slated to begin in 2013 under a process called sequestration. These cuts are expected to approximate 2%, effectively reducing the ASP rate to ASP+4%.

### **The Impact on Patients, Physicians and Health Care Centers**

The move to ASP+6% reimbursement, coupled with low reimbursement for other Medicare services, has already contributed to an economic burden for some health care providers and the patients they serve.

According to the Community Oncology Alliance, approximately 240 oncology clinics have closed over the past four and half years and more than 400 are financially struggling. Further

reimbursement cuts could lead to more closures and make it more difficult for seniors to receive chemotherapy and other essential health treatments. These closures are also creating job losses in economically-challenged communities.

Ironically, making cuts in Part B drug reimbursements could lead to an increase overall Medicare costs. If there are fewer physician offices offering cancer treatments due to payment cuts, more patients may receive treatment in settings with higher costs. For example, studies have shown that patients receiving chemotherapy in the hospital outpatient setting have higher total costs than patients receiving chemotherapy in the physician office setting.

### **Summary**

As Congress weighs options for reducing budget deficits and shifting budget sequestrations from national defense to domestic spending, it makes little sense to focus on Medicare Part B drug reimbursement for cuts. Reductions in the Part B payment formula would save comparably little money, but could create health and economic hardships for seniors, health care providers and local communities.