

Key Issues

Medicare Part B Drug Coverage and Healthcare for Seriously Ill Seniors

- Medicare Part B drug coverage is vital to beneficiaries facing the most severe health challenges.
 - Part B provides seniors with cancer, multiple sclerosis, rheumatoid arthritis and other serious illnesses with access to a limited number of essential medicines that are administered by health care professionals.
 - Part B drugs are purchased by and administered by physicians. Many Part B drugs are injected or infused directly into the bloodstream and involve detailed clinical knowledge and monitoring of the patient. These drugs have detailed FDA-mandated delivery and storage requirements.
- The Medicare Modernization Act of 2003 already significantly lowered the Medicare reimbursement rate for drugs under Part B, resulting in savings for both the government and patients.
 - Reimbursement for most Part B drugs is set at ASP+6%, which is market based price reflecting the Average Sales Price paid by physicians and other drug purchasers – including all discounts and rebates – plus six percent.
 - The additional six percent reflects the costs – shipping, storage, clinical monitoring of patients, supplies for handling and preparing the medications – incurred by physicians, as well as variations in acquisition cost by physicians due to their purchasing agreements.
 - The ASP+6% payment rate has saved money for both Medicare and patients. A report commissioned by the Centers for Medicare and Medicaid Services (CMS) indicates that ASP+6 payment reforms controlled Medicare spending and reduced beneficiary out of pocket costs. A study by the Moran Company found that ASP prices has remained stable from 2006-2011, even as medical inflation was rising more than 21 percent over that period.
- While the ASP+6% payment formula has saved money for the Medicare program and patients, it has contributed to a burden on some physicians.
 - MedPAC has reported that for many physician's the difference between ASP+6% and their cost for drugs is "slim" and that some drugs cost the physician more to acquire than the ASP+6% reimbursement rate. That is, some physicians do not receive the full +6% add-on their costs. This is because there are some discounts included in the ASP formula that may not be passed on to physicians, some patients may not pay for their share of treatment (known as "bad debt"), and differences in acquisition cost that occur under a market based system.
 - At the same time, physicians indicate they are not being adequately reimbursed for other related services.
 - Inadequate reimbursement has an inevitable impact on patient care when health centers are forced to turn away patients or, even worse, close down entirely.

- A study by the Community Oncology Alliance has found that in the past four and half years, approximately 240 oncology clinics have closed and more than 400 are struggling financially.
- Closure of physician clinics could have lead to higher Medicare and patient spending. A recent Milliman Company study found that Medicare cancer patients receiving chemotherapy in a hospital outpatient setting incurred 14 percent higher total costs (for Part A and Part B) than those receiving chemotherapy in physicians' offices.
- Reducing the number of locations with the capability to administer treatments for serious illnesses places a severe burden on elderly patients who may have difficulty traveling to more distant facilities for regular drug injections.
- In recent months, there have been proposals to cut the ASP+6% reimbursement rate for Part B medications.
 - In 2011 as part of deficit reduction negotiations, Congress was considering a proposal to reduce the ASP+6% formula to ASP+3%, as well as proposals for deeper cuts to a subset of Part B drugs.
 - Ultimately, Congress did not pass cuts targeted to the Part B drug reimbursement formula. However, as part of the deficit reduction legislation that was passed, under a process called sequestration all Medicare providers will be facing across the board cuts to Medicare reimbursement of 2% (including reimbursement for Part B drugs) beginning in 2013. This will essentially lower Part B drug reimbursement to approximately ASP+4.
 - Before 2012 is over, it is anticipated that Congress will revisit deficit reduction. Specifically, there could be proposals to substitute domestic program cuts – such as additional Medicare cuts - for the hundreds of millions of dollars in defense spending scheduled to be sequestered at the beginning of 2013.
- Proposals to reduce Part B drug reimbursements would have a minimal impact on the federal deficit, but a major adverse effect on the lives of Medicare patients.
 - Such a reduction could lead to more closures of community-based cancer clinics and fewer physicians financially able to provide pharmaceutical treatments under the Part B program. Especially when considering the cuts to Medicare reimbursement that are already scheduled to take effect as part of sequestration.
 - Such cuts also could result in increased hardship for America's most frail seniors and potentially increased costs to taxpayers if these beneficiaries must seek care in more costly settings instead of receiving treatment in a physician's office.