MedPAC Part B Policy Options: March 2017

During the 2015 and 2016 meeting cycles, the Medicare Payment Advisory Commission discussed several options to change the way that Medicare reimburses providers for Part B medicines. Throughout these early discussions, Commissioners have not agreed on a clear set of recommendations. However, MedPAC is now poised to vote on a set of Part B payment recommendations that, if approved, will be sent to Congress for consideration.

Medicare Part B covers a small subset of medicines that are often used to treat patients with serious and complex conditions. The current Part B payment methodology seeks to balance cost control with access to highly specialized medicines for some of the sickest and most vulnerable beneficiaries in the Medicare program. Any changes to the reimbursement structure could make it more difficult for community-based providers to offer the medicines that their patients depend on and disrupt patient access to care.

1. Reducing the add-on to ASP

Current Policy	**Proposed Change**
Most Part B medicines are reimbursed at their average sales price (ASP) plus a 6 percent add-on payment. The 6 percent add-on helps to cover geographic and provider purchasing variability and also covers the additional overhead costs that providers incur to maintain an inventory of these complex medicines. Under the budget sequester, the Part B drug reimbursement rate has already been lowered to about ASP + 4.3%	MedPAC is considering policies that would reduce the percentage add-on. This could include lowering the add-on percentage or converting the add-on to a flat fee.

2. ASP Inflation Rebate

Current Policy	**Proposed Change**
Because ASP reflects a volume weighted average of non-exempt purchase prices for a given drug, ASP may fluctuate overtime. Fluctuations in ASP are captured through quarterly updates to the payment rate.	MedPAC's proposal would set a benchmark for how much ASP can rise over time. If ASP rose more quickly than the benchmark, manufacturers would be required to pay a rebate to CMS.

3. Consolidated Billing Codes

Current Policy	**Proposed Change**

Most Part B drugs have their own billing code and are paid at their ASP + 6%. Reimbursement for biologic products follows a slightly different formula. Innovator biologics are reimbursed at ASP + 6%, however biosimilars are reimbursed at their own ASP plus 6% of the ASP for the innovator product.	MedPAC is considering consolidated billing codes for two types of Part B medicines: biologics and products with "similar health effects." <u>Biologics:</u> Under this proposal, innovator biologics and biosimilar products would be grouped into a single billing code and reimbursed at the volume weighted average of all of the product ASPs + 6%. <u>Products with "Similar Health Effects":</u> Under this proposal, CMS would be required to make clinical decisions about which products have "similar health effects" and those products would then be grouped into a single billing code and reimbursed at the volume weighted average of all of the product ASPs + 6%.

4. Drug Value Program:

Current Policy	**Proposed Change**
Providers purchase and maintain their own inventory of Part B drugs. When a provider sees a patient who requires treatment with a Part B drug, the provider submits a claim to Medicare and is then reimbursed by Medicare at a rate of ASP + 6%. Part B medicines may be subject to national or local coverage determinations, but beneficiaries do not face restrictions such a prior authorization or step therapy in Part B.	This policy would involve independent vendors negotiating with manufacturers in an effort to obtain lower prices for Part B medicines. To give them more negotiating leverage, vendors would have the ability to impose restrictions by using formularies, step therapy, prior-authorization, and other utilization management strategies. Reimbursement under the program would be capped at ASP with no add-on. If the program achieved savings, providers would have the opportunity to share in the savings.