Medicare Part B DME Infusion Drug Pricing

NHIA’s Position on Changing Part B DME Infusion Drug Pricing

The savings that are associated with changing Part B payment methodologies should be used to fix the broken Medicare coverage and payment structure for home infusion. This can be done by passage of the Medicare Home Infusion Site of Care Act.

ASP Pricing and Home Infusion Drugs in Part B DME

Home infusion consists of three components of care – the infusion drug, the supplies and equipment necessary to deliver that drug, and the professional health care services required to safely and effectively administer the home infusion therapy. The US House of Representatives has considered changing the payment structure for infusion drugs under the Part B durable medical equipment (DME) benefit to an Average Sales Price (ASP) payment methodology without including a services payment for home infusion providers. The provision creates an unsustainable reimbursement structure for these drugs by eliminating coverage for the services associated with these drugs.

The Background

The Medicare Modernization Act of 2003 set, the payment rates for Part B DME infusion drugs at 95% of Average Wholesale Price (AWP) as of October 1, 2003. This AWP payment methodology has not changed since then. While there is no explicit payment for the professional services necessary to provide infusion therapy in the home, the 95% of AWP payment methodology, in addition to payment for pumps and supply kits, has resulted in sufficient reimbursement to cover the full costs of therapy. Over time drugs prices have changed, and these payment rates do not reflect the current market for the infusion drugs in Part B DME.

The OIG recently released a report on this drug pricing issue, its second report in two years, noting that if the drug reimbursement was changed to ASP +6% or if the drugs were competitively bid, the Medicare program would save 100s of millions of dollars over 10 years. The OIG explicitly noted the report lacked any review of the services component of home infusion. Without payment for required professional services for home infusion providers, an ASP +6% pricing methodology will often not adequately cover the overall costs of providing home infusion and there could well be a significant patient access issue for these drugs, at even higher overall costs to the Medicare program.

The home infusion industry has been proposing a solution to this problem since 2006 (109th Congress).

The Medicare Home Infusion Site of Care Act

The Medicare Home Infusion Site of Care Act, S. 275 and HR 605, would consolidate infusion drug coverage under Part D of Medicare. This provision would also produce a significant amount of Medicare
savings. By consolidating the drugs under Part D, infusion drugs would be uniformly covered for all home infusion services, and not fragmented across Part B and D as is currently the case. The drugs would also be subject to a negotiated rate between the Prescription Drug Plan (PDP) and the home infusion provider, not set via a formula. This would ensure that infusion drug payments would be more reflective of the market over time. The Medicare Home Infusion Site of Care Act creates a payment methodology for home infusion services also.

As an alternative, the bill could be modified to leave the DME-covered infusion therapy drugs in Part B, but the service component of therapy would have to be recognized and reflected in the payment methodology.

Currently, Part B only pays explicitly for the supplies, equipment and the infusion drugs. Without payment for services as described in the Medicare Home Infusion Site of Care Act, the payments that are limited only to the drugs and supplies will not ensure that for some infusion drugs the overall payments will be sufficient to cover the cost of providing the therapy in patients’ homes.

The home infusion industry has been proposing a solution to this problem since 2006 (109th Congress). The Medicare Home Infusion Site of Care Act (previously titled the Medicare Home Infusion Coverage Act) has in different forms provided a change to this policy for almost a decade.