



THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

June 26, 2013

To: Members of the Subcommittee on Health

From: Majority Committee Staff

Re: Examining Reforms to Improve the Medicare Part B Drug Program for Seniors

On Friday, June 28, 2013, at 10:00 a.m. in 2123 Rayburn House Office Building, the Subcommittee on Health will hold a hearing entitled “Examining Reforms to Improve the Medicare Part B Drug Program for Seniors.” The following memorandum provides background on the hearing witnesses and Medicare Part B Drug Program.

I. Witnesses

Barry Brooks, M.D.

Partner

Texas Oncology

On behalf of:

The US Oncology Network

Larry B. Melton, M.D., Ph.D., FACP

Medical Director, Kidney/Pancreas Transplantation

Baylor Medical Center

Nancy Davenport-Ennis

CEO and President

National Patient Advocate Foundation

Cliff Binder

Health Care Financing Analyst

Congressional Research Service

James Cosgrove

Director

Government Accountability Office

II. Medicare Part B Drug Program

While most drugs under Medicare are offered to seniors through Part D drug plans, some medications are reimbursed through Medicare Part B. Covered Part B drugs and biologics

include those furnished by physicians, immunosuppressive drugs following a Medicare-covered organ transplant, certain drugs used in the treatment of end stage renal disease, drugs used to treat oral anti-cancer, and drugs used in combination with Durable Medical Equipment.

Beginning in 1998, Part B drugs were reimbursed to physicians under the Medicare program at 95% of the average wholesale price (AWP). In 2003, Congress passed the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), which reformed the payment method by establishing a pricing model based on an Average Sales Price (ASP) payment system. Payment rates are based on prices physicians and clinics pay for drugs through wholesalers or drug manufacturers. The ASP pricing data is available on the Medicare website and updated every three months, which equips physicians with accurate pricing information. According to the *January 2007 MedPac report*, the ASP payment method “resulted in substantial price savings for Medicare on nearly all drugs and those payment rate changes drove decreased spending,” despite an increase in drugs and drug administration.¹

Generally, Medicare's reimbursement for Part B covered drugs equals 106% of the drug manufacturer's reported average sales price. Medicare pays 80% of the amount paid to providers, while the beneficiaries are responsible for the remaining 20%.

In the 113th Congress, various bills have been introduced to reform the Part B drug program, and the hearing will be an opportunity to examine the bills and other ways to improve the program. The bills include the following:

1. **H.R. 800:** To exclude customary prompt pay discounts from manufacturers to wholesalers from the average sales price for drugs and biologics under Medicare Part B.
2. **H.R. 1416:** To terminate application of sequestration to payment for certain physician-administered drugs under part B of the Medicare program.
3. **H.R. 1428:** To provide Medicare coverage for immunosuppressive drugs for kidney transplant recipients.

III. Staff Contacts

If you have any questions regarding the hearing, please contact Robert Horne or Carly McWilliams at (202) 225-2927.

¹MedPac, *Report to Congress: Impact of Changes in Medicare Payments for Part B Drugs*. January 2007.
http://www.medpac.gov/documents/jan07_partb_mandated_report.pdf