

Part B drug payment policy issues

ISSUES: This session will explore two issues related to Part B drug payment policy.

Medicare pays for Part B covered drugs administered in physician offices and hospital outpatient departments and furnished by suppliers based on the average sales price (ASP) plus six percent. Commissioners have raised concerns about whether the six percent add-on to ASP creates incentives for use of higher priced drugs.

The 340B program allows certain hospitals and other health care providers (“covered entities”) to pay discounted prices to drug manufacturers for outpatient drugs. Under the outpatient prospective payment system, Medicare pays for certain 340B drugs provided by covered entities. Medicare pays the same rates (ASP + six percent) for drugs to 340B hospitals and non-340B hospitals, even though 340B hospitals are able to purchase outpatient drugs at steep discounts.

KEY POINTS: This session provides background on the ASP payment system for drugs and explores policy alternatives.

ACTION: Commissioners should review these issues and the policy alternatives.

STAFF CONTACT: Kim Neuman, Ariel Winter, and Dan Zabinski (202-220-3700)