

Separately payable drugs in the hospital outpatient prospective payment system

ISSUE: In the outpatient prospective payment system (OPPS), the cost of many drugs is packaged into the payment rate for the related service. However, the OPPS also has two policies for paying relatively costly drugs separately, the pass-through policy and the policy for separately payable non-pass-through drugs. Drugs must meet requirements to qualify for these programs, but these requirements could be modified to make the policies more efficient and better target drugs for which separately payable status is beneficial.

KEY POINTS: At previous meetings, the Commission considered two policy options that would improve Medicare's payment policies for separately payable drugs under the OPPS: better definition of drugs that are eligible for separate payments and the addition of a clinical superiority criterion for new drugs that are candidates for pass-through payments.

ACTION: Commissioners will discuss the Chair's draft recommendations.