Improving Medicare’s policies for separately payable drugs in the hospital outpatient prospective payment system

Dan Zabinski
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OPPS includes both packaged and separately payable drugs

- Many drugs are ancillary supplies to primary services; some are the reason for a visit
- Under OPPS:
  - Most (not all) drugs that are ancillary supplies have costs packaged into the payment rate of the related service
  - Most (not all) drugs that are the reason for a visit are paid separately
- Spending on separately payable drugs rose from $5.1 billion in 2011 to $14.8 billion in 2019

Note: OPPS (outpatient prospective payment system).
Criteria in the two OPPS policies for separately payable drugs

<table>
<thead>
<tr>
<th>Pass-through drugs</th>
<th>SPNPT drugs</th>
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</thead>
<tbody>
<tr>
<td>• New to market</td>
<td>• Not pass-through (established drugs)</td>
</tr>
<tr>
<td>• Cost must exceed three thresholds related to service payment rate</td>
<td>• Cost/day threshold ($130 in 2021)</td>
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<tr>
<td>• Have this status 2 to 3 years</td>
<td>• Excludes drugs that are supplies</td>
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<tr>
<td></td>
<td>• No specified time limit</td>
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</tbody>
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Note: SPNPT (separately payable non-pass-through).
Concern: Pass-through and SPNPT policies both include drugs that are the reason for a visit

- Makes administration of OPPS system of drug payment unnecessarily complex
- For 340B providers, financial advantage for using some pass-through drugs rather than similar SPNPT drugs
  - Statute: Pay all pass-through drugs at ASP + 6%
  - Regulation: Pay SPNPT drugs at ASP – 22.5% if obtained through 340B
Concern: Pass-through policy does not require clinical superiority

- The pass-through policy:
  - Is not restricted to drugs that are supplies to a service
  - Does not have a clinical superiority requirement

- Without clinical superiority requirement, Medicare can make additional payments for a new and potentially much higher cost drug that is no more effective than similar competing drugs already on the market
Criteria in policies for separately payable drugs with proposed modifications

- **Pass-through drugs**
  - New drugs that are supplies (excludes drugs that are the reason for a visit)
  - Must show clinical superiority
  - Cost must exceed 3 thresholds related to service payment rate
  - Have this status 2-3 years

- **SPNPT drugs**
  - Applies only to drugs that are the reason for a visit
  - Both new and established drugs
  - Must exceed cost per day threshold
  - No specified time limit