

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

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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

Criteria in the two OPPS policies for separately payable drugs

Pass-through drugs

- New to market
- Cost must exceed three thresholds related to service payment rate
- Have this status 2 to 3 years

SPNPT drugs

- Not pass-through (established drugs)
- Cost/day threshold (\$130 in 2021)
- Excludes drugs that are supplies
- No specified time limit

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