

Medicare Average Sales Price

ACCC Position:

The Association of Community Cancer Centers (ACCC) supports H.R. 905. ACCC believes customary prompt pay discounts extended by manufacturers to distributors should be excluded from the manufacturers' calculation of the Average Sales Price (ASP) for Part B drugs and biologics. Prompt pay discounts are based on negotiated terms between the manufacturer and the distributor for payment within a certain time frame and represent the time value of money. These discounts are typically not passed on to the physician purchasing the product. Excluding prompt pay discounts would align Medicare reimbursement with current Medicaid reimbursement methodology, which excludes prompt pay discounts from the calculation of Average Manufacturers Price (AMP) and ensures fair and accurate reimbursement for physicians and clinics.

Issue:

The "Medicare Prescription Drug Improvement and Modernization Act (MMA) of 2003" established ASP as the reimbursement metric for drugs reimbursed under Medicare Part B. Part B drugs or specialty pharmaceuticals — many of which are biologically derived — are used primarily to treat chronic or rare diseases, typically involve treatment regimens that call for ongoing clinical monitoring and patient education, and frequently require special handling, storage and delivery. In the 2006 Physician Fee Schedule (PFS) (CMS-1321-FC) CMS interpreted the MMA definition of ASP to include prompt pay in the calculation of ASP. CMS maintains that since the statute includes the words "prompt pay" discount, it has no choice but to include prompt pay discount when calculating ASP. ACCC disagrees with CMS' interpretation and believes CMS has the legal authority to instruct manufacturers to exclude the deduction of customary prompt pay discounts to wholesalers from ASP.

Failure to exclude prompt pay discounts from the calculation of ASP threatens the current distribution model for specialty products and artificially lowers Part B reimbursement for physicians and other providers.

- Physicians receive an artificially lower reimbursement which could affect access to critical care for patients with complex and life-threatening diseases like cancer.
- Manufacturers may have an incentive to bypass distributors in order to prevent lower reimbursement rates for their physician customers. This is a concern because the current distribution channel provides supply chain services in the most cost-efficient manner, saving the health care system \$32 billion a year. Currently distributors:
 - Eliminate the need for manufacturers to replicate delivery and handling process;
 - Streamline processing for over 10,000 physicians through consolidated ordering, billing and delivery; and
 - Promote product integrity for consumers.

Additional Information:

ACCC supports efforts to amend the Social Security Act to recalculate payments for drugs and biologics under Medicare (H.R. 905) recently introduced by Congressmen Ed Whitfield (R-KY) and Gene Green (D-TX). This bill:

- Removes the "prompt pay discount" from the reimbursement calculation for drugs under Medicare;
- Ensures more appropriate payment for drugs and biological while leaving wholesalers and distributors unaffected;
- Makes Medicare reimbursement policy consistent with other existing policies.

About ACCC:

The Association of Community Cancer Centers (ACCC) promotes the entire continuum of quality cancer care for our patients and our communities. Nearly 17,000 cancer care professionals from approximately 900 hospitals and more than 1,200 private practices are affiliated with ACCC. It is estimated that 60 percent of cancer patients nationwide are treated by a member of ACCC.