

January 22, 2009

The Honorable Harry Reid
Majority Leader

The Honorable Mitch McConnell
Minority Leader

The Honorable Max Baucus
Chairman
Senate Committee on Finance

The Honorable Charles Grassley
Ranking Member
Senate Committee on Finance

The Honorable Richard J. Durbin
Majority Whip

The Honorable Jon Kyl
Minority Whip

Dear Senators:

On behalf of the undersigned companies and associations, who represent the majority of specialty and biotech distribution and community oncology providers in the United States, as well as other physician specialties, we request your support to include urgently needed legislation (attached) to exclude prompt pay discounts from the Average Sales Price (“ASP”) methodology for Medicare Part B drugs in the economic stimulus bill or other appropriate legislative vehicle.

Customary prompt pay discounts are contractual terms between drug manufacturers and distributors. They reflect the time value of money for distributors, are not often passed on to medical providers, and artificially reduce reimbursement. Our pharmaceutical distribution system is unique to the United States and provides efficiencies not realized in other countries.

The inclusion of distributor prompt pay discounts in the ASP methodology threatens the secure and highly efficient distribution model and will lead to increased costs to Medicare and beneficiaries due to greater inefficiencies and impairment of product integrity. Reduced reimbursement to community oncology practices, where 84% of cancer patients are treated, compounds challenges faced by patients in their treatment and causes access to care issues as the economic realities of Medicare reimbursement threaten the financial viability of patient treatment facilities.

Excluding distributor prompt pay discounts from the ASP methodology is consistent with existing policy and will create greater uniformity among federal healthcare programs, as these terms already are excluded from the Medicaid Average Manufacturer Price (“AMP”) methodology.

During the 110th Congress, approximately 100 Members of Congress co-sponsored legislation (H.R. 1190, H.R. 2770 and S. 1750) which contained the prompt pay exclusion, and many have written letters in support of this provision.

Thank you for your consideration of this request. We would be glad to provide additional information.

Sincerely,

Association of Community Cancer Centers
American Society of Clinical Oncology
AmerisourceBergen Corporation
Community Oncology Alliance
CuraScript Specialty Distribution
Healthcare Distribution Management
Association (HDMA)
Health Coalition, Inc.

McKesson Specialty Care Solutions
Specialty & Biotech Distributors Association
(SBDA)
Society of Gynecologic Oncologists
UPMC Cancer Centers
US Oncology

Attachment

A BILL

To amend title XVIII of the Social Security Act to ensure more appropriate payment amounts for drugs and biologicals under part B of the Medicare Program by excluding customary prompt pay discounts extended to wholesalers from the manufacturer's average sales price.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXCLUSION OF CUSTOMARY PROMPT PAY DISCOUNTS EXTENDED TO WHOLESALERS FROM MANUFACTURER'S AVERAGE SALES PRICE FOR PAYMENTS FOR DRUGS AND BIOLOGICALS UNDER MEDICARE PART B.

(a) In General- Section 1847A(c)(3) of the Social Security Act (42 U.S.C. 1395w-3a(c)(3)) is amended--

(1) in the first sentence, by inserting `(other than customary prompt pay discounts extended to wholesalers)' after `prompt pay discounts'; and

(2) in the second sentence, by inserting `(other than customary prompt pay discounts extended to wholesalers)' after `other price concessions'.

(b) Effective Date- The amendments made by this section shall apply to drugs and biologicals that are furnished on or after January 1, 2009.