



**Office of External Affairs**

---

# MEDICARE NEWS

FOR IMMEDIATE RELEASE  
February 25, 2005

Contact: Office of External Affairs  
(202) 690-6145

## **CMS PROPOSES NEW PROGRAM FOR PHYSICIAN ADMINISTERED DRUGS**

### *Proposed Rule Could Ease Burden On Physicians*

Physicians who administer drugs in their offices to Medicare beneficiaries under Medicare's Supplementary Medical Insurance Program (Part B) could have the option of an alternative process for obtaining those drugs under a proposed rule issued today by the Centers for Medicare & Medicaid Services (CMS).

"This proposed competitive acquisition program offers physicians an option that could save them time and paperwork, while creating a competitive environment for the acquisition of Part B drugs," said CMS Administrator Mark McClellan, M.D., Ph.D.

Under the proposed rule, physicians could choose to obtain physician-administered Part B drugs from competitively selected vendors, who would then bill Medicare directly. Alternatively, physicians could choose to continue to purchase drugs directly in the market, as they do now, and be paid directly by Medicare.

The proposed rule deals only with drugs that are covered under Medicare Part B that are not a part of the Medicare prescription drug benefit that takes effect on January 1, 2006. The competitive acquisition provision, required by the Medicare Modernization Act of 2003, will become available for services beginning on or after January 1, 2006.

A vendor wishing to participate in the competitive acquisition program would have to submit a bid to Medicare for supplying drugs administered in a physician's office. To be eligible for a contract, a vendor would first have to demonstrate that it meets rigorous standards set out in the proposed regulation for quality, program integrity, financial stability, and service. After meeting those standards, winning vendors would be selected based on their bid price.

"Potential suppliers have expressed a great deal of interest in this program," Dr. McClellan said. "We are optimistic that when the program is implemented, it will generate a vigorous competition, to the benefit of patients, physicians, and taxpayers."

For physicians choosing to participate in the program, obtaining drugs from a vendor is simple and efficient. After enrolling with one of the winning vendors, physicians would order drugs needed for specific beneficiaries from the vendor, and administer them to the beneficiaries. The physician would not bill Medicare for drugs but would bill Medicare only for the administration services. The vendor, rather than the physician, would bill Medicare for the drugs and would be responsible for collecting any deductibles and coinsurance from the beneficiary.

Some physicians indicate that collecting coinsurance and deductibles is a burden to them and the beneficiaries they serve. By electing to obtain drugs from a vendor, a physician would no longer need to collect beneficiary coinsurance and deductibles for these drugs.

Currently, a physician purchases drugs for a beneficiary from a distributor or manufacturer. The physician then bills Medicare for the drug, which, in most cases, has a statutorily mandated payment rate of 106 percent of the manufacturer's average sales price (ASP). Medicare pays 80 percent of this rate, and the physician must collect a 20 percent coinsurance from the beneficiary.

Under the proposed rule, physicians will be given an opportunity once a year to elect to participate in the program and to choose a vendor to be the physician's sole source for the selected categories of Part B drugs. The proposed rule would allow a physician to obtain drugs elsewhere under specified emergency circumstances. For administering Part B drugs, a physician who obtained drugs from a vendor would receive the same Medicare payment as a physician who purchased drugs in the market.

The proposed rule specifically invites public comment on the drug categories to be included in the program, as well as the designation of competitive acquisition areas.

The proposed rule will be published in the March 4 *Federal Register*. Comments will be accepted until April 26. The competitive bidding process will begin after a final rule is published by CMS later this year.

###