ASC0 Calls on Congress to Remove Prompt Pay Discounts from the ASP Methodology for Chemotherapy Treatments

OVERVIEW

ASC0 urges Congress to enact H.R. 696/S. 506, introduced by Representatives Ed Whitfield and Gene Green and Senators Pat Roberts and Debbie Stabenow to help ensure that community-based oncology physician practices can purchase cancer drugs for prices within the Medicare payment amount.

BACKGROUND

Since implementation of the Medicare Modernization Act of 2003 (MMA), a fundamental flaw has emerged in the methodology used to calculate payment rates for chemotherapy drugs under Medicare Part B. This flaw causes many community-based oncology practices to purchase cancer drugs at a loss. This problem is not going away – it is getting worse.

The MMA set payment amounts for drugs administered in community-based physician offices at 106% of the manufacturer’s average sales price (ASP). ASP is adjusted quarterly based on information collected from the manufacturers, and current pricing is based on data that is three to six months old. ASP includes sales to all buyers, including very large buyers, and often does not reflect the prices available to typical community-based physician practices in oncology.

PROMPT PAY DISCOUNT CALCULATION FURTHER DISTORTS MEDICARE PAYMENT RATES, PLACING DRUGS “UNDERWATER” AND THREATENING CANCER PATIENT ACCESS:

The underlying problems arising from the ASP methodology) are compounded by the fact that the calculation of ASP includes “prompt pay discounts” offered by manufacturers to wholesalers and distributors. Typically, prompt pay discounts are not passed along to community-based physician oncology practices.

This results in distorted ASP values that often are less than the prices available to many community-based oncology practices, creating so-called “underwater” drugs. Increasingly, community-based practices are unable to cost-shift or otherwise absorb the financial losses that result from administering drugs that are underwater.

When community-based oncology practices are unable to afford to administer drugs that are underwater, cancer patients often are referred to hospital infusion centers. This can create a significant barrier to patient access. Patients may be unable to travel and wait to be seen at distant hospitals, especially low income individuals and patients in rural areas. In some cases, the hospitals are unable to accept these cancer patients for a variety of reasons.

Under the existing statute, CMS does not have the discretion to make this adjustment without legislation from Congress. The solution is simple and consistent with existing federal Medicaid policy. ASC0 urges Congress to enact H.R. 696/S. 506 to remove prompt-pay discounts that are extended to wholesalers from the ASP methodology.