

ASCO PracticeNET Analysis of the Medicare Most Favored Nation Interim Final Rule

December 16, 2020

Introduction: On November 20, 2020, Medicare released the Most Favored Nation (MFN) Interim Final Rule. MFN is a mandatory alternative payment model administered by the Center for Medicare and Medicaid Innovation. MFN will impact how nearly all oncology practices and hospital outpatient departments are reimbursed for drug treatments provided to Medicare beneficiaries.

Methods: ASCO has utilized billing and reimbursement data from its PracticeNET network of oncology practices and cancer centers to analyze the impact of the MFN rule on varying practice types. Twenty-eight (28) independent physician and hospital-based practices are included in this analysis, representing \$924 million in Medicare allowable payments. PracticeNET practices include multiple oncology specialties, span 20 states, range in size from 4 to 110 oncologists, and include both urban and rural private practices, 340B-qualified hospitals and non-340B-qualified hospitals. Critical Access Hospitals and PPS-Exempt Cancer Hospitals were excluded from the analysis as they are not included as MFN participants under the rule.

Medicare allowable units were calculated for the period of July 2019 to June 2020 dates of service. Current drug rates were calculated using 106% of the Average Sales Price applicable for the date of service, adjusted for 340B-purchased drugs. MFN rates were calculated using Table 6 in the MFN interim final rule. The analysis is limited to the impact of MFN on Medicare allowable payments compared to current rates, and does not attempt to predict future trends in global prices, domestic inflation, or drug acquisition prices paid by physicians and hospitals. We did not apply the impact of sequestration to either current or proposed rates. During the current public health emergency, Congress temporarily waived sequestration rates for the remainder of 2020. We do not know if Congress will take further action to extend that provision into 2021.

Drug/ Biological	Current Rate	MFN Rate Year 1	% Change
Pembrolizumab	47.19	41.26	-13%
Nivolumab	26.57	21.77	-18%
Rituximab	88.85	70.54	-21%
Denosumab	18.24	14.38	-21%
Pegfilgrastim	3,757.68	2,941.62	-22%
Bevacizumab	75.05	63.15	-16%
Trastuzumab	98.30	78.94	-20%
Daratumumab	51.08	48.86	-4%
Pemetrexed	66.54	50.06	-25%
Atezolizumab	73.02	59.95	-18%

Table 1. Top 10 oncology drugs impacted by the MFN interim final rule (rates per billing unit)

Major Provisions of the Most Favored Nation Interim Final Rule

The Most Favored Nation (MFN) Model calculates a Medicare payment amount for MFN Model drugs based on a price that reflects the lowest per capita Gross Domestic Product-adjusted (GDP-adjusted) price of any non-U.S. member country of the Organization for Economic Co-operation and Development (OECD) with a GDP per capita that is at least sixty percent of the US GDP per capita. It also creates a flat, alternative add-on payment for MFN Model drugs to substitute for the “+6” in the current Average Sales Price plus 6% rate.

MFN model drugs in the first year consist of 50 of the most highly reimbursed drugs under Medicare Part B; drugs will be added to this list each year as their reimbursement breaks into the top 50, but with rare exception, none will be removed for the duration of the model. The fully phased-in MFN “price discount” relative to applicable ASP reaches 65% for the fourth year of the model and beyond, with no guarantee that the prices physicians and practices pay for drugs would see corresponding decreases.

Results: In review of the 50 initial MFN drugs, hematology/oncology is listed as the top billing specialty for 29 drugs and is included in the top three specialties for a total of 38 drugs (see Table 1 for a sample of 10 impacted drugs).

Among PracticeNET’s practices, MFN-priced drugs make up 83% of all physician-provided drugs (based on total Medicare allowable payments), resulting in a projected decrease in payments of -14% in year 1 and -52% in year 4 (Table 2).

	2020 Rates	MFN Rates (2021)	MFN Rates (2022)	MFN Rates (2023)	MFN Rates (2024-2027)
MFN-priced Drugs	18,847,165	15,586,940	12,750,898	9,914,855	7,078,812
ASP-priced Drugs	3,895,645	3,895,645	3,895,645	3,895,645	3,895,645
Total Allowable Rates	22,742,811	19,482,585	16,646,543	13,810,500	10,974,458
		-14%	-27%	-39%	-52%

Table 2. Impact of MFN drug reimbursement on physician-provided drugs for 2021-2027 (practice average among PracticeNET participants)

For hospital-provided drugs, we calculated Medicare allowable payments under four categories (percent of current payment mix in parentheses):

- MFN-priced, 340B-purchased drugs subject to a cap of ASP minus 22.5% (19%);
- MFN-priced drugs not purchased through the 340B program (66%);
- ASP-priced, 340B-purchased drugs reimbursed at ASP minus 22.5% (2%); AND
- ASP-priced drugs not purchased through the 340B program and reimbursed at ASP plus 6% (12%).

The resulting decrease in Medicare allowable payments to outpatient hospital oncology departments is projected to be -10% in year 1 and -50% in year 4 (Table 3). Other drugs not separately payable by the Outpatient Prospective Payment System are not impacted by MFN and are therefore not included in Table 3.

	2020 Rates	MFN Rates (2021)	MFN Rates (2022)	MFN Rates (2023)	MFN Rates (2024-2027)
MFN-priced, 340B-purchased drugs	2,573,645	2,685,538	2,309,934	1,771,091	1,228,131
MFN-priced, non-340B drugs	8,954,615	7,478,248	6,186,616	4,894,984	3,603,352
ASP-priced, 340B-purchased drugs	304,708	304,708	304,708	304,708	304,708
ASP-priced, non-340B drugs	1,637,085	1,637,085	1,637,085	1,637,085	1,637,085
Total Allowable Rates	13,470,053	12,105,580	10,438,344	8,607,869	6,773,277
		-10%	-23%	-36%	-50%

Table 3. Impact of MFN drug reimbursement on hospital-provided drugs for 2021-2027 (practice average among PracticeNET participants)

Conclusion: The MFN will result in significant decreases in Medicare Part B reimbursement to private practices and hospital outpatient oncology departments for the duration of the model (Figure 1). CMS expects that MFN will impact Medicare Advantage in 2023, resulting in further decreases.

While some practices may be able to lower acquisition prices to match decreased reimbursement, the CMS Office of the Actuary estimates that 11% of impacted private practice physicians will shift the care of their patients to 340B-qualified hospitals or PPS-exempt hospitals, and that 19% of Medicare beneficiaries will lose access to the 50 therapies included in the MFN interim final rule.

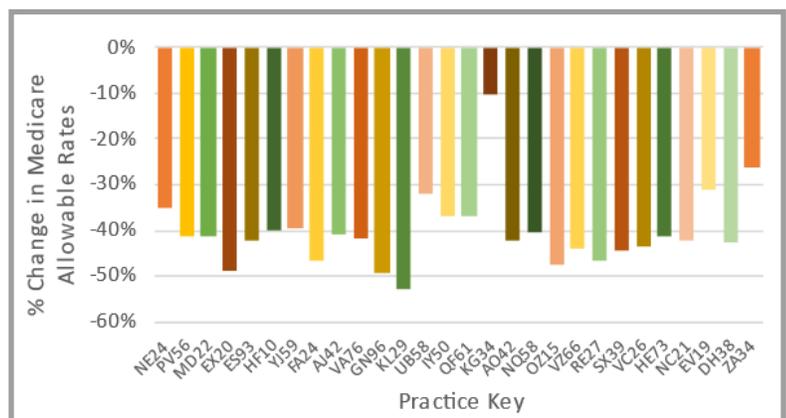


Figure 1. Oncology practice-specific impact on total Medicare allowable payments (drug and non-drug) due to MFN in year 4