



## Medicare Part B Drug Reimbursement

**Medicare 101:** Created in 1965, Medicare is the federal health insurance program for people living with disabilities or people who are 65 or older. There are four different parts of Medicare, each of which covers specific services: Parts A and B are known as “Original Medicare” and provide direct government benefits. Parts C and D provide coverage through private plans approved by Medicare.

### What is Medicare Part B?

Medicare Part B (medical insurance) covers doctor visits, outpatient care, medical supplies, preventative service, and some prescription drugs.

Medicare Part B covers drugs that are administered by infusion or injection in physician offices and hospital outpatient departments (HOPDs), such as chemotherapy or eye treatments. Medicare also reimburses for some drugs that are provided by pharmacies and suppliers (i.e. inhalation drugs and certain oral anticancer, antiemetic, and immunosuppressive drugs).

The amount paid by Medicare depends on where the drug is administered.

### How many people receive care?

- 6.6 million enrollees use Part B drugs (roughly half are vaccines)

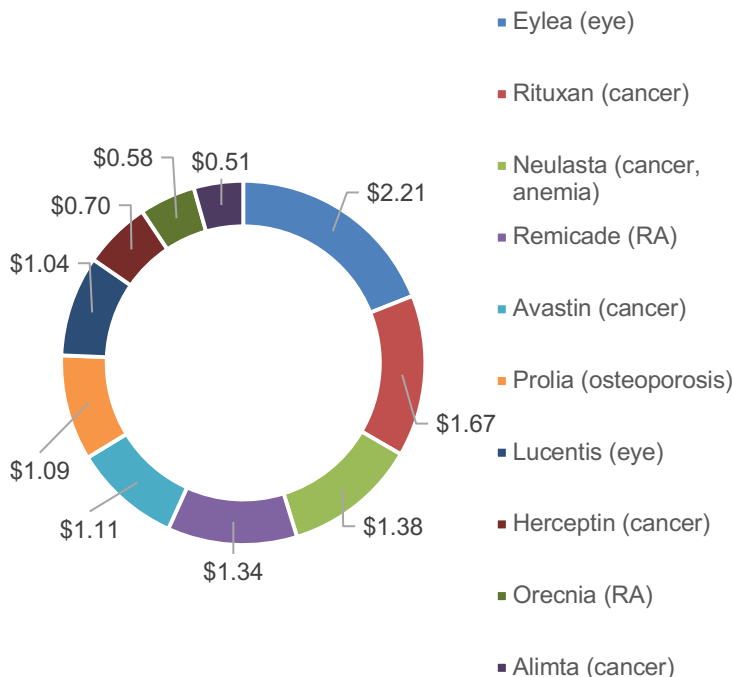
### How much does it cost?

- Of the \$679 billion Medicare spent in total for 2016, \$293 billion was for Part B
- \$29 billion was spent on Part B drugs
  - \$24 billion from Medicare
  - \$5 billion from beneficiary/supplemental coverage

### Where does the spending go?

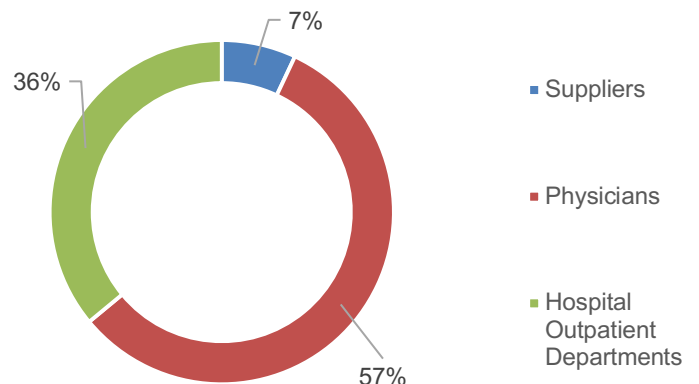
- Physicians (57%), Hospital Outpatient Departments (36%), and suppliers (7%) account for Part B drug spending.
- Hospital Outpatient Department spending has been growing the most rapidly.
- Top 10 drug by spending amounts account for 45% of total Part B drug spend.

Medicare Spending:  
Top 10 Drugs in 2016\*



\*In billions of dollars

Sources of Spending



## How does payment for Part B drugs work?

Sometimes referred to as “buy and bill,” providers and suppliers first buy the products (can be from wholesalers, distributors, specialty pharmacies, or in some cases directly from manufacturers)

- Manufacturers who sell the drugs report the price (net of rebates, discounts, or price concessions) to CMS on a quarterly basis
- CMS uses this information to form the “Average Sales Price” (ASP)

The providers- or those administering the drugs- charge Medicare for reimbursement for the drug. They also collect any cost sharing from the beneficiary.

CMS reimburses the provider equal to 106 percent of the average sales (ASP) price for each drug.

- This happens regardless of what the provider paid for each drug.

On April 1, 2013, CMS began reducing payment by 2 percent of the ASP and the 6 percent add-on to reflect the statutory sequester enacted as part of the Budget Control Act of 2011.

## Examples of Covered Part B Drugs

1. **Incident to physician service-** Physician provided for that patient (e.g., chemotherapy drugs), most injectable or infused drugs
2. **DME benefit-** Pharmacy supplied and administered (e.g., respiratory drugs given via nebulizer)
3. Some **self-administered** drugs billed by pharmacy suppliers and by the patient (e.g., immunosuppressive drugs, oral anti-cancer drugs if the same drug is available in injectable form, oral anti-nausea drugs used as part of an anti-cancer chemotherapeutic regimen)
4. **Hospital outpatient departments-** separately billable and self-administered drugs
5. **ESRD-** Drugs associated with End Stage Renal Disease, used to treat anemia
6. Some **antigens** if prepared by a doctor and taken under supervision
7. **Injectable osteoporosis drugs** associated with the home health benefit
8. **(IVIG)** Intravenous Immune Globulin provided in the home
9. **Some Vaccines**
10. **Parenteral and enteral nutrition** (intravenous and tube feeding)

