

## Medicare Part B

### Issue Background

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For more than 50 years, Medicare Part B has provided America's disabled and senior populations with access to a wide variety of critical health care benefits, including prescription drugs that are administered directly by providers at a hospital or clinic.

In the traditional fee-for-service Part B program, the federal government reimburses providers for the prescription drugs they administer based on the average sales price (ASP) for a given drug, plus an additional 6% to cover administration and handling expenses incurred by the provider in purchasing and providing the drug. This reimbursement method, commonly known as ASP+6%, was included as part of the Medicare Modernization Act of 2003, and takes into account the rebates and discounts available in the commercial marketplace. As a result, the Medicare program benefits from the savings negotiated between private commercial plans and drug manufacturers.

By taking advantage of private market negotiations, this reimbursement methodology has continued to keep Medicare costs in line with medical inflation. In fact, total spending on prescription drugs in 2015 was only 9.2% of overall Part B spending – that's less than 4% of total Medicare spending.

### Policy Position

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BIO and its members support Medicare Part B and the ASP+6% reimbursement model as it stands. The additional 6% on top of the Average Sales Price is needed cover costs including drug procurement, handling, storage, inventory, preparation, and waste disposal. Due to sequestration, reimbursement is presently an effective ASP+4.2%. Proposals to cut that further would diminish providers' ability to obtain Part B therapies at or below the Medicare reimbursement rate, which would put the patients it supports at risk. Further, cutting reimbursement to community providers risks accelerating the shift of patients into more expensive care settings such as hospitals, which studies have shown drives up overall costs.

Preserving Medicare Part B will protect patients from: compromising on care due to their provider's inability to obtain the most appropriate therapy; seeking care in a higher-cost setting (i.e., hospital outpatient departments) that may be farther away and require them to switch providers; or forgoing care entirely.

### Key Points

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- ✓ **Medicare Part B is efficient** as it leverages the power of private sector negotiations and avoids the costs of a bureaucratic administrative infrastructure.
- ✓ **Nearly 50% of Medicare beneficiaries** are enrolled in supplemental policies through Medigap and Medicare Advantage which cover cost sharing for Part B drugs, keeping out of pocket costs low and predictable.
- ✓ Prescription drug spending is **less than 10% of overall Medicare Part B** spending.
- ✓ **Part B is particularly important for cancer patients:** chemotherapy drugs and related therapies accounted for 7 of the top 10 therapies covered by the program in 2014.