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Advancing Cancer Care in America

Support Prompt Pay Discount Legislation (H.R. 1392) to help ensure the efficient distribution of life-saving cancer care drugs

Quick facts about prompt pay discount and H.R. 1392:

Representatives Gene Green (D-TX) and Ed Whitfield (R-KY) are the lead co-sponsors of H.R. 1392, which would correct the prompt pay discount problem that currently threatens the efficient distribution of cancer care drugs.

By ensuring more appropriate payment amounts for drugs and biologicals under Medicare Part B, this bill would help protect patients' access to the nation's community-based cancer centers, which provide treatment to over 84 percent of the nation's cancer patients and are put at risk financially under the existing payment model.

There are a number of misunderstandings about prompt pay discount and how it can affect patients' access to care, which are addressed below:

- **The Myth: ASP + 6 percent is adequate reimbursement.**
    - The Medicare Modernization Act (MMA) established drug reimbursement basis at Average Sales Price (ASP), considered to be more suitable than the previously used Average Wholesale Price (AWP).
    - All direct drug costs to providers (acquisition and related handling costs) would be covered in all markets (rural and metropolitan) by paying 6 percent above provider cost.
    - The Congressional Budget Office (CBO) projected 10-year CMS Savings for drug and administrative reimbursement of $4.2 billion.

- **The Reality: ASP + 6 percent is not being realized.**
    - *The Prompt Pay Discount problem actually reduces reimbursement by 2 percent.*
        - Despite Congressional intent for ASP to match providers' acquisition costs, a 2 percent distributor prompt pay discount is netted out of ASP calculations even though the discount is not received by providers.
        - Therefore, ASP = 98 percent of a provider's purchasing cost, AND ASP + 6 percent is actually Cost + 4 percent.

- **Two-Quarter Lag Problem: Reduces Reimbursement by 1 percent.**
  - Further, the six-month lag in CMS updating ASPs, combined with steadily increasing drug prices, creates significant additional provider cost. A provider's drug price increase experienced today will not be recognized by CMS for six months. More than 90 percent of oncology drug expenditures are for single source drugs, leaving manufacturers no incentive to reduce prices.
  - This results in additional, unsustainable loss of approximately 1 percent of ASP – Therefore, after factoring in both of these problems, the actual reimbursement rate is Cost + 3 percent.
- **Bad Debt Problem: Reduces Reimbursement by 5 percent.**
  - Historical experience of the cancer care community indicates that 25 percent of Medicare's 20 percent patient coinsurance is uncollectible bad debt, resulting in an additional loss of 5 percent of Medicare allowable charges.
- **Final Result: ASP + 6 percent – 8 percent = Cost – 2 percent**
  - **Community cancer care practices actually receive only provider cost – 2%**

MMA Overcorrected Drug Reimbursements

- Ten-year CMS savings are now projected to exceed $16 billion – or four times the stated Congressional intent.
- CMS estimated that conversion from AWP to ASP would result in a 20 percent reduction in CMS drug expenditures. Since MMA, drug reimbursement has decreased from AWP - 5 percent in 2003 to AWP - 36.8 percent in 2005, an actual reduction in excess of 30 percent.
- CMS effectively requires community cancer caregivers to subsidize cancer treatment for Medicare beneficiaries.