PPAC Offers Plan for Physician Reimbursement

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WASHINGTON — Physicians should be reimbursed retroactively for any payment miscalculations that occurred under Medicare's new system to reimburse for in-office infusions, the Practicing Physicians Advisory Council recommended.

The "average sales price" (ASP) is something federal regulators "are concocting, and they don't know how accurate it's going to be," said PPAC member Barbara L. McAneny, M.D., an oncologist from Albuquerque, N.M., who drew up the recommendation.

For that reason, the Centers for Medicare and Medicaid Services should establish a correction factor for each quarter it updates pricing on the ASP, to prevent physicians from treating patients at a loss or being put in the position of denying treatment, she said.

PPAC is an independent panel that advises CMS on physician payment issues.

The ASP was authorized by the Medicare Modernization Act of 2003, replacing the former system of overpayments for drugs and underpayments for their administration. The intent was to make fair payments for both services.

This year and next, Medicare will pay physicians the ASP plus 6%. But next year, physicians will have the option of obtaining the drugs directly from a supplier selected by Medicare through a competitive bidding process. CMS officials told the panel that the agency would update pricing for the ASP on a quarterly basis.

Dr. McAneny countered that this wouldn't allow for any mistakes in pricing made along the way.

"Suppose the ASP is set at $60 for a drug, but you can only purchase that drug for $100," she later said in an interview. This means physicians would be getting paid only $60 for that drug from January through April—and losing $40 every time they administer the drug.

CMS might be able to correct the price on April 1, but that doesn't compensate for the losses physicians incurred over the first quarter of the year, Dr. McAneny said.

As a result, the agency might end up getting complaints from half the physicians in the country about the cost of a drug.

By putting in a correction mechanism, the agency can make the change retroactive, she recommended.

A report from the Government Accountability Office indicated that physicians may not get shortchanged under the ASP. Medicare payments for cancer drugs may decline next year, but payments are actually expected to exceed physicians' costs by 6% on average, the GAO found.

The independent panel says physicians who give in-office infusions should not have to treat patients at a loss or be put in a position of having to deny treatment.

The American Society of Clinical Oncology responded that the study underreported some costs and the report's methodology was flawed.

"GAO has always said that everything's going to be fine" with the ASP, Dr. McAneny said.

Nevertheless, "we need a plan B in case they're wrong."

The ASP replaces the average wholesale price, a number that drug makers had been giving to the government for each drug administered.

Medicare in the past paid physicians 95% of the average wholesale price for in-office administration of a drug to a Medicare beneficiary; however, the physician was not paid an administration fee.

The ASP system comes with mixed benefits: Physicians now will get paid an administration fee but they won't be getting paid as much for the drugs themselves as they were under the average wholesale price system.

PPAC also requested that physicians be allowed Internet access to a list of drugs that CMS compiled by manufacturer to determine ASP.

"This will be very helpful to the physician community—not just oncology—but for everybody who wants to purchase drugs … under the average selling price, and [to] know who they can purchase these drugs from," Dr. McAneny said. ■