

Source Shorts: Medicare Officially Kills Program to Pilot Pharmaceutical Payment Reform

The Centers for Medicaid and Medicare [officially dropped](#) any attempt to implement a pilot program that would change the way drugs were reimbursed under Medicare Part B. This pilot reform attempt has been [on hold](#) for more than a year, but CMS has now officially withdrawn it.

How does Medicare Part B cover prescriptions?

Medicare Part B only covers drugs that are administered in a doctor's office or clinic, which are primarily intravenous and injectable drugs (the bulk of pharmaceuticals are covered under Medicare Part D and would not have been included in this pilot). Under Medicare Part B, physicians are [reimbursed a portion](#) of the cost of the drug (the average cost of the drug plus 6%). This [pilot program](#) would reduce the added fee to 2.5% of the drug and added a \$16.80 per drug flat reimbursement. Medicare chose the \$16.80 fee to make the program budget neutral. Any savings to Medicare would come from a change in the drugs prescribed by physicians.

Why would it save Medicare money and why does it matter?

Under the existing system, physicians are financially incented to prescribe more expensive drugs - the reimbursement for a \$1000 drug would be \$60, the reimbursement of a \$100 drug would only be \$6. In addition, because the drugs covered by Medicare Part B must be administered by a physician, [many of them are biologics](#) with price tags of more than \$10,000 per treatment. The current Medicare Part B reimbursement structure disincentivizes physicians from trying biosimilar drugs, cheaper treatment alternatives, or even generic versions of a drug because

their reimbursements would be much lower. While Medicare Part B covers only a small percentage of drugs (primarily in oncology), the program spent [more than \\$18.5 billion on those drugs in 2015](#) (up from \$9.4 billion in 2005). This pilot program is a part of Medicare's commitment to move away from fee-for-service reimbursement to value-based reimbursement.

Not surprisingly, pharmaceutical companies [strongly opposed](#) this program. Particularly disheartening, although understandable, is [opposition](#) by the American Medical Association and groups representing physician specialists (including oncologists and rheumatologists). In an [interview](#) with the Regulatory Affairs Professionals Society, Walid Gellad, co-director of University of Pittsburgh's Center for Pharmaceutical Policy and Prescribing, said "If doctors had been adamantly supporting this pilot, I think it could have materialized despite pharma opposition. But organized medicine (the AMA, every specialty society impacted by reduced revenue) was opposed, and I think that is an important part of this story."