

# 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under Medicare Part B. This pilot reform attempt has been [on hold](#) for more than a year, but CMS has now officially withdrawn it.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."