

## Part B Insider (Multispecialty) Coding Alert

### CMS Threatens 4 Ways for Oncologists to Suffer - Drugs Could Drop 15 Percent per Year

Choose your poison. The Centers for Medicare & Medicaid Services laid out four different ways that it could slash physician payments for drugs they dispense, and each of four recipes adds up to doom.

Medicare now pays physicians 95 percent of the average wholesale price for drugs. Since drugmakers can claim any price they like for their drugs and Medicare will use it to set payments, allegations of price-fixing have led to lawsuits and calls for steep cuts. So CMS proposed four plans in the Aug. 20 Federal Register:

1. Insurance comparison. Under this method, CMS would set Medicare drug rates at the same levels as insurance. To determine insurance payment rates, DME regional carriers - which all are run by big insurance companies - would use the rates their parent company's indemnity and PPO health insurance products pay for the drugs.
2. AWP discount. This method would hang on to the AWP-based method but would drastically reduce the percentage of AWP used to set the rate. CMS would set rates somewhere between 80 and 90 percent of current AWP, depending on what comments it receives. Rates would then be updated by the consumer price index for medical care - an inflation indicator - every year.
3. Market monitoring. This approach involves keeping tabs on what suppliers and physicians are paying for drugs, then setting reimbursement rates at those levels. Somewhat like inherent reasonableness methodology, a drug's rate could only drop to 80 percent of AWP the first year (2004), then by 15 percentage points each following year until it equaled the going rate.
4. Competitive bidding. CMS' last proposal is for competitive bidding for drugs, with oncology drugs and nononcology drugs up for bid in each area. For now, vaccine rates would be set at "average sales price," the total sales for a drug (including discounts) divided by the total units sold during a time period.

In the bigger picture, CMS' rule-making may get trumped by drug-pricing legislation pending in Congress, experts say.

Editor's note: The proposed rule is at <http://cms.hhs.gov/providers/drugs/cms1229p.pdf>.