

Part B Insider (Multispecialty) Coding Alert

Inhalation Drugs: Prepare For Drastic Cuts To Albuterol And Ipratropium Reimbursement

Payments for nebulizer drugs were nebulous at best, OIG insisted

Many physicians' offices, especially pulmonologists, have started providing nebulizer medications in recent years. But those drugs are about to move to bargain basement reimbursement levels.

Inhalation drugs albuterol and ipratropium have long been on the top of the **HHS Office of Inspector General's** hit list, with 10 reports since February 1996 decrying high spending, and estimated \$900 million in overspending in 2003 alone. The latest figures show that albuterol only cost suppliers 17 percent of the average wholesale price, and ipratropium cost 34 percent of AWP.

Unless manufacturer figures change drastically, payments for both albuterol and ipratropium will drop a shocking 90 percent next year, to \$0.04 per milligram and \$0.30 per milligram respectively.

Starting in 2006, as part of the new prescription drug benefit, Medicare will cover metered-dose inhalers and the inhalation drugs that go with them. Currently, Medicare will only cover nebulizers and drugs that are delivered by nebulizer. So CMS predicts a massive shift from nebulizers to cheaper MDIs starting next year. Medicare spent \$1.6 billion on nebulizers and inhalation drugs in 2003, including \$4.5 million for [CPT 94664](#), a CPT code used for physician office staff educating patients about nebulizer use.

"That will really affect how we choose to bill," says **Valerie Frederick**, president of **Physicians Services**, a medical billing firm in Cumming, GA. She's been encouraging doctors to get into providing inhalation meds, and she usually bills around \$4.00 per mg for albuterol. She usually receives \$1.70 per mg. She's certainly never received albuterol as cheaply as 4 cents per mg.

A practice that treats 20 patients per day will face massive losses with these rates, Frederick insists. This move is typical of Medicare and the OIG, Frederick adds: "They take the smallest price that anybody's ever able to get, no matter how small," and then apply it to everyone.

The **Centers for Medicare & Medicaid Services** urges doctors to join a buying cooperative if they're concerned about their ability to afford drugs at the new rock-bottom prices.