The US Oncology Network

Support the Preserve Community Care Cancer Act (H.R. 696 and S. 506)

Quick History on the Prompt Pay Discount:

The Medicare Modernization Act of 2003 (MMA) decreased payment amounts in community-based physician offices for Medicare Part B drugs by creating a new formula based on Average Sales Price (ASP) + 6 percent. ASP is adjusted quarterly and based on information from the previous 6 months, and is required to account for all discounts and rebates, which include manufacture to distributor prompt pay discounts. Prompt pay discounts compensate distributors for the timely payment for these life-saving drugs.

There are a number of misunderstandings about prompt pay discount and how it can affect patients' access to care, which are addressed below:

- **The Myth: ASP + 6 percent is adequate reimbursement.**
  - The MMA established drug reimbursement basis at Average Sales Price (ASP), considered to be more suitable than the previously used Average Wholesale Price (AWP).
  - All direct drug costs to providers (acquisition and related handling costs) would be covered in all markets (rural and metropolitan) by paying 6 percent above provider cost.

- **The Reality: ASP + 6 percent is not being realized.**
  - **The Prompt Pay Discount problem actually reduces reimbursement by 1.5 percent.**
    - Despite Congressional intent for ASP to match providers' acquisition costs, a 2 percent distributor prompt pay discount is netted out of ASP calculations even though **the discount is not passed on to the physician** causing many practices to purchase drugs at a loss.
  - **Two-Quarter Lag Problem: Reduces Reimbursement by 1 percent.**
    - Further, the six-month lag in CMS updating ASPs, combined with steadily increasing drug prices, creates significant additional provider cost. A provider's drug price increase experienced today will not be recognized by CMS for six months. This results in additional, unsustainable loss of approximately 1 percent of ASP.

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- **Bad Debt Problem:** **Reduces Reimbursement by 5 percent.**
  - Historical experience of the cancer care community indicates that 25 percent of Medicare's 20 percent patient coinsurance is uncollectible bad debt, resulting in an additional loss of 5 percent of Medicare allowable charges.

- **Sequestration:** **Reduces Reimbursement by 2 percent.**
  - With the Budget Control Act Select Committee failing to meet their November 23, 2011 deadline to develop $1.2 trillion in deficit savings, oncologists were hit with a 2% across the board cut to all Medicare services in beginning April 1, 2013, including cuts to ASP.

- **Final Result:** **ASP – 3.5%**

Solution to the Prompt-Pay Discount Problem:

In recognition of the dire financial reality already facing community oncology practices almost 50 bipartisan Congressional leaders have co-sponsored HR 696 (Whitfield/Green) and S. 506 (Roberts/Stabenow) to ensure more appropriate payment for drugs and biologics under Medicare Part B.

The US Oncology Network urges Congress to improve the viability of community cancer care by ensuring more appropriate payment amounts for drugs and biologicals under Medicare Part B, this bill would help protect patients' access to the nation's community-based cancer centers, which provide treatment to over 84 percent of the nation's cancer patients and are put at risk financially under the existing payment model.

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