



Employees Group Insurance Division

*Office of Management and
Enterprise Services*

Injectable Drugs – Professional Reimbursement

September 19, 2012

Current EGID Reimbursement



- On August 1, 2005, EGID changed its injectable drug methodology to an Average Sales Price (ASP)-based approach for most drugs in order to be in alignment with Medicare's transition to ASP, as mandated by the Medicare Modernization Act (MMA).
 - Medicare rate was established at ASP plus 6%.
- For physician office/non-facility settings, EGID reimburses Medicare rate plus 35% (141% of ASP).
- If an ASP is not established for a particular drug, Average Wholesale Price (AWP) plus 10% is used.
- Drugs for which neither ASP nor AWP is available are allowed at 60% of billed charges.

Objective of the Analysis



- Primary Objective: Determine whether EGID's reimbursement for injectables is in line with common industry practices.
- Analytical Steps:
 - Obtain external consulting services to assist in data analysis and identify options for reimbursement approaches that are consistent with industry practices.
 - Review EGID's current injectable drug reimbursement levels.
 - Compare current reimbursement levels to:
 - Billed charges
 - Medicare rates
 - Commercial payer ranges

Objective of the Analysis



- EGID developed proposed rates based on data analysis and consultant recommendations.
- EGID established a provider task force to obtain feedback on the analysis and recommendations.
 - Task force members were identified by reviewing utilization.



For ASP-Priced Drugs:

- EGID proposes a reimbursement level of 120% of ASP.
 - **Considerations:** Icore's Trend Report, which is based on a national survey of payers, found that the most prevalent markup over ASP is 10%. The Journal of Managed Care Pharmacy reports increasing use of ASP-based approaches with markups averaging 9.4% over ASP for non-oncologists to 10.3% over ASP for oncologists.
- If reimbursement is tied to the Medicare's Part B Drugs rate rather than ASP, the equivalent of 120% of ASP equals 113% to 114% of Medicare.

Proposed Rates



For Non-ASP Priced Drugs:

- For drugs without a published ASP, EGID proposes 100% of AWP.
 - **Considerations:** Typical payer industry practice for non-ASP drugs is to establish reimbursement rates at using AWP minus a percentage (e.g. AWP-15%) or to establish a fee schedule based on AWP.
- If there is no ASP or AWP published for a CPT/HCPCS code submitted, EGID proposes that claims above a threshold of \$500 be evaluated manually.
 - For claims in which the billed charges are \$500 or less, the current practice of reimbursing 60% of billed charges will be continued.
 - For claims above the threshold, providers will be required to submit the drug name/generic name, the National Drug Code (NDC), strength, dosage administered and route of administration in order to price using AWP.

Vaccines:

- Vaccines were not addressed in this analysis and will continue with current methodology.

Additional Considerations



- **Task Force Comment:**
 - The proposed rates are well below other Oklahoma commercial payers.
- **EGID Response:**
 - National pricing trends are an appropriate indicator for drug costs because the acquisition costs are not determined locally.
 - Based on an analysis of EGID's Coordination of Benefit (COB) claims for professional services where other Oklahoma commercial payers were primary, a large majority of codes reviewed were at 120% of ASP or below.

Additional Considerations



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- **Task Force Comment:**
 - The proposed rates are below costs.
- **EGID Response:**
 - Because ASP is an average, some providers are able to obtain pharmaceuticals below the average selling price, while others are able to only purchase the drugs at a price that is above the average. Medicare implemented the Part B Competitive Acquisition Program (CAP) through which CAP-electing physicians can obtain Part B drugs administered in their offices at competitive pricing.
 - For any particular drug in which a provider's costs significantly exceed the reimbursement, the provider should contact EGID provider relations to seek an exception process based upon supporting documentation of the costs.

Additional Considerations



- **Task Force Comment:**

- The increased costs suggest that members are being diagnosed at a higher rate of illnesses treated by injectables and utilization issues should be addressed first.

- **EGID Response:**

- Utilization is primarily a factor between the provider and the member. However, EGID welcomes the opportunity to work with providers who are willing to identify utilization issues that can be better managed based on objective outcome measures and standards of care.

- **Task Force Comment:**

- There should be no disparity between the reimbursement for professional providers and facility providers for injectables.

- **EGID Response:**

- EGID recognizes the need for parity and the proposed rates will provide relative parity for injectable drugs between facilities and professionals.

Additional Considerations



- **Task Force Comment:**

- Reductions in reimbursement should be offset with increases in other rates such as administration codes.

- **EGID Response:**

- Administration fees for professional providers will be addressed in this methodology change. EGID proposes increasing the administration fees from 120% to 180% of Medicare for injections (963xx) and from 130% to 190% of Medicare for infusions (964xx).

- **Task Force Comment:**

- Due to the significant financial impact of this change, please consider a two-year phase-in period.

- **EGID Response:**

- EGID will implement the proposed rates over a two-year phase-in period. For 2013, 130% of ASP will be used and for 2014, 120% of ASP will be used.

Conclusion



- These reimbursement levels would fall within a common commercial level payment range and are above Medicare rates.
- The proposed rates will provide relative parity for injectable drugs between facilities and professionals after the two-year phase-in period.

Appendix



Top 20 Codes

CPT/ HCPCS	Description	Medicare Part B	Current Fee	Proposed Fee for 2013 130% of ASP	Proposed Fee for 2014 120% of ASP
J0129	Abatacept injection	21.389	28.88	26.52	24.38
J1300	Ecuzumab injection	194.105	262.04	240.69	221.28
J1441	Filgrastim 480 mcg injection	408.131	550.98	506.08	465.27
J1561	Gamunex/gamunex c	37.928	51.20	47.03	43.24
J1569	Hizentra injection	37.928	51.20	47.03	43.24
J1745	Infliximab injection	62.680	84.62	77.72	71.46
J2357	Omalizumab injection	21.932	29.61	27.20	25.00
J2469	Palonosetron hcl	18.467	24.93	22.90	21.05
J2505	Injection, pegfilgrastim 6mg	2,754.071	3,718.00	3,415.05	3,139.64
J3357	Ustekinumab injection	124.632	168.25	154.54	142.08
J3490	Drugs unclassified injection		60%		Manual
J9035	Bevacizumab injection	61.086	82.47	75.75	69.64
J9041	Bortezomib injection	42.451	57.31	52.64	48.39
J9171	Docetaxel injection	13.957	18.84	17.31	15.91
J9201	Gemcitabine hcl injection	51.185	69.10	63.47	58.35
J9263	Oxaliplatin	10.264	13.86	12.73	11.70
J9264	Paclitaxel protein bound	9.630	13.00	11.94	10.98
J9305	Pemetrexed injection	55.055	74.32	68.27	62.76
J9310	Rituximab injection	626.919	846.34	777.38	714.69
J9355	Trastuzumab injection	72.446	97.80	89.83	82.59

Medicare Part B as of 1/1/12 to 3/31/12

Top 20 Codes represent 72% of the dollars impacted.