



FACT SHEET

Senate Bill S. 1221 -- Medicare Prompt Pay Correction Act

COA Supports Bill to Remove Prompt Pay Discount

S. 1221 is a bill that eliminates prompt pay discounts from the calculation of Average Sales Price (ASP), which is the basis for Medicare drug reimbursement rates for community cancer clinics. This is bipartisan legislation introduced by Senators Arlen Specter (D-PA) and Pat Roberts (R-KS). It is companion legislation to House bill H.R. 1392, which has close to 50 cosponsors.

S.1221 will amend title XVIII of the Social Security Act to ensure more appropriate payment amounts for drugs and biologicals under Part B of the Medicare Program by excluding customary prompt pay discounts extended to wholesalers from the manufacturer's Average Sales Price (ASP). Prompt pay discounts are provided by pharmaceutical manufacturers to drug distributors. Because they are financing terms between manufacturers and distributors, prompt pay discounts are not passed on to community cancer clinics. However, the Medicare Modernization Act of 2003 (MMA) required that prompt pay discounts be included in the calculation of ASP. Their inclusion artificially reduces Medicare reimbursement rates by approximately 2%.

Currently the prompt pay discounts artificially reduce Medicare Part B drug reimbursement rates for community oncology clinics, jeopardizing the viability of these providers. Additionally, prompt pay discounts also reduce the payment rates of private payers that use ASP. The bill is a step forward in addressing problems with Medicare reimbursement for cancer drugs.

Excluding distributor prompt pay discounts from the ASP methodology is consistent with existing policy and will create greater uniformity among federal healthcare programs, as these terms already are excluded from the Medicaid Average Manufacturer Price (AMP) methodology.

Current Pricing Crippling Community Oncologists

The problem not only centers on payments for cancer drugs, but also on essential services provided to cancer patients, such as treatment planning, which are not reimbursed by Medicare. Under the current pricing system, the prompt pay discount, which is not passed on to community oncologists, causes some drugs to have an acquisition cost that is higher than the reimbursement rate. Community oncologists lose money every time these drugs are prescribed and dispensed. As a result, community cancer clinics have had to close satellite facilities and cut staff. Smaller clinics are struggling to operate and more will close. Patients with insufficient or no insurance, especially seniors covered by Medicare, are increasingly being sent elsewhere for treatment and some patients are actually foregoing treatment. The crisis will deepen as demand for cancer care is now starting to exceed the supply of oncologists during the next 11 years, when we will be short an oncologist for every 1 in 3 cancer patients.

Comment from COA

"The introduction of this bill is a welcome and needed first step in supporting community cancer clinics," said Patrick Cobb, M.D., president of the Community Oncology Alliance (COA) and managing partner of Hematology-Oncology Centers of the Northern Rockies in Billings, Montana. "However, more has to be done because clinics provide cancer care to their patients that is not reimbursed by Medicare."