

Impact of Medicare Part B Reform on Private Insurance Reimbursement

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In light of DIMA, how will private insurers change reimbursement for office administered drugs?

➤ **Survey-based analysis**

Agenda

- **Housekeeping**
- **Demographics**
- **Survey results**
 - **2003 baseline**
 - **2004-2005 outlook**
- **Conclusions**

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- **Reimbursement planning and solutions**
- **Pharmaceuticals, biologicals, devices, genomic-based diagnostics and therapeutics**
- **Since 1998**

Special Thanks

- **Survey design and analysis**
Elan B. Rubinstein, PharmD, MPH
- **Recruitment and survey administration**
NFO J Street

Slides Available

www.taghealthcare.com

“Archives”

Demographics

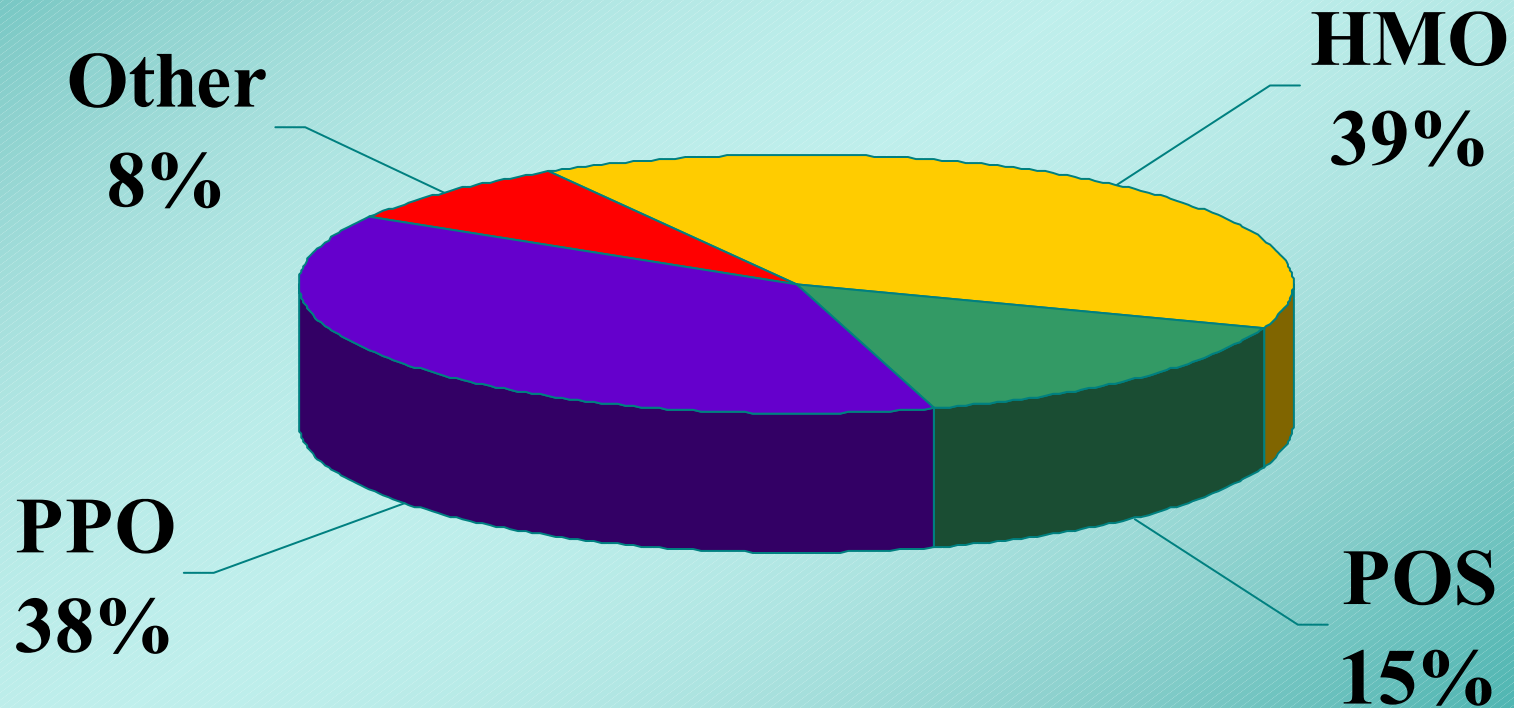
Qualitative Survey

- **January 2004**
- **15 MCO Medical Directors**
- **60 million covered lives**

Markets and Products

- **All regions; East coast weighted**
- **11/15 offer Medicare+Choice**
- **5/15 also Carriers, FIs, DMERCs**

MCO Products Reflect National Market



Results: 2003 Baseline

FFS With Some Direct Supply

- **Chemo*: 11/15 AWP-based**
 - 3 require direct supply
 - 1 capitated
- **Non-Chemo: 8/15 AWP-based**
 - 4 require direct supply
 - 2 give choice of direct supply or reimbursement at the direct supply contract price
 - 1 capitated

* All references to chemotherapy include supportive care treatments

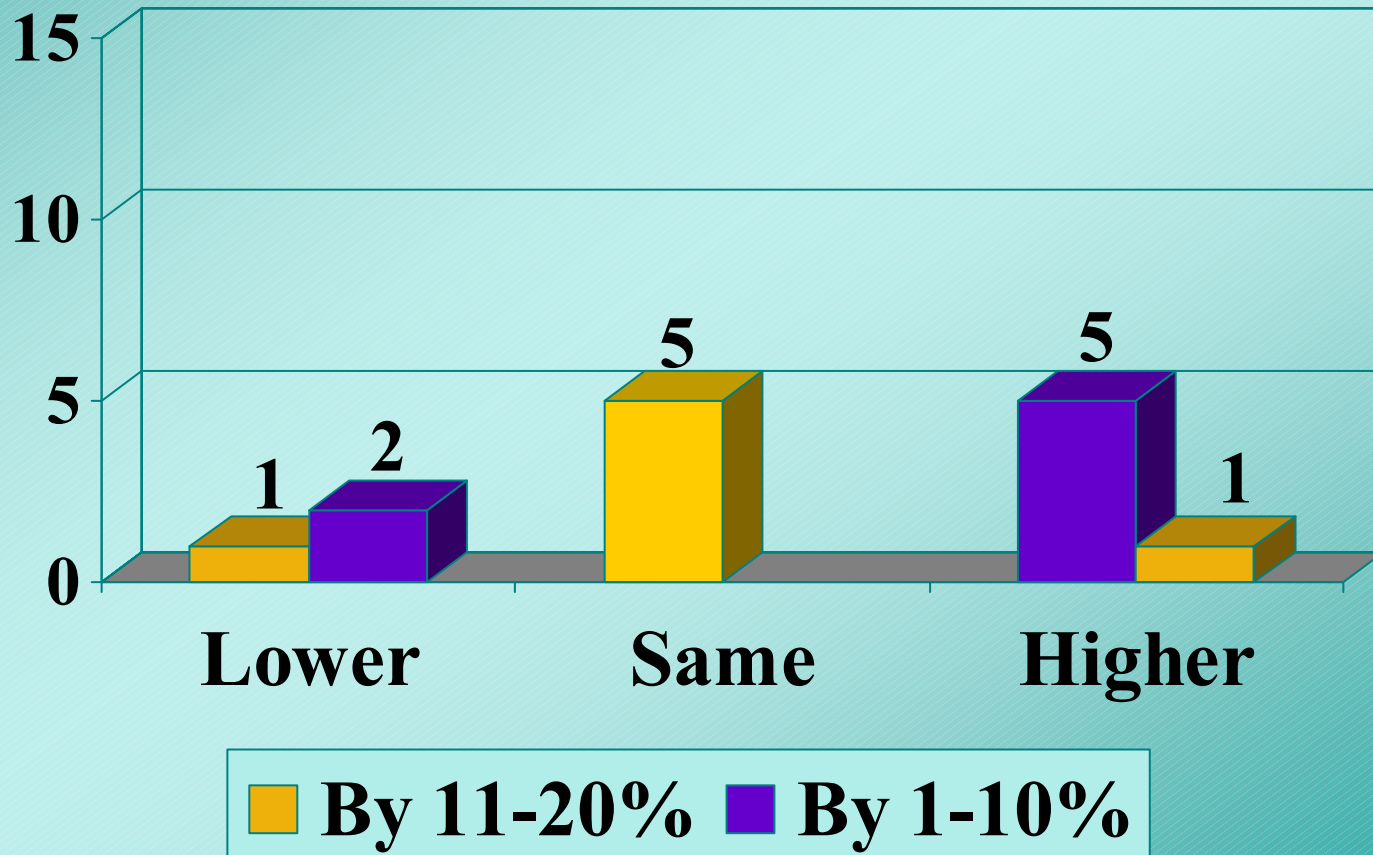
Average = 90% - 94% AWP

- **Lower than Medicare's 95% AWP**
- **Chemo and non-chemo usually same**
- **Range was 80% AWP to 110% AWP**

Specialty Distributors Paid Slightly Less

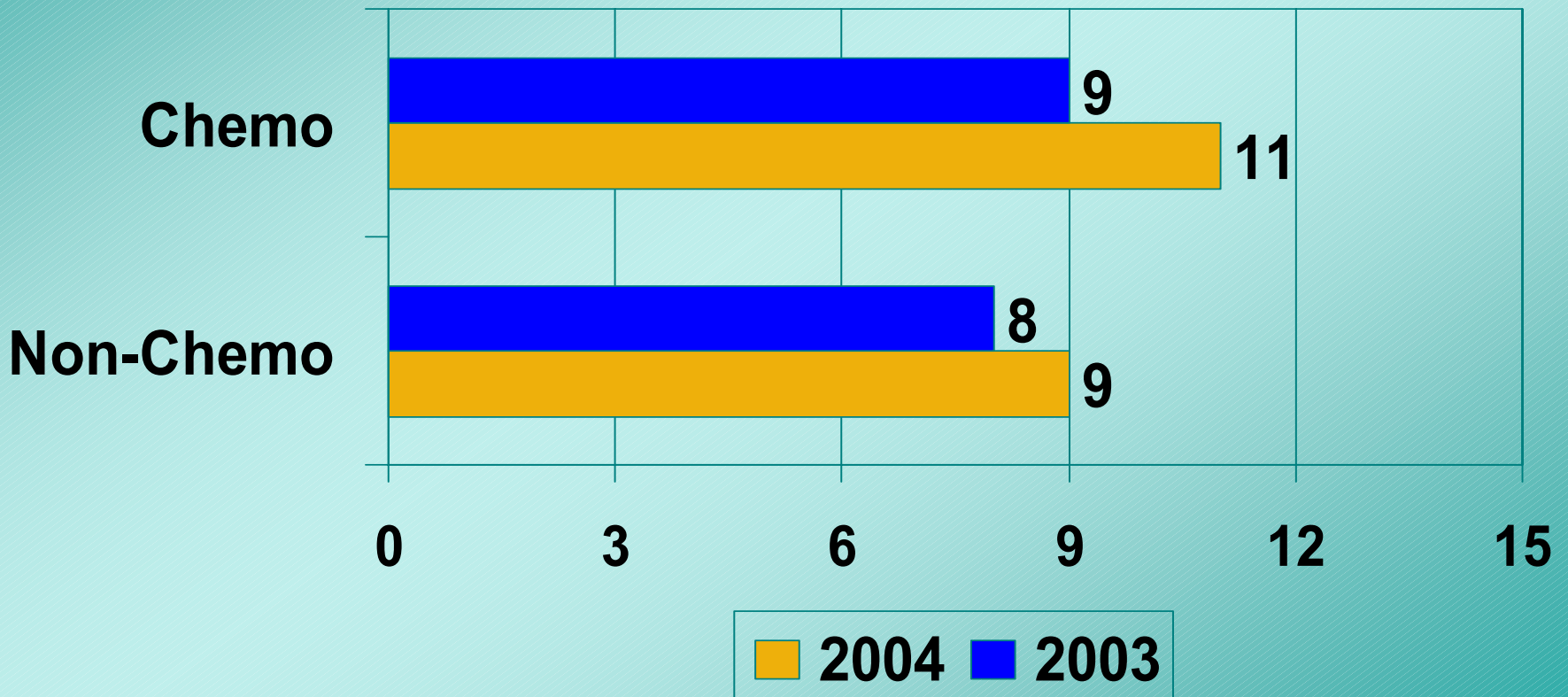
- Chemo: 3 plans that require direct supply, pay 90% AWP
- Non-Chemo: 4 pay 90% AWP; 2 pay 80% - 85% AWP

How MCO Infusion/Injection Payments Compared to Medicare Fee (2003)



2004 – 2005 Outlook

Medicare Rate Is Important in Commercial Reimbursement Decision



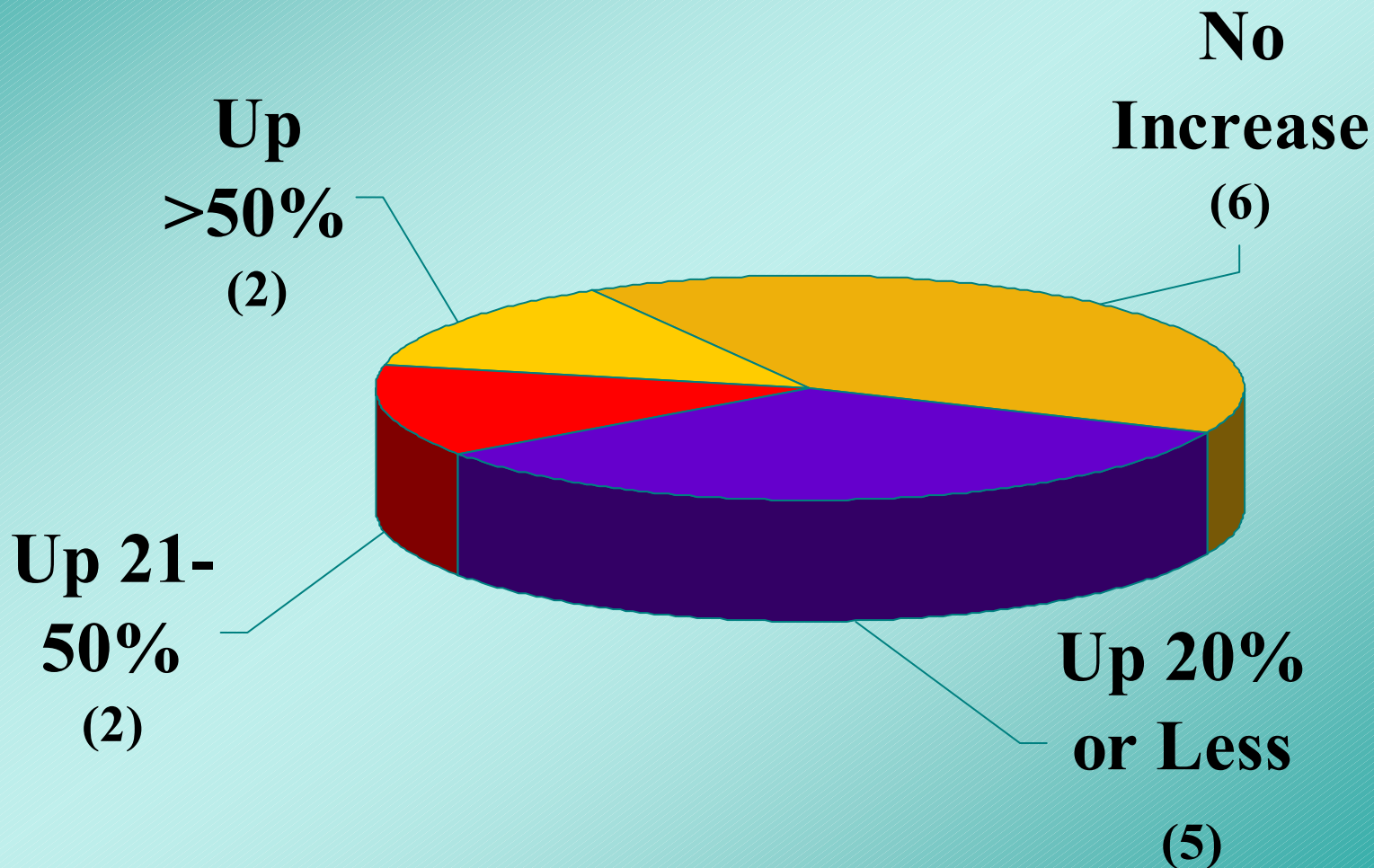
2004: Few Changes Planned

- **Only 3/15 will lower AWP-based reimbursement**
 - **2: additional 10% reduction**
 - **1: additional 5% reduction**

Direct Supply Will Increase

- **Chemo ('03 baseline = 3)**
 - 5/15 will require for infusables
 - 6/15 for injectables
- **Non-Chemo ('03 baseline = 6)**
 - 8/15

Infusion/Injection Fee Increases in 2004



Some Movement from Medical to Rx Benefit

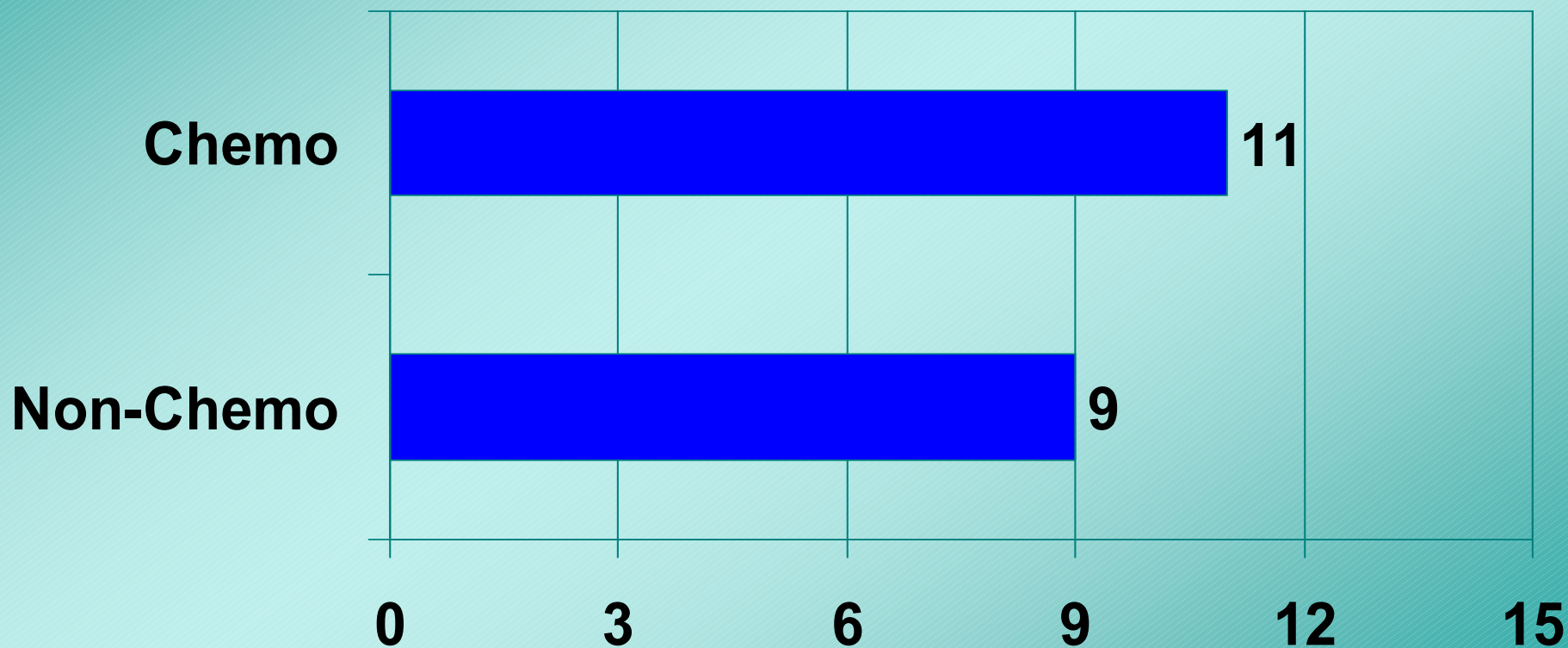
MCOs likely to re-categorize from medical to prescription benefit:

- Infusables – 4/15**
- Injectables – 5/15**

Tiered Formularies

- **5/15 will have tiered formulary for office-based infusables/injectables**

For 2005, ASP+6% Will Be Important In Private Ins Reimbursement Decision



Conclusions

Modest Changes in 2004

- **Few surveyed MCOs are likely to lower payments for office-based drugs and biologicals**
- **More than one-half will increase payments for infusion and injection procedures**

Bigger Changes in 2005

- **11/15 surveyed plans say Medicare conversion to ASP will be important factor in setting reimbursement for private insurance business**

Direct Supply Will Increase

- **More plans will require physicians to use direct supply for office-based drugs**
 - **Some will require for non-chemo drugs but not oncology**

Other Changes in Small Doses

- **About one-third of surveyed plans will**
 - **Re-categorize drugs from medical to prescription benefit or**
 - **Establish tiered formularies for office-based products**

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