

UNDERSTANDING MEDICARE PART B

Medicare Part B covers physician office visits, outpatient care, ambulance services and medical equipment. It also covers a subset of prescription medicines that are administered in a physician office or outpatient hospital, such as cancer medicines, vaccines and medicines for rheumatoid arthritis and other serious diseases. These medicines are often used by patients with serious and complex conditions who have few or no other treatment options. Medicare Part B successfully uses a market-based reimbursement system to manage medication spending while providing beneficiaries with access to the medicines they need.



Medicare Part B Covers Physician-Administered Medicines

- Part B covers medicines administered by a medical provider (doctor or nurse), including vaccines, chemotherapy, infusion therapies and more.
- These medicines are administered in settings such as hospital outpatient departments, physician offices and dialysis centers.
- Part B medicines are relied on by the sickest and most vulnerable patients – patients with complex conditions such as cancer, rheumatoid arthritis, mental illness and autoimmune conditions. These patients often have few or no other treatment options.



Medicare Part B Uses a Market-Based System to Pay for Medicines

- Health care providers negotiate with manufacturers and wholesalers to purchase Part B medicines and are then reimbursed by Medicare at the Average Sales Price + 6%.
- Congress established the Average Sales Price (ASP) system to ensure that Part B payments are market-based. It reflects the weighted average of manufacturer sales prices, including all rebates and discounts that are privately negotiated.¹ This ensures that patients benefit from discounts negotiated in the private market while maintaining adequate reimbursement for new treatments and mirrors the way physician-administered drugs are reimbursed in the commercial market.
- The 6% addition to the ASP rate helps cover costs associated with geographic and provider purchasing variability; shipping fees; complex administration; ongoing patient monitoring and education; and overhead for complex storing and handling requirements. (Note: Due to sequestration the rate is effectively ASP+4.3%.)

Medicines Provide Value to Patients and Are Not a Key Driver of Part B Costs

- More than half of the new Part B therapies approved between 2006 and 2013 are serving previously unmet medical needs, for patients with conditions that include cancer, blood diseases, autoimmune conditions and other serious illnesses.²
- Even as patients gain access to significant new medical advances, spending on Part B medicines has remained a small stable share of total Part B spending, just 8% in 2016.³ Part B medicines accounted for just 3% of total Medicare spending in 2016.
- Price growth for Part B medicines is also stable and remains below overall medical inflation. Research from the Moran Company found that the trend in volume-weighted ASP for Medicare Part B medicines has remained steady year over year, from 2007 to 2017.⁴

¹ Average Sales Price reflects the weighted average of all non-exempt manufacturer sales prices.

² Government Accountability Office. "Expenditures for New Drugs Concentrated among a Few Drugs." October 2015.

³ Medicare Payment Advisory Commission. Health Care Spending and the Medicare Program: A Data Book. Published June 2018. Source for total Part B expenditures: Medicare Trustees. The 2017 annual report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds; Table II.B1.

⁴ The Moran Company, "Trends in Weighted Average Sales Prices for Prescription Drugs in Medicare Part B, 2007-2017" December 2017.