



MLN Matters



Information for Medicare Fee-for-Service Health Care Professionals

Related Change Request (CR) #: 3783

MLN Matters Number: MM3783

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Related CR Transmittal #: 528

Effective Date: July 1, 2005

Implementation Date: July 5, 2005

MMA - July 2005 Quarterly Average Sales Price (ASP) Medicare Part B Drug Pricing File, Effective July 1, 2005

Note: This article was revised to contain Web addresses that conform to the new CMS website and to show they are now MLN Matters articles. All other information remains the same.

Provider Types Affected

All Medicare providers

Provider Action Needed

No provider action is necessary. This article is informational only and explains how Medicare pays for certain drugs that are not paid on a cost or prospective payment basis, effective July 1, 2005.

Background

According to Section 303 of the Medicare Modernization Act of 2003 (MMA), beginning January 1, 2005, drugs and biologicals not paid on a cost or prospective payment basis will be paid based on the Average Sales Price (ASP) plus six (6) percent. The Centers for Medicare & Medicaid Services (CMS) supplies its carriers/intermediaries with the ASP drug pricing file for Medicare Part B drugs. The ASP is based on quarterly drug information supplied to CMS by drug manufacturers.

Thus, beginning January 1, 2005, the payment allowance limits for Medicare Part B drugs and biologicals that are not paid on a cost or prospective payment basis are 106 percent of the ASP. CMS will update the payment allowance limits quarterly.

Exceptions

There are exceptions to this general rule, as summarized below:

- The payment allowance limits for blood and blood products, with certain exceptions such as blood clotting factors, are determined in the same manner the payment allowance limits were determined on October 1, 2003. Specifically, the payment allowance limits for blood and products are 95 percent of

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the average wholesale price (AWP) as reflected in the published compendia. The payment allowance limits will be updated on a quarterly basis.

- The payment allowance limits for infusion drugs furnished through a covered item of durable medical equipment on or after January 1, 2005 will continue to be 95 percent of the AWP reflected in the published compendia as of October 1, 2003 regardless of whether or not the durable medical equipment is implanted. The payment allowance limits will not be updated in 2005. The payment allowance limits for infusion drugs furnished through a covered item of durable medical equipment that were not listed in the published compendia as of October 1, 2003 (i.e., new drugs) are 95 percent of the first published AWP.
- The payment allowance limits for influenza, pneumococcal and hepatitis B vaccines are 95 percent of the AWP as reflected in the published compendia. The payment allowance limits will be updated on a quarterly basis.
- The payment allowance limits for drugs, other than new drugs, not included in the ASP Medicare Part B Drug Pricing File or Not Otherwise Classified (NOC) Pricing File are based on the published Wholesale Acquisition Cost (WAC) or invoice pricing. In determining the payment limit based on WAC, the carriers/intermediaries follow the methodology specified in Chapter 17, Drugs and Biologicals, of the Medicare Claims Processing Manual for calculating the Average Wholesale Price (AWP) but substitute WAC for AWP. Chapter 17 may be found at <http://www.cms.hhs.gov/manuals/downloads/clm104c17.pdf> on the CMS website.
- The payment limit is 100 percent (100%) of the WAC for the lesser of the lowest brand or median generic. Carriers/intermediaries, at their discretion, may contact CMS to obtain payment limits for drugs not included in the quarterly ASP or NOC files or otherwise made available by CMS on the CMS website. If the payment limit is available from CMS, carriers/intermediaries will substitute CMS-provided payment limits for pricing based on WAC or invoice pricing. CMS will provide the payment limits either directly to the requesting carrier/intermediary or via posting an MS Excel file on the CMS website.
- The payment allowance limits for new drugs and biologicals not included in the ASP Medicare Part B Drug Pricing File or Not Otherwise Classified (NOC) Pricing File are based on 106% of the WAC. This policy applies only to new drugs that were first sold on or after January 1, 2005.
- The payment allowance limits for radiopharmaceuticals are not subject to ASP. Medicare carrier/intermediaries will determine payment limits for radiopharmaceuticals based on invoice pricing.

Note: The absence or presence of a HCPCS code and its associated payment limit in the payment files does not indicate Medicare coverage of the drug. Similarly, the inclusion of a payment limit within a specific column does not indicate Medicare coverage of the drug in that specific category. The local Medicare carrier/intermediary processing the claim shall make these determinations.

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Implementation

The implementation date is July 5, 2005. The July 2005 ASP and NOC drug pricing files will be used by your carrier/intermediary to pay for Medicare Part B drugs from July 1, 2005 through September 30, 2005.

Additional Information

The official instruction issued to your carrier/intermediary regarding this change may be found at <http://www.cms.hhs.gov/transmittals/downloads/R528CP.pdf> on the CMS website.

Also if you have any questions, please contact your carrier/intermediary at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

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