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# CMS Manual System

## Pub. 100-04 Medicare Claims Processing

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Department of Health &  
Human Services (DHHS)  
Centers for Medicare &  
Medicaid Services (CMS)

Transmittal 480

Date: FEBRUARY 25, 2005

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CHANGE REQUEST 3667

**SUBJECT:** April 2005 Quarterly Average Sales Price (ASP) Medicare Part B Drug Pricing File, Effective April 1, 2005, and New January 2005 Quarterly ASP File

**I. SUMMARY OF CHANGES:** This instruction informs Medicare contractors to download the April 2005 and New January ASP drug pricing files for Medicare Part B drugs.

**NEW/REVISED MATERIAL - EFFECTIVE DATE\*:** January 1, 2005

**IMPLEMENTATION DATE:** April 4, 2005

*Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS: N/A**

(R = REVISED, N = NEW, D = DELETED)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
N/A	

**III. FUNDING:** Medicare contractors shall implement these instructions within their current operating budgets.

**IV. ATTACHMENTS:**

	Business Requirements
	Manual Instruction
	Confidential Requirements
	One-Time Notification
X	Recurring Update Notification

\*Unless otherwise specified, the effective date is the date of service.

# Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 480	Date: February 25, 2005	Change Request 3667
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**SUBJECT: April 2005 Quarterly Average Sales Price (ASP) Medicare Part B Drug Pricing File, Effective April 1, 2005, and New January 2005 Quarterly ASP File**

## I. GENERAL INFORMATION

**A Background:** Section 303(c) of the Medicare Modernization Act of 2003 (MMA) revises the payment methodology for Part B covered drugs that are not paid on a cost or prospective payment basis. Per the MMA, beginning January 1, 2005, drugs and biologicals not paid on a cost or prospective payment basis will be paid based on the ASP drug payment system. The new payment system is based on quarterly data submitted to CMS by manufacturers. CMS will supply contractors with the ASP drug pricing files for Medicare Part B drugs on a quarterly basis.

**B. Policy:** 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. There are exceptions to this general rule as summarized below.

(1) The payment allowance limits for blood and blood products, with certain exceptions like 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 blood products are 95 percent of the average wholesale price (AWP) as reflected in the published compendia. The payment allowance limits will be updated on a quarterly basis.

(2) 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.

(3) 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.

(4) 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 contractors follow the methodology specified in Chapter 17, Drugs and Biologicals, of Pub. 100-04, Medicare Claims Processing Manual, for calculating the Average Wholesale Price (AWP) but substitute WAC for AWP. The payment limit is 100% of the WAC for the lesser of the lowest brand or median generic. At the contractors' discretion, contractors 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 Web site. If the payment limit is available from CMS, contractors 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 contractor or via posting an MS Excel file on the CMS Web site.

(5) The payment allowance limits for new drugs and biologicals not included in the ASP Medicare Part B Drug Pricing File or NOC Pricing File are based on 106% of the WAC. This policy applies only to new drugs that were first sold on or after December 1, 2004.

Note that the absence or presence of an 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 contractor processing the claim shall make these determinations.

**C. Provider Education:** A Medlearn Matters provider education article related to this instruction will be available at [www.cms.hhs.gov/medlearn/matters](http://www.cms.hhs.gov/medlearn/matters) shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin. Contractors are free to supplement Medlearn Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.





Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
3667.6	Contractors shall use the new January 2005 ASP drug pricing file for (1) those claims where the contractors are asked to retroactively adjust claims processed with the original January 2005 file and (2) those claims with dates of service on or after January 1, 2005 and before April 1, 2005 that are processed after April 4, 2005.  Contractors shall not search and adjust claims that have already been processed unless brought to their attention.	X	X	X	X	X	X	X		
3667.7	Contractors shall overlay the old January 2005 file with the new January 2005 file.	X	X	X	X	X	X			
3667.8	For any drug or biological for which a contractor calculates a payment allowance limit, the contractor shall forward the drug name, dosage, payment allowance limit, and National Drug Code (if available) to CMS for inclusion in the next quarterly update. Forward this information to MBaldo@cms.hhs.gov.	X	X	X	X					

### III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

#### A. Other Instructions: N/A

X-Ref Requirement #	Instructions

#### B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

#### C. Interfaces: N/A

**D. Contractor Financial Reporting /Workload Impact: N/A**

**E. Dependencies: N/A**

**F. Testing Considerations: N/A**

**IV. SCHEDULE, CONTACTS, AND FUNDING**

<p><b>Effective Date*:</b> January 1, 2005</p> <p><b>Implementation Date:</b> April 4, 2005</p> <p><b>Pre-Implementation Contact(s):</b> Marjorie Baldo at 410-786-4617 or Catherine Jansto at 410-786-7762</p> <p><b>Post-Implementation Contact(s):</b> Appropriate Regional Office</p>	<p><b>Medicare contractors shall implement these instructions within their current operating budgets.</b></p>
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