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COLLOQUY ON CANCER CARE REIMBURSEMENT

Senators Feinstein, Grassley, Baucus and Brownback

MRS FEINSTEIN: Chairman Grassley, as you know, the Medicare conference report, which includes a reform of the Part B drug payment system, includes significant payment reductions to providers of cancer care. I understand that you do not intend for these payment reductions to force efficient cancer clinics to close, jeopardizing access to care for thousands of cancer patients.

MR GRASSLEY: That's correct, Senator. The Medicare conference agreement contains a number of significant reforms, which will save billions of dollars in overpayments from Medicare covered drugs, while also substantially increasing payments to physicians. I intend to preserve continued access to high-quality cancer care.

MRS FEINSTEIN: Senator Baucus, as you know, many physicians depend on overpayments on Part B drugs to make up for inadequate practice expenses. Is it your intent that physicians' practice expenses will be increased sufficient to ensure access to care?

MR BAUCUS: Yes, that is my intent. And I am committed to monitoring this new payment system as it is implemented, in order to ensure access to high-quality cancer care.

MRS FEINSTEIN: And Senator Baucus, is it your intent that if this new payment system does not suffice to ensure access to care, that you will revisit the system and revise the payment methodology?

MR BAUCUS: That's correct.

MRS FEINSTEIN: Finally, Mr. Chairman, it's my understanding that practice expense increases for oncology are expected to be about \$500 million in 2004, \$600 million in 2005, and \$560 million in 2006, as shown in the summary which I will submit for the record. Is it your understanding that the payment expense increases will allow efficient cancer care providers to continue serving cancer patients and not close their doors?

MR GRASSLEY: Yes. I would also note that the senator from Kansas, Mr. Brownback, has some concerns over this issue. He has been a forceful advocate for the oncology community. And while I think the package for cancer care is a fair one, I understand that he has some concerns.

MR BROWNBACK: I thank the Chairman, both for his commitment to this legislation and for keeping my staff and me informed throughout the drafting of these provisions. I would note that from the time he first spoke on this issue during consideration of the tax bill the Chairman has expressed his intent to, “ensure that seniors and their caregivers have adequate payment for, and continued access to, important cancer therapies.” I would ask of the Chairman, is it his intent that the changes to outpatient drug reimbursement in Sections 303 and 304 of this bill will not have a significantly adverse impact on access to cancer treatment?

MR GRASSLEY: The Senator from Kansas is correct. My commitment to cancer patients has not changed. Indeed, according to estimates from the Congressional Budget Office, this bill is expected to actually increase net payments to oncologists in 2004. Also, CBO estimates that the new Average Sales Price Reimbursement model, when coupled with the changes in practice expense reimbursement, will amount to net reductions to cancer care of \$4.2 billion over the next 10 years.

MR BROWNBACK: I would like to thank my friends for the progress that was made in the conference. The bill passed by the Senate several months ago contained a net cut of \$16 billion as a result of Part B drug payment reforms. The reduction in the Conference report before us is now \$11.5 billion.

However, I would also note to my friend from Iowa that the Secretary of Health and Human Services is given the discretion to reduce reimbursements further based on studies preformed by the Inspector General of the Department. I would ask my friend if it was the intent of the conferees that any future adjustments to the reimbursement be based an average of prices available to and paid by a wide range of physicians in the marketplace.

MR GRASSLEY: The Senator is correct.

MR BROWNBACK: I thank my friends, and I yield the floor.

MEDICARE CONFERENCE REPORT CANCER CARE CHANGES

Payments for Part B drugs are currently based on Average Wholesale Price (AWP). The difference between the AWP and the actual sales price often results in a profit to providers when they administer such drugs. For example, an oncologist may buy a chemotherapy agent, called doxorubicin, for about \$10.00, while Medicare’s reimbursement for that same dose was approximately \$42.00, resulting in a profit to the physician of \$32.00. Because beneficiaries must pay 20% co-payments on Medicare covered drugs, beneficiaries are paying \$8.40 for a dose of doxorubicin. That is 20% of the \$42.00, rather than 20% of the \$10.00 that the oncologist paid for the drug, which is \$2.00. The HHS Inspector General estimated that inflated AWP’s caused beneficiaries to pay an extra \$175 million in coinsurance in 2001.

The Medicare conference agreement reforms the Part B drug payment system, saving \$4.2 billion

from in the oncology specialty over the 10-year period 2004-2013. This reform is effected mostly by using an Average Sales Price (ASP) system, which accounts for the true costs of these drugs. An additional \$7.3 billion is saved by applying these reforms to other physician specialties. Most of these savings occur in the later years of the budget window. Under the Medicare conference agreement, oncologists will receive an approximate \$100 million increase in payments in 2004, net of reductions in reimbursement for Part B drugs.

Following is an estimated overview of what oncologists will receive in increased practice expense payments, starting in 2004.

2004

- Approximate \$500 million increase in practice expense (increase to oncology in 2004, net of drug payment reductions, is about \$100m)

2005

- ASP+6%
- Approximate \$600 million increase (\$200m for Average Sales Price+6%, \$400m increase in practice expense)

2006 and thereafter

- ASP+6%

Approximate \$560 million increase (\$200m for Average Sales Price+6%, \$360m increase in practice expense)