



The 2018 Rules for hospital-based infusion centers: it's not quite as bad as it looked but still...

In a complimentary webinar a few weeks ago, OMC Group presented a theoretical analysis of the proposed rules for hospital-owned infusion centers. At that time, we assumed 340B drug costs were ASP – 22.5% as CMS estimated. Since that time however, we have been able to refine the analysis by adding some actual quoted 340B pricing data from 2016. Bear in mind that 340B prices vary among institutions. The final rule is now out, and for some hospital outpatient infusion centers it will be painful. Leaving aside the discussion of whether or not the changes to 340B reimbursement are appropriate, let's just look at the impact that one center will see.

From a provider-based, 340B participating infusion center, we have a full year's billed services data for 2017. Using these data, we ran an impact analysis. First, we assume that the center currently buys all drugs through the 340B program. Next, we assume that if the center were to purchase drugs from a traditional GPO, they would pay Average Sales Price (ASP). For 340B costs we used one year old actual quoted 340B pricing for a different center (our infusion center was not able to provide that data). Finally, we assume that the payer mix is 60% Medicare and 40% other payers and that those other payers reimburse at 2017 OPPS rates.

Purchasing at 340B pricing, drug costs for Medicare patients would be \$3,022,312 and drug costs for other payers' patients would be \$2,014,875. These same drugs would, at ASP, cost the center \$5,656,618 for Medicare and \$3,771,079 for others. At 2017 OPPS payment rates, Medicare would reimburse \$5,933,941 for drugs, and other payers would (at the same rates) reimburse \$3,997,343.

When Medicare reimburses drugs purchased through 340B at the new figure of ASP – 22.5%, total reimbursements will be \$4,338,494 while other payer reimbursements would be unchanged. However, if other payers follow suit (as they surely will if Medicare sees reduced costs), those payments would be \$2,922,586.

In order to determine if it would be preferable to forego 340B pricing in order to keep the current ASP + 6% reimbursement rates, we ran a side-by-side comparison. While the new 340B rule for this type of center will, indeed reduce the total margin, that reduction still results in a better bottom line, even if other payers follow suite, by staying with 340B purchasing.

Of course, each center that is subject to the new 340B rule will want to run their own numbers since volumes, drug costs, and payer contracts can vary widely. Still, the end result if this center continues to use 340B indicates that while they will see a reduction of \$2,670,203 in drug margin. This certainly seems preferable to the \$503,587 margin using ASP pricing.

For off-campus, provider-based infusion centers that began billing after 11/2/2015, there is also a final rule on payment rates. Using the same billed service data as above, we looked at the impact of the rule that such centers will still be paid through the Physician Fee Schedule, but using OPPS rules and paying 40% of the 2017 OPPS rates. This will lead to a drop in procedure payments of \$71,287 from Medicare and, if other payers were to use this methodology instead of using OPPS rates (again, as we assumed above), their payments would decrease by \$285,146.

In short, and leaving aside the new packaging rules for a few infusion codes, the final rules will most definitely have a negative financial impact on off-campus, provider-based infusion centers and on all 340B participating centers.



CURRENT STATE	BUYING 100% AT 340B	BUYING 100% AT ASP
DRUG COSTS - MCR	3,022,312	5,656,618
DRUG COSTS - OTHER PAYERS	2,014,875	3,771,079
TOTAL DRUG COSTS	5,037,187	9,427,697
MCR PMTS	5,933,941	5,933,941
OTHER PAYER PMTS	3,997,343	3,997,343
TOTAL PMTS	9,931,284	9,931,284
MARGIN	4,894,097	503,587
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340B RULE BUT ONLY FOR MCR	BUYING 100% AT 340B	BUYING 100% AT ASP
DRUG COSTS - MCR	3,022,312	5,656,618
DRUG COSTS - OTHER PAYERS	2,014,875	3,771,079
TOTAL DRUG COSTS	5,037,187	9,427,697
MCR PMTS	4,338,494	5,933,941
OTHER PAYER PMTS	3,997,343	3,997,343
TOTAL PMTS	8,335,838	9,931,284
MARGIN	3,298,651	503,587
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340B RULE ALL PAYERS	BUYING 100% AT 340B	BUYING 100% AT ASP
DRUG COSTS - MCR	3,022,312	5,656,618
DRUG COSTS - OTHER PAYERS	2,014,875	3,771,079
TOTAL DRUG COSTS	5,037,187	9,427,697
MCR PMTS	4,338,494	5,656,618
OTHER PAYER PMTS	2,922,586	3,997,343
TOTAL PMTS	7,261,080	9,931,284
MARGIN	2,223,894	503,587