



Employees Group Insurance Division

*Office of Management and
Enterprise Services*

Injectable Drugs – Facility Reimbursement

September 19, 2012

Current EGID Reimbursement



- On April 1, 2008 EGID implemented an outpatient fee schedule with an urban/rural distinction.
- The hierarchy for establishing injectable outpatient fees is:
 - 150%/175% for urban/rural of Medicare's Ambulatory Payment Classification (APC)
 - There are 4 HCPCS codes at 225%/250% for urban/rural.
 - 160% /175% for urban/rural of Medicare's Part B Drugs
 - 160% /175% for urban/rural of Average Sales Price (ASP)
 - 135% /150% for urban/rural of Average Wholesale Price (AWP)
- Drugs for which none of the above is available are allowed at 60% of billed charges.
- Medicare's rate is ASP plus 6% for codes that do not have an APC rate.

Objective of the Analysis



- **Primary Objective:** Determine whether EGID's reimbursement for injectables is in line with common industry practices.
- **Analytical Steps:**
 - Obtain external consulting services to assist in data analysis and identify options for reimbursement approaches that are consistent with industry practices.
 - Review EGID's current injectable reimbursement levels and historical cost trends.
 - Per EGID's data analytics, the Per Member Per Month (PMPM) for injectables increased 38% from 2009 to 2010 and increased 58% from 2010 to 2011.
 - Compare current reimbursement levels to:
 - Billed charges
 - Medicare rates
 - Commercial payer ranges

Objective of the Analysis



- EGID developed proposed rates based on data analysis and consultant recommendations.
- EGID established a provider task force to obtain feedback on the analysis and recommendations.
 - Task force members were identified by reviewing utilization.



For APC rates and ASP-Priced Drugs:

- EGID proposes a reimbursement level of 120% of Average Sales Price (ASP) for urban facilities and 130% of ASP for rural facilities.
 - **Considerations:** Icore's Trend Report, which is based on a national survey of payers, found that the most prevalent markup over ASP is 10%. The Journal of Managed Care Pharmacy reports increasing use of ASP-based approaches with markups averaging 9.4% over ASP for non-oncologists to 10.3% over ASP for oncologists.

Proposed Rates



For Non-ASP Priced Drugs:

- For drugs without a published ASP, EGID proposes 100% of AWP for both urban and rural facilities.
 - **Considerations:** Typical payer industry practice for non-ASP drugs is to establish reimbursement rates at using AWP minus a percentage (e.g. AWP-15%) or to establish a fee schedule based on AWP.
- If there is no ASP or AWP published for a CPT/HCPCS code submitted, EGID proposes that claims above a threshold of \$500 be evaluated manually.
 - For claims in which the billed charges are \$500 or less, the current practice of reimbursing 60%/70% of billed charges for urban/rural facilities will be continued.
 - For claims above the threshold, providers will be required to submit the drug name/generic name, the National Drug Code (NDC), strength, dosage administered, and route of administration in order to price using AWP.

Additional Considerations



- **Task Force Comment:**
 - National payers were used and the analysis failed to determine if proposed reimbursement rates were comparable to Oklahoma commercial payers.
- **EGID Response:**
 - National pricing trends are an appropriate indicator for drug costs because the acquisition costs are not determined locally.
 - Based on an analysis of EGID's Coordination of Benefit (COB) claims for professional services, where other Oklahoma commercial payers were primary, a large majority of codes reviewed were at 120% of ASP or below.

Additional Considerations



- **Task Force Comment:**
 - The proposed rates are below costs.
- **EGID Response:**
 - Disproportionate Share Data (DSD) shows that 37 Oklahoma hospitals qualify to acquire drugs using the “340B” program, which may enable them to offer high quality cost effective programs in the outpatient setting. Purchase prices under the 340B program are well below ASP.
 - For any particular drug in which a provider’s costs significantly exceed the reimbursement, the provider should contact EGID provider relations to seek an exception process based upon supporting documentation of the costs.

Additional Considerations



- **Task Force Comment:**

- The increased costs suggest that members are being diagnosed at a higher rate of illnesses treated by injectables and utilization issues should be addressed first.

- **EGID Response:**

- Utilization is primarily a factor between the provider and the member. However, EGID welcomes the opportunity to work with providers who are willing to identify utilization issues that can be better managed based on objective outcome measures and standards of care.

- **Task Force Comment:**

- Reductions in reimbursement should be offset with increases in other rates such as administration codes.

- **EGID Response:**

- Currently for administration codes (963xx and 964xx), facilities receive 175%/200% of Medicare for urban/rural. This is adequate reimbursement for administration codes and will not be changed at this time.

Additional Considerations



- **Task Force Comment:**

- Due to the significant financial impact of this change, please consider a two-year phase-in period.

- **EGID Response:**

- EGID will implement the proposed rates over a two-year phase-in period.
- For APC rates and ASP-Priced Drugs:
 - For 2013, the urban facilities percentages will be 135% and 120% for 2014.
 - Four codes will be at 175% for 2013.
 - For 2013, the rural facilities percentages will be 155% and 130% for 2014.
 - Four codes will be at 190% for 2013.

Conclusion



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- These reimbursement levels fall within a common commercial level payment range and are above Medicare rates.
- The proposed rates will provide relative parity for injectable drugs between facilities and professionals.

Appendix



Top 20 Codes

CPT/ HCPCS	Description	Source	MC Fee	Current Fee		Proposed Fee for 2013		Proposed Fee for 2014	
				Urban	Rural	135% of ASP Urban *	155% of ASP Rural *	120% of ASP Urban	130% of ASP Rural
J0881 *	Darbepoetin alfa, non-esrd	APC	3.14	7.07	7.85	5.31	5.78	3.58	3.89
J1300	Eculizumab injection	APC	186.37	279.56	326.15	240.42	277.69	212.46	231.10
J1459	Inj IVIG privigen 500 mg	APC	34.42	51.63	60.24	44.40	51.29	39.24	42.68
J1566	Immune globulin, powder	APC	30.46	45.69	53.31	39.29	45.39	34.72	37.77
J1569 C	Gammagard liquid injection	APC	37.08	55.62	64.89	47.83	55.25	42.27	45.98
J1745	Infliximab injection	APC	62.01	93.02	108.52	79.99	92.39	70.69	76.89
J1756	Iron sucrose injection	APC	0.32	0.83	0.93	0.41	0.48	0.36	0.40
J2469	Palonosetron hcl	APC	18.83	28.25	32.95	24.29	28.06	21.47	23.35
J2505	Injection, pegfilgrastim 6mg	APC	2,676.49	4,014.74	4,683.86	3,452.67	3,987.97	3,051.20	3,318.85
J2785	Regadenoson injection	APC	51.22	76.83	89.64	66.07	76.32	58.39	63.51
J3490	Drugs unclassified injection	BR		60%	70%	Manual	Manual	Manual	Manual
J9035 *	Bevacizumab injection	APC	59.98	134.96	149.95	101.37	110.36	68.38	74.38
J9041	Bortezomib injection	APC	40.67	61.01	71.17	52.46	60.60	46.36	50.43
J9055	Cetuximab injection	APC	49.53	74.30	86.68	63.89	73.80	56.46	61.42
J9171	Docetaxel injection	APC	15.75	23.63	27.56	20.32	23.47	17.96	19.53
J9201	Gemcitabine hcl injection	APC	89.64	134.46	156.87	115.64	133.56	102.19	111.15
J9263 *	Oxaliplatin	APC	9.96	22.41	24.90	16.83	18.33	11.35	12.35
J9310	Rituximab injection	APC	615.22	922.83	1,076.64	793.63	916.68	701.35	762.87
J9355 *	Trastuzumab injection	APC	71.08	159.93	177.70	120.13	130.79	81.03	88.14
Q4081	Epoetin alfa, 100 units ESRD	Part B	0.96	2.60	2.69	1.24	1.43	1.10	1.19

* Only these four codes will receive 175% of ASP for Urban and 190% for Rural for 2013. All others will receive 135%/155%.

C Corrected 10/03/12 for typo

*Medicare Part B as of 1/1/12 to 3/31/12
Top codes represent 82% of the dollars impacted.*