

## MedPAC Report Recommends Reduction in Medicare Part B Payments to 340B Hospitals

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On March 15, 2016, the **Medicare Payment Advisory Commission (MedPAC)** released its latest report to **Congress** that included 340B Implications for **Medicare** Part B Drugs along with a quick fact sheet regarding the report. Key highlights, as they relate to 340B entities, include:

- MedPAC recommended that Congress reduce Medicare Part B payments to *340B hospitals* by 10 percent of the average sales price (ASP) for separately payable 340B drugs. Currently, Part B pays 106 percent of ASP. The recommendations apply to all 340B hospitals (disproportionate share, critical access, sole community, children's, freestanding cancer hospitals, and rural referral centers) but not grantees (Ryan White, FQHCs, etc.).
- MedPAC also recommended that the 10 percent savings be allocated to the Medicare-funded uncompensated care pool for distribution to those hospitals that provide high amounts of uncompensated care.
- Although MedPAC did not go into great detail in its report, it stated that 340B hospitals with high levels of uncompensated care (charity care and bad debt) would potentially experience an overall average increase in Medicare payments post-payment reduction while those facilities with low uncompensated care costs may see a slight overall decrease in Medicare reimbursement due to the drug reimbursement reduction.

Below are some key issues regarding MedPAC's recommendations, should they be adopted by

Congress:

- **MedPAC's scope and ability to issue a 340B recommendation.** Various trade associations and covered entities have expressed concern that MedPAC exceeded its statutory mandate by analyzing policy and recommending changes that impact a program beyond the scope of their review (i.e., 340B).
- **Misapplication of the payment reduction to non-340B drugs.** MedPAC's recommendation could result in greater payment reductions than MedPAC anticipated. Unless CMS implements a modifier that identifies each individual 340B drug on a claim for Medicare reimbursement, it is likely CMS would simply apply the payment reduction to all drugs on all claims submitted under a hospital's Medicare provider number. These reductions would be applied in situations where a 340B hospital may not have actually acquired the underlying drug at 340B rates. For example, not all outpatient campuses can/do take advantage of 340B pricing, but they bill under the hospital's Medicare provider number.
- **Negative impact on hospital-based hemophilia programs and other clinics.** MedPAC's recommendation could harm hospital-based hemophilia treatment programs and other entities that are "grantees" under the 340B program, but bill under a hospital provider number.
- **Impact on drug pricing calculations and other reimbursement models.** The recommendation could impact drug pricing methodologies overall and create broader unintended consequences.

Given the current political environment in Washington and due to the upcoming election, many believe that it's unlikely Congress would act on this specific recommendation until the election is over.

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