

# MEDICARE AVERAGE SALES PRICE

## HDMA's Position

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HDMA believes customary prompt pay discounts extended by manufacturers to distributors should be excluded from the manufacturers' calculation of the Average Sales Price (ASP) for Part B drugs and biologics. Prompt pay discounts are based on negotiated terms between the manufacturer and the distributor for payment within a certain time frame and represent the time value of money. These discounts are typically not passed on to the physician purchasing the product. Excluding prompt pay discounts would align Medicare reimbursement with current Medicaid reimbursement methodology, which excludes prompt pay discounts from the calculation of Average Manufacturers Price (AMP) and ensures fair and accurate reimbursement for physicians and clinics.

## Issue

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The Medicare Prescription Drug Improvement and Modernization Act (MMA) of 2003 established ASP as the reimbursement metric for drugs reimbursed under Medicare Part B. Part B drugs or specialty pharmaceuticals — many of which are biologically derived — are used primarily to treat chronic or rare diseases, typically involve treatment regimens that call for ongoing clinical monitoring and patient education, and frequently require special handling, storage and delivery. In the 2006 Physician Fee Schedule (PFS) (CMS-1321-FC) CMS interpreted the MMA definition of ASP to include prompt pay in the calculation of ASP. HDMA disagrees with CMS interpretation and believes CMS has the legal authority to instruct manufacturers to exclude the deduction of customary prompt pay discounts to wholesalers from ASP.

Failure to exclude prompt pay discounts from the calculation of ASP threatens the current distribution model for specialty products and artificially lowers Part B reimbursement for physicians and other providers.

- Physicians receive an artificially lower reimbursement which could affect access to critical care for patients with complex and life-threatening diseases like cancer.
- Manufacturers may have an incentive to bypass distributors in order to prevent lower reimbursement rates for their physician customers. This is a concern because the current distribution channel provides supply chain services in the most cost-efficient manner, saving the health care system \$32 billion a year. Currently distributors:
  - Eliminate the need for manufacturers to replicate delivery and handling process;
  - Streamline processing for more than 10,000 physicians through consolidated ordering, billing and delivery; and,
  - Promote product integrity for consumers.

## Additional Information

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HDMA supports efforts to exclude customary prompt pay discounts from the calculation of ASP, including the following legislation:

- H.R. 905, introduced by Rep. Ed Whitfield (R-Ky.) and Rep. Gene Green (D-Texas); and,
- S. 733, introduced by Senator Debbie Stabenow (D-Mich.) and Senator Pat Roberts (R-Kan.)

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The Healthcare Distribution Management Association (HDMA) is the national association representing primary healthcare distributors, the vital link between the nation's pharmaceutical manufacturers and healthcare providers. Each business day, HDMA member companies ensure that nearly nine million prescription medicines and healthcare products are delivered safely and efficiently to nearly 200,000 pharmacies, hospitals, long-term care facilities, clinics and others nationwide. HDMA and its members work daily to provide value and achieve cost savings, an estimated \$42 billion each year to our nation's healthcare system. For more information, visit [www.HealthcareDistribution.org](http://www.HealthcareDistribution.org).

