



**Statement Before the Advisory Panel on Ambulatory Payment Classification
Groups
March 5-7, 2008**

My name is Ed Stemley and I am representing the American Society of Health-System Pharmacists (ASHP). ASHP is the professional and scientific association that represents pharmacists who practice in hospitals, health maintenance organizations, long term care facilities, and other components of health systems.

At the previous meeting of the Advisory Panel on Ambulatory Payment Classification Groups (the Panel), ASHP, along with other stakeholders, asked the Panel to recommend that CMS reimburse all separately-payable drugs at no less than Average Sales Price (ASP) plus six percent. The Panel agreed, and recommended that CMS continue to reimburse for separately payable drugs at a rate of the average sales price of plus 6 percent for 2008. However, CMS refused to follow the Panel's recommendation, and effective January 1, 2008, reduced payments to ASP plus 5%. CMS further plans to reduce payment rates to ASP plus 3% in 2009.

Reimbursement of separately-payable drugs at average sales price (ASP) plus five percent is insufficient to cover pharmacy costs. Our members' experiences underscore the fact that reimbursement at ASP plus five percent does not adequately cover the costs of managing medications. In fact, the Medicare Payment Advisory Commission's (MedPAC) June 2005 Report to the Congress found that costs relating to pharmacy services and handling are significant, ranging from 26% to 33% of pharmacy departments' direct costs, with the rest of the costs attributed to the acquisition cost of drugs. Hospitals and health systems and their pharmacy departments bear the burden of the lower reimbursement rate, while providing necessary patient care, knowing that current reimbursement does not cover the costs incurred. Additionally, the current CMS methodology does not comply with the statutory requirement to reimburse drugs at the average acquisition cost for the drug for the year.

ASHP recommends that CMS should reimburse separately paid drugs at the rates applicable in physicians' offices. Specifically, CMS should reimburse separately paid drugs at no less than ASP plus six percent.

At the previous meeting of the Panel, ASHP also reiterated its support for the recommendation of pharmacy and other provider groups to have a three-phase approach

March 6, 2008

ASHP Presentation Before the APC Advisory Panel

Page 2

to establish pharmacy overhead costs under the Hospital Outpatient Prospective Payment System (HOPPS). However, CMS did not include this recommendation in its final rule. ASHP is concerned that the current payment system does not accurately reflect cost and overhead expenses which puts at risk beneficiary access to care.

ASHP recommends that CMS set payment for packaged drugs at ASP plus six percent, and use the difference between payment for all drugs at ASP plus six percent and the estimated costs under CMS's current methodology to create a pool to fund payments for pharmacy services. ASHP also recommends that CMS work with stakeholders to develop a methodology to reimburse hospitals for their pharmacy services costs from the available pool of funds. This methodology should avoid imposing undue administrative burdens on hospitals or CMS.

Thank you for the opportunity to present these comments.