HHS Office of Inspector General

REPORT HIGHLIGHTS

September 2024 | OEI-03-24-00080

Medicare Part B Drug Payments: Impact of Price Substitutions Based on 2022 Average Sales Prices

Why OIG Did This Review

- Medicare Part B annually spends billions to cover a limited number of outpatient prescription drugs. To safeguard Medicare and its enrollees from excessive payment amounts, Congress established a mechanism for monitoring market prices, and CMS implemented a price-substitution policy that results in lower costs for important, lifesaving drugs covered by Medicare Part B.
- This issue brief is one in a series of annual reports—produced since CMS implemented the price-substitution policy in 2013—that quantifies the savings to Medicare and its enrollees that result from CMS's price-substitution policy.

What OIG Found

CMS's price-substitution policy has saved Medicare and its enrollees $74.3 million since 2013, including nearly a million dollars for 2022. Since CMS instituted its price-substitution policy in 2013, CMS has implemented price substitutions for 83 drugs. Price substitutions for 26 drugs based on 2022 data saved Medicare and its enrollees $966,307 over 1 year.

CMS could have achieved even greater savings by expanding its criteria for price substitutions. If CMS expanded its price-substitution criteria to include more drugs, Medicare and its enrollees could have saved up to an additional $8.5 million for 2022.

Potential errors in the average manufacturer price (AMP) data submitted to CMS prevented OIG from determining whether 30 drugs qualified for a price substitution. When OIG identifies potential errors during its quarterly analysis of the average sales price (ASP) and AMP data, it notifies CMS and requests that CMS review the accuracy of the manufacturers' data. If the drug data were correct, OIG could determine whether to recommend additional drugs for price substitutions, which would reduce costs to Medicare and its enrollees.

What OIG Concludes

CMS's price-substitution policy has lowered prescription drug costs by almost $75 million while maintaining access to lifesaving drugs for Medicare and its enrollees. We continue to support our open recommendation that CMS expand its price-substitution criteria to include additional drugs to more effectively limit excessive payment amounts and to generate greater savings for Medicare and its enrollees. We also encourage CMS to continue to work with manufacturers to review and respond to potential errors in the drug data identified by OIG each quarter to bolster the effectiveness of the price-substitution policy. These potential errors could limit the effectiveness of the price-substitution policy by reducing the number of drugs eligible for a price substitution because of concerns about the accuracy of the underlying data.