

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MEDICARE PART B PRESCRIPTION  
DRUG DISPENSING AND SUPPLYING  
FEE PAYMENT RATES ARE  
CONSIDERABLY HIGHER THAN THE  
RATES PAID BY OTHER GOVERNMENT  
PROGRAMS**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



Daniel R. Levinson  
Inspector General

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# *Office of Inspector General*

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## INTRODUCTION

*Medicare Part B could save millions of dollars annually if its rates for dispensing and supplying fees were aligned with rates that Medicare Part D and State Medicaid programs pay.*

### WHY WE DID THIS REVIEW

Medicare Part B (Part B) pays a dispensing fee for inhalation drugs administered through durable medical equipment (inhalation drugs). Part B also pays a supplying fee for immunosuppressive drugs associated with an organ transplant (immunosuppressive drugs), oral anticancer chemotherapeutic drugs (anticancer drugs), and oral antiemetic drugs used as part of an anticancer chemotherapeutic regimen (antiemetic drugs). In 2011, Part B paid nearly \$133 million for dispensing and supplying fees for these drugs. In previous work, we noticed a large disparity between the supplying fee amount that Part B paid for immunosuppressive drugs and the amounts Medicare Part D (Part D) sponsors and State Medicaid programs paid.

### OBJECTIVE

Our objective was to determine whether Medicare Part B could have achieved cost savings for prescription drug dispensing and supplying fees during 2011.

### BACKGROUND

#### Medicare Part B Dispensing and Supplying Fees

Title XVIII of the Social Security Act (the Act) established Part B, which provides supplementary medical insurance for medical and other health services. Part B pays for a limited number of drugs, including inhalation drugs, immunosuppressive drugs, anticancer drugs, and antiemetic drugs. Additionally, Part B pays a fee for dispensing or supplying the drugs if the fee is billed on the same claim as the drug.<sup>1</sup> Part B pays 80 percent of these fees, and the beneficiary is responsible for the remaining 20 percent.

Part B dispensing fees for inhalation drugs are set in regulation (42 CFR §§ 414.1001(c) and (d)). Part B pays pharmacies a \$45.60 dispensing fee for the initial 30-day period.<sup>2</sup> This is a one-time dispensing fee applicable only to beneficiaries who use inhalation drugs for the first time as Medicare beneficiaries. After that initial dispensing fee, Part B pays dispensing fees of \$26.40 for each 30-day period or \$52.80 for each 90-day period.

Part B supplying fees for immunosuppressive drugs, oral anticancer drugs, and oral antiemetic drugs are also set in regulation (42 CFR §§ 414.1001(a) and (b)). Part B pays pharmacies a

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<sup>1</sup> The fee paid under Part B for dispensing inhalation drugs is referred to as a “dispensing fee,” but the fee paid for dispensing immunosuppressive, oral anticancer, and antiemetic drugs is referred to as a “supplying fee.”

<sup>2</sup> The dispensing and supplying fee payment amounts identified in this report represent the Part B portion of the total payment (i.e., 80 percent).

\$19.20 supplying fee for the first prescription provided to a beneficiary in any 30-day period and \$12.80 for each subsequent prescription provided to the same beneficiary during the same 30-day period. A pharmacy is limited to one \$19.20 supplying fee per 30-day period even if it supplies more than one category of these drugs to a beneficiary. In addition, Part B pays a \$40.00 supplying fee for the initial immunosuppressive drug prescription during the first month following a beneficiary's transplant.

## **Medicare Part D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 amended the Act to establish the Voluntary Prescription Drug Benefit Program, known as Part D.<sup>3</sup> Individuals entitled to benefits under Medicare Part A or enrolled in Part B may obtain drug coverage under Part D. The Centers for Medicare & Medicaid Services (CMS) administers Part D and contracts with private entities, called sponsors, which act as payers and insurers for prescription drug benefits. Inhalation drugs, immunosuppressive drugs, oral anticancer drugs, and oral antiemetic drugs are also available through Part D. Sponsors establish the payment rates for Part D drugs and their associated dispensing fees.<sup>4</sup>

## **Medicaid**

The Medicaid program provides medical assistance, including drug coverage, to low-income individuals and individuals with disabilities (Title XIX of the Act). The Federal and State Governments jointly administer and fund Medicaid. Inhalation drugs, immunosuppressive drugs, oral anticancer drugs, and oral antiemetic drugs are also available through Medicaid. Each State establishes the payment rates for Medicaid drugs and their associated dispensing fees.<sup>5</sup>

## **HOW WE CONDUCTED THIS REVIEW**

Our review covered \$106,486,093 in Part B dispensing fee payments for 3,740,544 paid claims and \$26,410,050 in Part B supplying fee payments for 1,659,643 paid claims in 2011. We calculated quarterly average dispensing fee payment amounts for Part D and State Medicaid programs and compared them with Part B dispensing and supplying fees.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology.

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<sup>3</sup> The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, § 101; the Act, § 1860D-1(a); 42 U.S.C., § 1395w-101(a).

<sup>4</sup> The fee paid for dispensing all Part D drugs is referred to as a "dispensing fee."

<sup>5</sup> The fee paid for dispensing all Medicaid drugs is referred to as a "dispensing fee."

## FINDINGS

Part B would have saved millions of dollars in 2011 if dispensing and supplying fees had been aligned with the rates that Part D and State Medicaid programs paid. Part B paid \$132,896,143 in dispensing and supplying fees. We estimated that if Part B rates had been the same as the average Part D rates, Part B would have paid dispensing and supplying fees of \$22,033,834, a savings of \$110,862,309. We also estimated that if Part B rates had been the same as the average State Medicaid program rates, Part B would have paid dispensing and supplying fees of \$26,608,766, a savings of \$106,287,377.<sup>6</sup>

Part B paid \$52.80, \$45.60, or \$26.40 for inhalation drug dispensing fees, depending on the beneficiary's history and the duration of supply. The quarterly average dispensing fee that Part D sponsors paid ranged from \$4.57 to \$4.65, and the quarterly average dispensing fee that State Medicaid programs paid ranged from \$4.56 to \$4.64.

Part B paid \$40.00, \$19.20, or \$12.80 for immunosuppressive, oral anticancer, and oral antiemetic drug supplying fees, depending on the beneficiary's history and number of prescriptions filled in a 30-day period. The quarterly average dispensing fee that Part D sponsors paid ranged from \$1.81 to 1.85, and the quarterly average dispensing fee that State Medicaid programs paid ranged from \$4.56 to \$4.64.

Tables 1 and 2 show the estimated amounts Part B would have saved in 2011 on dispensing and supplying fees if the Part B rates had been the same as the Part D or State Medicaid program rates.

**Table 1: Estimated Part B Savings Using Average Part D Payment Rates**

	<b>Actual Part B Payment Amount</b>	<b>Estimated Part B Payment Amount Using Part D Average Rates</b>	<b>Cost Savings Amount</b>
Dispensing Fee	\$106,486,093	\$18,963,528	\$87,522,565
Supplying Fee	26,410,050	3,070,306	23,339,744
<b>Total</b>	<b>\$132,896,143</b>	<b>\$22,033,834</b>	<b>\$110,862,309</b>

**Table 2: Estimated Part B Savings Using Average State Medicaid Payment Rates**

	<b>Actual Part B Payment Amount</b>	<b>Estimated Part B Payment Amount Using Medicaid Average Rates</b>	<b>Cost Savings Amount</b>
Dispensing Fee	\$106,486,093	\$18,895,823	\$87,590,270
Supplying Fee	26,410,050	7,712,943	18,697,107
<b>Total</b>	<b>\$132,896,143</b>	<b>\$26,608,766</b>	<b>\$106,287,377</b>

Appendix B contains our mathematical calculation plan.

<sup>6</sup> The savings estimated in this report represent the savings that Part B could achieve; we did not estimate the copayment savings that beneficiaries could achieve if the Part B fees were reduced.

## **RECOMMENDATION**

We recommend that CMS amend current regulations to decrease the Part B payment rates for dispensing and supplying fees to rates similar to those of other payers, such as Part D and Medicaid.

### **CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS**

In written comments on our draft report, CMS indicated that it did not concur with our recommendation at this time. CMS commented that while the report provided useful information about payment differences, pharmacies that dispense and supply significant amounts of the drugs we analyzed have said that the higher fees are necessary to support activities associated with dispensing the drugs to Medicare patients, such as Part B claim submission or the delivery of inhalation drugs. CMS indicated that before CMS could concur with the recommendation, it was requesting that the Office of Inspector General conduct a study to identify the specific activities involved with dispensing inhalation drugs and supplying oral drugs under Part B and collect information about the actual costs that are directly associated with dispensing and supplying these Part B drugs.

CMS's comments are included in their entirety as Appendix C.

### **OFFICE OF INSPECTOR GENERAL RESPONSE**

Our review shows that pharmacies are reimbursed significantly more money for dispensing drugs under Part B when compared with what they are paid for dispensing the same drugs under Part D and Medicaid. Pharmacists did not identify any additional clinical services or additional handling and storage requirements necessary to provide these drugs to Part B beneficiaries that would justify the substantially higher payment. For this reason, CMS's proposal for OIG to undertake a study to identify potential cost differences in dispensing drugs to beneficiaries of Part B versus beneficiaries of Part D or Medicaid is unlikely to be a useful deployment of Government resources, and OIG does not plan to undertake such a study at this time. Should any such differences exist, the notice-and-comment rulemaking process in which CMS would engage to propose lowered Part B dispensing and supplying fees would offer the pharmacy community adequate opportunity to identify differences and help CMS determine the appropriate fees.

## **APPENDIX A: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

Our review covered \$106,486,093 in Part B dispensing fee payments for 3,740,544 paid claims and \$26,410,050 in Part B supplying fee payments for 1,659,643 paid claims in 2011. We used Part B drug claim data to calculate cost savings associated with dispensing and supplying fees; we did not evaluate the drug claims to determine whether they were medically necessary. Our objective did not require a review of internal controls.

We performed our audit work from August through November of 2013.

### **METHODOLOGY**

To accomplish our objective, we:

- calculated quarterly average dispensing fee payment amounts for Part D and State Medicaid programs and compared them with Part B dispensing and supplying fees (Appendix B) and
- discussed the results of our review with CMS officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## APPENDIX B: MATHEMATICAL CALCULATION PLAN

### DESCRIPTION OF MATHEMATICAL CALCULATION

We estimated the potential cost savings for Part B dispensing and supplying fees during 2011 by comparing the actual Part B payments with estimated Part B payments using (1) average payment amounts for Part D and (2) average payment amounts for State Medicaid programs.

The following tables show the Healthcare Common Procedure Coding System (HCPCS) codes pharmacies use to bill for dispensing and supplying fees and the Part B payment amounts.<sup>7</sup>

**Table 3: Dispensing Fee Codes and Amounts Paid**

<b>HCPCS Code</b>	<b>Description</b>	<b>Paid Amount</b>
G0333	Initial 30-day period. A one-time fee applicable only to beneficiaries who used inhalation drugs for the first time as Medicare beneficiaries.	\$45.60
Q0513	30-day period for inhalation drugs.	\$26.40
Q0514	90-day period for inhalation drugs.	\$52.80

**Table 4: Supplying Fee Codes and Amounts Paid**

<b>HCPCS Code</b>	<b>Description</b>	<b>Paid Amount</b>
Q0511	First immunosuppressive, oral anticancer, or oral antiemetic drug prescription provided to a beneficiary in any 30-day period.	\$19.20
Q0512	Each subsequent immunosuppressive, oral anticancer, or oral antiemetic drug prescription provided to the same beneficiary during the same 30-day period.	\$12.80
Q0510	The initial immunosuppressive drug prescription during the first month following a beneficiary's transplant.	\$40.00

### MATHEMATICAL CALCULATION METHODOLOGY

A Part B dispensing or supplying fee is billed as a separate line of service from the line of service used to bill for the prescription drug. We obtained from CMS's National Claims History file Part B claims that included at least one of the six dispensing or supplying HCPCS codes with dates of service during 2011. Part B paid \$106,486,093 for 3,740,544 dispensing fees and \$26,410,050 for 1,659,643 supplying fees.

<sup>7</sup> The HCPCS is a medical code set used throughout the health care industry as a standardized system for describing and identifying health care procedures, equipment, and supplies in health care transactions.

Most Part B claims that pharmacies submit for prescription drugs are billed using HCPCS codes.<sup>8</sup> However, Part D prescription drug claims that pharmacies submit to Part D sponsors use NDCs.<sup>9</sup>

### **Estimated Part B Savings Using Average Part D Inhalation Drug Payment Amounts**

To estimate the potential cost savings for Part B prescription drug dispensing fees, we performed the following steps:

#### **Step 1—Identified the NDCs.**

Using the CMS crosswalk that converts HCPCS codes to NDCs, we identified the NDCs that represented the Part B prescription drugs that were billed on the same claim as Part B dispensing fees. There were 156 unique NDCs associated with these Part B dispensing fee drug HCPCS codes.

#### **Step 2—Obtained Part D prescription drug event (PDE) records.<sup>10</sup>**

We obtained from CMS’s Drug Data Processing System the 2011 Part D PDE records for the 156 unique NDCs identified in step one. There were 2,113,577 PDE records for 118 of the 156 unique NDCs, and the total dispensing fee payment amount was \$9,771,769. The remaining 38 NDCs were not billed.

#### **Step 3—Calculated the quarterly average for drug dispensing fees.**

We divided the total dispensing fee payments for the 118 unique NDCs in the quarter by the total number of PDE records for those NDCs.

**Table 5: Part D Quarterly Average Dispensing Fees for Inhalation Drugs**

<b>Quarter</b>	<b>Number of PDE Records</b>	<b>Dispensing Fee Paid Amount</b>	<b>Average Dispensing Fee</b>
<b>1</b>	562,625	\$2,573,248	\$4.57
<b>2</b>	526,460	2,438,461	\$4.63
<b>3</b>	508,935	2,361,024	\$4.64
<b>4</b>	515,557	2,399,036	\$4.65
<b>Total</b>	<b>2,113,577</b>	<b>\$9,771,769</b>	

<sup>8</sup> Part B oral anticancer drugs are billed with both National Drug Codes (NDCs) and HCPCS codes.

<sup>9</sup> Each drug recognized by the Food and Drug Administration is assigned an NDC, which is an 11-digit identifier that indicates the manufacturer of the drug, the product dosage form, and the package size.

<sup>10</sup> A PDE record contains data about Part D prescriptions, such as the dispensing fee, beneficiary, physician, pharmacy, drug, quantity dispensed, and the prescription fill date.

**Step 4**—Calculated a potential cost savings.

We estimated what Part B would have paid using the Part D average dispensing fee rates:

- For Part B lines of service with HCPCS code Q0513, we multiplied the Part D quarterly average dispensing fee amount by the number of lines of service paid for the code each quarter.
- For Part B lines of service with HCPCS codes G0333 and Q0514, we doubled the Part D quarterly average dispensing fee amount (to compensate for the increased Part B dispensing fee amounts) and multiplied the doubled amount by the number of lines of service paid for these codes each quarter.

We calculated a potential cost savings by deducting these amounts from the actual amount Part B paid.

**Table 6: Estimated Part B Dispensing Fee Savings Using Average Part D Payment Rates**

<u>Quarter</u>	<u>Average Part D Dispensing Fee</u> A	<u>Part B Claims With Q0513</u> B	<u>Part B Claims With G0333 or Q0514</u> C	<u>Estimated Part B Amount Using Part D Average</u> D (AxB)+(2xAxC)	<u>Actual Part B Dispensing Fee Paid Amount</u> E	<u>Cost Savings</u> F (E-D)
<b>1</b>	\$4.57	713,470	89,354	\$4,077,253	\$23,087,090	\$19,009,837
<b>2</b>	\$4.63	867,976	94,581	4,894,549	27,441,550	22,547,001
<b>3</b>	\$4.64	888,530	84,377	4,905,798	27,519,216	22,613,418
<b>4</b>	\$4.65	910,764	91,492	5,085,928	28,438,237	23,352,309
<b>Total</b>		<b>3,380,740</b>	<b>359,804</b>	<b>\$18,963,528</b>	<b>\$106,486,093</b>	<b>\$87,522,565</b>

**Estimated Part B Savings Using Average Part D Immunosuppressive, Oral Anticancer, and Oral Antiemetic Drug Payment Amounts**

To estimate the potential cost savings for Part B prescription drug supplying fees, we performed the following steps:

**Step 1**—Identified the NDCs.

Using the CMS crosswalk that converts HCPCS codes to NDCs, we identified the NDCs that represent the Part B prescription drugs that were billed on the same claim as Part B dispensing fees. There were 1,405 unique NDCs associated with these Part B supplying fee drug HCPCS codes.

**Step 2**—Obtained Part D PDE records.

We obtained from CMS’s Drug Data Processing System the 2011 Part D PDE records for the 1,405 unique NDCs identified in step one. There were 13,840,456 PDE records for 486 of the 1,405 unique NDCs, and the total dispensing fee payment amount was \$25,363,753. The remaining 919 NDCs were not billed.

**Step 3**—Calculated quarterly average for dispensing fee drugs.

We divided the total dispensing fee payments for the 486 unique NDCs in the quarter by the total number of PDE records for those NDCs.

**Table 7: Part D Quarterly Average Dispensing Fees for Immunosuppressive, Oral Anticancer, and Oral Antiemetic Drugs**

<b>Quarter</b>	<b>Number of PDE Records</b>	<b>Dispensing Fee Paid Amounts</b>	<b>Average Dispensing Fee</b>
<b>1</b>	3,610,732	\$6,630,444	\$1.84
<b>2</b>	3,341,694	6,166,435	\$1.85
<b>3</b>	3,346,420	6,171,394	\$1.84
<b>4</b>	3,541,610	6,395,480	\$1.81
<b>Total</b>	<b>13,840,456</b>	<b>\$25,363,753</b>	

**Step 4**—Calculated a potential cost savings.

We estimated what Part B would have paid using the Part D average dispensing fee rates:

- For Part B lines of service with HCPCS codes Q0511 and Q0512, we multiplied the Part D quarterly average dispensing fee amount by the number of lines of service paid for the code each quarter.
- For Part B lines of service with HCPCS code Q0510, we doubled the Part D quarterly average dispensing fee amount (to compensate for the increased Part B supplying fee amounts) and multiplied the doubled amount by the number of lines of service paid for these codes each quarter.

We calculated a potential cost savings by deducting these amounts from the actual amount Part B paid.

**Table 8: Estimated Part B Supplying Fee Savings Using Average Part D Payment Rates**

<u>Quarter</u>	<u>Average Part D Dispensing Fee A</u>	<u>Part B Claims With Q0511 or Q0512 B</u>	<u>Part B Claims With Q0510 C</u>	<u>Estimated Part B Amount Using Part D Average D</u> (AxB)+(2xAxC)	<u>Actual Part B Supplying Fee Paid Amount E</u>	<u>Cost Savings F</u> (E-D)
<b>1</b>	\$1.84	382,107	3,624	\$716,413	\$6,125,269	\$5,408,856
<b>2</b>	\$1.85	409,641	3,500	770,786	6,583,884	5,813,098
<b>3</b>	\$1.84	421,732	3,550	789,051	6,781,305	5,992,254
<b>4</b>	\$1.81	432,273	3,216	794,056	6,919,592	6,125,536
<b>Total</b>		<b>1,645,753</b>	<b>13,890</b>	<b>\$3,070,306</b>	<b>\$26,410,050</b>	<b>\$23,339,744</b>

**Estimated Savings Using Medicaid Averages**

Each quarter, State Medicaid agencies publish the dispensing fee payments they will make to pharmacies. State Medicaid programs pay the same dispensing fee rates for both categories of drugs we analyzed. As a result, we calculated one overall potential cost savings for Part B dispensing and supplying fee drugs.

**Step 1**—Calculated quarterly dispensing fee averages.

We identified the published dispensing fees each State paid and calculated an average for each quarter by dividing the sum of published dispensing fee rates by 50.<sup>11</sup> If a State published a range of dispensing fee rates, we used the average of that State’s rates. For example, for the first quarter of 2011, Alaska paid dispensing fees ranging from \$3.45 to \$11.46, depending on the pharmacy and its Medicaid volume, so we used the average of \$7.46 for the quarter. One State published different dispensing fee rates for not-for-profit and for-profit pharmacies, and we used the higher for-profit rate. Also, two States published different dispensing fee rates for retail/independent and institutional pharmacies, and we used the higher retail/independent rate. Additionally, if States published different dispensing fee rates related to any of the following, we did not include these dispensing fees in determining the State’s average Medicaid dispensing fee:

- compound prescriptions (6 States);
- intravenous therapy (2 States);
- repackaging (1 State);
- pharmaceutical care (1 State);

<sup>11</sup> We used the results for 49 States and the District of Columbia. We excluded Texas because it calculates dispensing fees on the basis of a flat fee and a percentage of drug cost, and we did not have drug cost data.

- drugs used out of State (1 State);
- mail-order drugs (1 State);
- insulin syringes (1 State); or
- creams, emulsions, nasal drops, ointments, or optic drugs (1 State).

**Table 9: Medicaid Quarterly Average Dispensing Fees**

<b>Quarter</b>	<b>Sum of States' Average Dispensing Fee Rates</b>	<b>Overall Average Medicaid Dispensing Fee</b>
<b>1</b>	\$232.16	\$4.64
<b>2</b>	\$232.16	\$4.64
<b>3</b>	\$230.07	\$4.60
<b>4</b>	\$227.99	\$4.56

**Step 2**—Calculated a potential cost savings for Part B dispensing fee drugs and supplying fee drugs.

We estimated what Part B would have paid using the State Medicaid average dispensing fee rates:

- For Part B lines of service with HCPCS code Q0513, we multiplied the State Medicaid quarterly average dispensing fee amount by the number of lines of service paid for the code each quarter.
- For Part B lines of service with HCPCS codes G0333 and Q0514, we doubled the State Medicaid quarterly average dispensing fee amount (to compensate for the increased Part B dispensing fee amounts) and multiplied the doubled amount by the number of lines of service paid for these codes each quarter.

We calculated a potential cost savings by deducting these amounts from the actual amount Part B paid.

**Table 10: Estimated Part B Dispensing Fee Savings  
Using Average Medicaid Payment Rates**

<u>Quarter</u>	<u>Average Medicaid Dispensing Fee</u> A	<u>Part B Claims With Q0513</u> B	<u>Part B Claims With G0333 or Q0514</u> C	<u>Estimated Part B Amount Using Medicaid Average</u> D (AxB)+(2xAxC)	<u>Actual Part B Dispensing Fee Paid Amount</u> E	<u>Cost Savings</u> F (E-D)
<b>1</b>	\$4.64	713,470	89,354	\$4,139,706	\$23,087,090	\$18,947,384
<b>2</b>	\$4.64	867,976	94,581	4,905,120	27,441,550	22,536,430
<b>3</b>	\$4.60	888,530	84,377	4,863,506	27,519,216	22,655,710
<b>4</b>	\$4.56	910,764	91,492	4,987,491	28,438,237	23,450,746
<b>Total</b>		<b>3,380,740</b>	<b>359,804</b>	<b>\$18,895,823</b>	<b>\$106,486,093</b>	<b>\$87,590,270</b>

We estimated what Part B would have paid using the State Medicaid average dispensing fee rates:

- For Part B lines of service with HCPCS codes Q0511 and Q0512, we multiplied the State Medicaid quarterly average dispensing fee amount by the number of lines of service paid for the code each quarter.
- For Part B lines of service with HCPCS codes Q0510, we doubled the State Medicaid quarterly average dispensing fee amount (to compensate for the increased Part B supplying fee amounts) and multiplied the doubled amount by the number of lines of service paid for these codes each quarter.

We calculated a potential cost savings by deducting these amounts from the actual amount Part B paid.

**Table 11: Estimated Part B Supplying Fee Savings Using Average Medicaid Payment Rates**

<u>Quarter</u>	<u>Average Medicaid Dispensing Fee</u> A	<u>Part B Claims With Q0511 or Q0512</u> B	<u>Part B Claims With Q0510</u> C	<u>Estimated Part B Amount Using Medicaid Average</u> D (AxB)+(2xAxC)	<u>Actual Part B Supplying Fee Paid Amount</u> E	<u>Cost Savings</u> F (E-D)
<b>1</b>	\$4.64	382,107	3,624	\$1,806,607	\$6,125,269	\$4,318,662
<b>2</b>	4.64	409,641	3,500	1,933,214	6,583,884	4,650,670
<b>3</b>	4.60	421,732	3,550	1,972,627	6,781,305	4,808,678
<b>4</b>	4.56	432,273	3,216	2,000,495	6,919,592	4,919,097
<b>Total</b>		<b>1,645,753</b>	<b>13,890</b>	<b>\$7,712,943</b>	<b>\$26,410,050</b>	<b>\$18,697,107</b>

## APPENDIX C: CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS



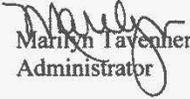
DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator  
Washington, DC 20201

**DATE:** JUN - 9 2014

**TO:** Daniel R. Levinson  
Inspector General

**FROM:**   
Marilyn Tavenner  
Administrator

**SUBJECT:** Office of Inspector General (OIG) Draft Report: Medicare Part B Prescription Drug Dispensing and Supplying Fee Payment Rates Are Consistently Higher Than the Rates Paid by Other Government Programs (A-06-12-00038)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the above subject OIG draft report. OIG's objective was to determine whether Medicare Part B could have achieved cost savings for prescription drug dispensing and supplying fees during 2011. Medicare Part B pays a dispensing fee for inhalation drugs and a supplying fee for immunosuppressive drugs, certain oral anti-cancer drugs and oral antiemetic drugs used as part of an anti-cancer chemotherapeutic regimen. In 2011, these fees were associated with approximately 5.4 million claims and totaled approximately \$133 million in Medicare payments. The inhalation drug dispensing fee accounts for most of the Part B claims and payments for dispensing and supplying fees. Medicare's portion of the payment for the fee (net of coinsurance) ranges from \$12.80 to \$52.80 depending on factors such as whether an initial prescription is being filled and the number of days of therapy that are dispensed. The fees are described in regulation text at 42 CFR 414.1001 (note that the values published in regulation text are higher because they include 20 percent coinsurance).

The OIG report compared Medicare's payment for Part B dispensing and supplying fees to average dispensing fees in Medicare Part D and Medicaid. The quarterly average Part D dispensing fees, which are established by plan sponsors, were approximately \$1.84 for the oral drugs and \$4.60 for the inhalation drugs. The quarterly Medicaid fees, which are established by the states, were approximately \$4.60 for all drugs. Using these values, OIG estimated that if average Part D or Medicaid dispensing fees were used in place of the current Part B inhalation drug dispensing fees, a savings of approximately \$87.6 million would be realized. Similarly, if average Part D or Medicaid dispensing fees were used instead of the current Part B immunosuppressive and oral anticancer, and oral antiemetic drug supplying fees, OIG estimated that savings of between \$18.7 and \$23.3 million would be realized. The total estimated savings was between \$106 and \$111 million.

The OIG recommendation and CMS response to the recommendation is discussed below.

**OIG Recommendation**

The OIG recommended that CMS amend its regulations to decrease the Part B payment rates for dispensing and supplying fees to rates similar to those of other payers, such as Part D and Medicaid.

**CMS Response**

The CMS non-concurs with this recommendation at this time. The OIG study points out that there is a large difference in the dollar amount of the dispensing fees paid by Medicare Part B compared to Medicare Part D and Medicaid. For example, the report indicates that the quarterly average inhalation drug dispensing fee paid by Medicare Part D sponsors ranged from \$4.57 to \$4.65, while Part B paid \$45.60 (net of coinsurance) for the first 30-day supply of these drugs, and \$26.40 (net of coinsurance) for each subsequent 30-day supply or \$45.60 (net of coinsurance) for a 90 day supply. While this is useful information about payment differences, pharmacies that dispense and supply significant amounts of immunosuppressive, oral anticancer, oral antiemetic and inhalation drugs to Medicare beneficiaries have argued that the higher fees are necessary to support activities that are associated with dispensing these drugs to Medicare patients, such as Part B claims submission or the delivery of inhalation drugs. Given this argument, we believe that additional information specific to Part B drugs is needed before we could consider undertaking notice and comment rulemaking that will be required to change the Part B supplying and dispensing fees. Therefore, before we can concur with this recommendation, we request that OIG conduct a study that would—(a) identify the specific activities involved with dispensing inhalation drugs and supplying oral drugs under Part B; and (b) collect information about the actual costs that are directly associated with dispensing these Part B drugs.

The CMS thanks OIG for the work done on this issue and looks forward to working with OIG in the future.