



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Fr: Jill Gerber for Chairman Grassley, 202/224-6522
Re: New report on cancer treatment payments
Da: Wednesday, Dec. 1, 2004

Today the Government Accountability Office (GAO) released a report regarding the adequacy of Medicare payments for chemotherapy-related drugs and chemotherapy administration services in 2004 and 2005. The report confirms that oncologists will see a net increase in revenues in 2004 and 2005 from both the drug payment and the payment for drug administration services. The GAO estimates that while Medicare payments for chemotherapy-related drugs in 2004 and 2005 will decline relative to 2003, these payments will still exceed physicians' costs for acquiring these drugs, and payments for chemotherapy administration services will increase substantially. In fact, Medicare payment rates for the 17 drugs studied by the GAO exceed oncologists' estimated costs for acquiring these drugs by 22 percent in 2004 and 6 percent in 2005 on average. In addition, the financial picture for oncology revenues will be more positive than reflected in the GAO report because it does not take into account the additional revenues that will result from the one-year Centers for Medicare and Medicaid Services (CMS) demonstration to improve the quality of care for cancer patients. Further, the GAO report did not factor in the additional revenues that will result from the additional and revised codes for drug administration, and the report does not include revenues oncologists receive from drug discounts or rebates. On payment for drug administration, the percent change from 2003 to 2005 increased by 130 percent, assuming no change in utilization.

Sen. Chuck Grassley, chairman of the Senate Committee on Finance, issued the following comment about the report released today.

“This report is good news for cancer patients and highlights the adequacy of payments to oncologists, both in drug payments and drug administration services. I’ll continue to make sure that as the new drug prices and drug administration payments are implemented, there is careful oversight and evaluation to make sure access to valuable drugs is not compromised. By curbing overpayment on Medicare Part B-covered drugs, we’ll give this money back to Medicare and the beneficiaries who deserve it.

“By reducing huge beneficiary co-payments for Part B drugs by paying for chemotherapy drugs based on the market price, we’ve taken a step toward ensuring the affordability of care. And by diligent monitoring of these payment changes, through reports from the GAO, we can continue

our efforts to maintain access to high-quality cancer care while ensuring that physicians receive a fair payment rate for drug administration.

“In fact, the CMS has projected net beneficiary savings to be around \$570 million in FY 2005 and over \$5 billion over five years, as a result of all the *Medicare Modernization Act* provisions for all Part B drugs. My goal has always been to provide diligent oversight of the Medicare program, yet ensure all beneficiaries have access to quality care at a lower cost.”

Text of the full report, “Medicare Chemotherapy Payments: New Drug and Administration Fees are Closer to Providers’ Costs” (GAO-05-142R), is posted on the GAO Web site.