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## ***MMA-New Basis for Medicare Drug Payment Amounts Under Part B***

### **Provider Types Affected**

All Medicare providers who bill either carriers or fiscal intermediaries for drugs under Medicare Part B.

### **Provider Action Needed**

Medicare Providers should note that a new basis for Medicare drug payment amounts has been established with the enactment of the "Medicare Prescription Drug, Improvement, and Modernization Act" (MMA) of 2003. Providers should be sure that their billing systems, where appropriate, reflect this new basis.

### **Background**

A new basis for Medicare drug payment amounts has been established with the MMA of 2003 and Chapter 17 of the Medicare Claims Processing Manual (Drugs and Biologicals) has been updated to include the new basis for Part B drugs.

As of January 1, 2004, based on the MMA, drugs and biologicals will be paid at 85 percent of the Average Wholesale Price (AWP) for the Healthcare Common Procedure Coding System (HCPCS) payment amount based on the April 1, 2003 Single Drug Pricer (SDP).

The MMA of 2003 changed the basis for payment of drugs and biologicals not paid on a cost or prospective payment basis. For January 1, 2004 through December 31, 2004, such drugs or biologicals are paid as follows:

- The payment limits for blood clotting factors will be 95 percent of the AWP.
- The payment limits for new drugs or biologicals will be 95 percent of the AWP.
- The payment limits for pneumococcal and hepatitis B drugs and biologicals will be 95 percent of the AWP.
- The payment limits for certain drugs studied by the OIG and GAO are based on the percentages of the April 1, 2003 AWP's specified in Table 1 in Chapter 17, Section 20 of the Medicare Claims Processing Manual.

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- Drugs and biologicals not described above are paid at 85 percent of the April 1, 2003 AWP.
- The payment limits for infusion drugs furnished through an item of implanted durable medical equipment on or after January 1, 2004 will be 95 percent of the October 1, 2003 AWP.  
(NOTE: A new modifier to identify infusion drugs used in implanted DME has been requested. This new modifier will allow for payment at 95 percent of the October 1, 2003 AWP. The Centers for Medicare & Medicaid Services (CMS) will issue a new instruction at a later date to implement the new modifier.)
- Payment limits determined under this instruction are frozen. No updates will be provided.
- Effective January 1, 2004, the Single Drug Pricer mailbox at SDP@cms.hhs.gov will no longer be available. Questions must be sent to the appropriate CMS regional office.

## Implementation

Targeted for January 5, 2004.

## Related Instructions

Please refer to the Medicare Claims Processing Manual, Chapter 17 - Drugs and Biologicals Sections 10 & 20/Subsections 20.1, 20.2, and 20.3.1/ Payment Allowance Limit for Drugs and Biologicals for revised, new, and deleted contents. You may find that chapter at:

[http://www.cms.hhs.gov/manuals/104\\_claims/clm104c17.pdf](http://www.cms.hhs.gov/manuals/104_claims/clm104c17.pdf)

In addition, if you want to review the official transmittal relative to this article, please visit:

[http://www.cms.hhs.gov/manuals/pm\\_trans/R54CP.pdf](http://www.cms.hhs.gov/manuals/pm_trans/R54CP.pdf)

If you have further questions, please feel free to contact your carrier or fiscal intermediary at their toll-free number. A list of those numbers may be found at:

<http://www.cms.hhs.gov/medlearn/tollnums.asp>.

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