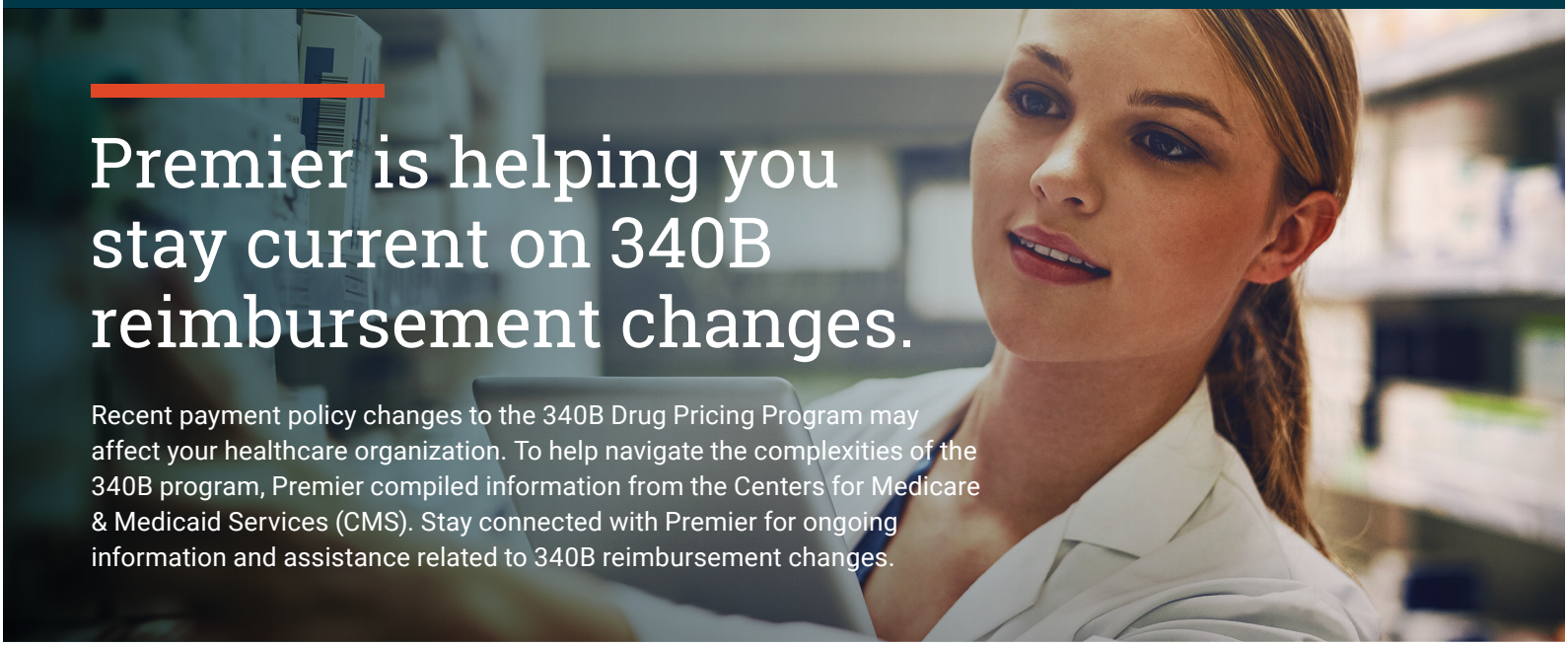
340B Reimbursement FAQ

PREMIER



Premier is helping you stay current on 340B reimbursement changes.

Recent payment policy changes to the 340B Drug Pricing Program may affect your healthcare organization. To help navigate the complexities of the 340B program, Premier compiled information from the Centers for Medicare & Medicaid Services (CMS). Stay connected with Premier for ongoing information and assistance related to 340B reimbursement changes.

01 What is the change in the CMS reimbursement for drugs purchased through the 340B program?

As of Jan. 1, 2018, Medicare Part B reimbursement for 340B covered outpatient drugs changed from average sales price (ASP) plus 6 percent to ASP minus 22.5 percent for certain types of 340B covered entities. The reduction in reimbursement was implemented as part of the changes to the Outpatient Prospective Payment System (OPPS) and applies to separately payable OPPS drugs (assigned status indicator "K") that meet the definition of a "covered outpatient drug" that are acquired through the 340B program or through the 340B Prime Vender Program (Apexus). Drugs that have pass-through status and vaccines are excluded from the payment reduction.[1,2]

Premier adamantly opposed this change in payments to 340B-covered drugs and is working with our members and other national hospital organizations to mobilize Congress to stop the harmful 340B cuts.

02 What 340B covered entities are subject to the reduction in CMS reimbursement?

The reduction only affects 340B eligible entities that receive payments under the OPPS. This includes disproportionate share hospitals (DSH), rural referral centers and non-rural sole community hospitals. Some entities paid under OPPS have an exception for 2018, which include children's hospitals, rural sole community hospitals and some cancer hospitals. Critical access hospitals are not affected by the payment cuts as they are not subject to OPPS reimbursement. The rule changes do not directly affect payments for 340B drugs dispensed through most contract pharmacy arrangements.[1,2]

03 What coding changes are required to bill for Medicare Part B drugs on behalf of 340B entities subject to the reimbursement cuts?

CMS established two Healthcare Common Procedure Coding System (HCPCS) Level II modifiers to identify 340B-acquired drugs:

- "JG" for a drug or biological acquired through the 340B program.
- "TB" for a drug or biological acquired through the 340B program, reported for informational purposes. The "TB" modifier is mandatory for applicable providers.

Per the CMS "Frequently Asked Questions" release from Dec. 13, 2017, the covered entity types required to use the "JG" and "TB" modifiers are as follows:[1]

Hospital Type (Determined by CMS)	Pass-through Drug (SI "G")	Separately Payable Drug (SI "K")	Vaccine (SI "F", "L" or "M")	Packaged Drug (SI "N")
Not Paid under OPPS				
CAH	TB, Optional	TB, Optional	N/A	TB or JG, Optional
Maryland Waiver Hospital	TB, Optional	TB, Optional	N/A	TB or JG, Optional
Non-Excepted Off-Campus PBD	TB	TB	N/A	TB or JG, Optional
Paid under the OPPS, Excepted from the 340B Payment Adjustment for 2018				
Children's Hospital	TB	TB	N/A	TB or JG, Optional
PPS-Exempt Cancer Hospital	TB	TB	N/A	TB or JG, Optional
Rural Sole Community Hospital	TB	TB	N/A	TB or JG, Optional
Paid under the OPPS, Subject to the 340B Payment Adjustment				
DSH Hospital	TB	JG	N/A	TB or JG, Optional
Medicare Dependent Hospital	TB	JG	N/A	TB or JG, Optional
Rural Referral Center	TB	JG	N/A	TB or JG, Optional
Non-Rural Sole Community Hospital	TB	JG	N/A	TB or JG, Optional

N/A = Not Applicable

For additional information, please refer to the **CMS 340B Modifiers FAQ document**.

Pass-through drugs obtain additional funding from congressionally allocated sources and are not limited to the budget neutral requirements of OPPS.

Packaged drugs are those determined by CMS to have a cost low enough such that the reimbursement for administration is sufficient to compensate for the acquisition cost.

04 What will CMS do with the savings realized by the 340B reimbursements cuts?

CMS was granted authority to establish the OPPS via the Balanced Budget Act of 1997. To achieve budget neutrality, CMS makes annual adjustments to the OPPS. CMS estimated that impacted covered entities would experience a reduction in Medicare reimbursement of approximately $1.6 billion. Due to this budget neutrality requirement, CMS reported it will redistribute the savings by increasing Medicare payments to participating hospitals, including those not 340B eligible, by 3.2 percent next year.[3]

05 What will happen next?

- Recently, a hospital industry request for an injunction to block the 28.5 percent payment reduction for 340B drugs was rejected on the grounds that the providers lacked standing. This case was brought by the Association of American Medical Colleges (AAMC), America's Essential Hospitals (AEH), the American Hospital Association (AHA) and other hospital systems.
- The AAMC, AEH and AHA have appealed the decision. This will likely require a series of appeals by both sides that could drag on for some time. Should the hospitals succeed on gaining an injunction, however, it could mean that the cuts will be forestalled at least for a period.
- Hospitals and Premier are supporting legislation that would place a permanent moratorium on the CMS final regulation. As of Jan. 8, 2018, the bill had 167 cosponsors. Premier is not a neutral party in this and we have sent a number of other alerts to our government affairs members.
- Regardless of the outcome of the actions listed above, hospitals must now correctly account for their 340B purchases, based on instructions provided by the Department of Health and Human Services (HHS) in December.

Connect with Premier to stay up-to-date with the latest 340B reimbursement changes and how they may affect your organization.

Whether you need to obtain answers to 340B questions, assess the potential impact on your organization or consider what this might mean for your long-term strategy, Premier can help.

Email Us Today

At **340Binfo@premierinc.com** or call us at 704.816.5240.

Stay current on the latest policy developments and learn about future 340B education opportunities from Premier by subscribing to our *Trends and Health Policy Update* weekly newsletter.

Subscribe Here

Or email Susan Ueberroth at **susan_ueberroth@premierinc.com**.

[1] Medicare-FFS Program, Billing 340B Modifiers under the Hospital Outpatient Prospective Payment System (OPPS) Frequently Asked Questions (Dec. 13, 2017), https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Downloads/Billing-340B-Modifiers-under-Hospital-OPPS.pdf

[2] Department of Health and Human Services, Medicare Program: Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs, 82 FED. REG. 59,216 (final rule Dec. 14, 2017), https://www.gpo.gov/fdsys/pkg/FR-2017-12-14/pdf/R1-2017-23932.pdf

[3] Centers for Medicare and Medicaid Services, CMS Issues Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System and Quality Reporting Programs Changes for 2018 (CMS-1678-FC) (Nov. 11, 2017), https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2017-Fact-Sheet-items/2017-11-01.html

Premier Inc. 13034 Ballantyne Corporate Place, Charlotte, NC 28277 | 877.777.1552