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Coalition of State Rheumatology Organizations

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September 19, 2023

Senate Committee on Finance, Insurance, and Consumer Protection
100 N. Capitol Ave
Lansing, MI 48933

Re: SB 483

The Coalition of State Rheumatology Organizations (CSRO) is a national organization composed of over 30 state and regional professional rheumatology societies, including our member society in Michigan. CSRO was formed by physicians to ensure excellence and access to the highest quality care for patients with rheumatologic, autoimmune, and musculoskeletal disease. It is with this in mind that we write to you concerning SB 483.

CSRO would like to share its concerns regarding how reimbursement for provider administered drugs is currently structured under an Upper Payment Limit (UPL).

Practices that engage in the administration of provider administered drugs on an outpatient basis are typically engaged in a practice known as “buy and bill.” These practices pre-purchase drugs and bill a payer for reimbursement once they are administered to a patient. Margins for practices engaged in buy and bill are thin. In order to maintain the viability of administering drugs in this setting, reimbursement must account for overhead costs such as intake and storage, equipment and preparation, staff, facilities, and spoilage insurance. Reimbursement rates that do not sufficiently compensate these costs risk practices being unable to furnish these services. For example, Medicare Part B reimburses providers the average sales price plus an add-on percentage of 6% in order to account for these costs.

Unfortunately, the UPL, as defined in Section 12 of the bill, does not inherently compensate providers for the aforementioned costs. The UPL caps provider reimbursement for a prescription drug consistent with the rate determined by the board. It does not, however, require that provider acquisition costs are lowered sufficiently below the UPL to ensure providers remain above water on the combined costs of administration, the drug, and other associated overhead. To keep providers whole, the board would be relying on a voluntary market adjustment for acquisition costs which may or may not occur. While the board must consider “relevant administrative costs related to supplying or stocking the prescription drug” when establishing a UPL, these considered costs would necessarily be baked into the statutory reimbursement cap set by the UPL. They would not be compensated separately from drug cost, which would continue to leave providers exposed on related service costs.

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Beyond compensation for administration and overhead costs, we are also concerned that providers will be underwater on the drug acquisition cost itself. Contracting between providers, their group purchasing organizations, wholesalers, and manufacturers is not geographically isolated and is often national in scope. This will impede providers from acquiring prescription drugs at a rate that matches the reimbursement cap set forth by an UPL. This would also render the likelihood of a voluntary market adjustment below the UPL unlikely.

Accordingly, we believe that the viability of furnishing provider administered drugs used by rheumatologists will be severely hampered if a UPL, as currently structured, is applied to provider administered drugs. If physicians cannot afford to continue infusing patients in their office infusion suite, affordability issues would be exacerbated if their only recourse is to seek treatment in a hospital-based setting. This would be deeply inconvenient for patients, but hospitals are also a much more expensive site of care than our members' practices. CSRO encourages the Michigan legislature to examine a solution to these issues by reconfiguring reimbursement for provider administered drugs for which a UPL is applied.

We appreciate your consideration of our comments, and are happy to have any additional questions you may have.

Respectfully,

Gary Feldman, MD, FACR
President
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