Does the 6% in Medicare Part B drug reimbursement affect prescribing?

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Overview: The +6% markup that is added when Part B drugs are reimbursed has been a perennial target of policymakers. It is viewed as a potential incentive to prescribe more expensive drugs when cheaper alternatives exist, as 6% of a high price is more than 6% of a low price. But physician groups routinely argue that this incentive while present does not alter prescribing patterns. In a review of the literature on PubMed and a thorough search of the reference lists and forward citations of retrieved articles, we identified five studies examining the impact of this mark-up on prescribing behaviors of physicians treating patients in Medicare.

Findings: The five studies used varying comparators, and measures, and focused on different drugs and disease states. Yet all analyses demonstrated the same general finding: a) prescription patterns appear to shift when the available mark-up on drugs changes; b) the shift is in the direction predicted by the hypothesis that providers favor treatments with larger absolute mark-ups.

Limitations: All analyses are observational, and thus unmeasured confounders could explain some of the observed patterns described. However, each study examined shifts in reimbursement that are highly unlikely to be correlated with a force that affected clinical decision making independent of the reimbursement effect. We only reviewed analyses of oncology drugs.

Conclusions: The mark-up on Part B drugs appears to independently influence prescribing patterns. In the aggregate, oncologists shift prescribing towards drugs with larger absolute mark-ups.

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Relation between Medicare Part B mark-ups and prescribing for oncology drugs

Article (Year)	Population studied	Comparison	Findings
Elliott et al. (2009)[1]	Medicare beneficiaries with low risk and metastatic prostate cancer	Use of 'androgen suppression therapy' before and after a reimbursement change due to a law change that decreased the margin, compared between low risk and metastatic patients	Reduction in reimbursement of 64% associated with an OR of 0.61-0.70 reduction of use in low risk with no change in metastatic patients.
Jacobson et al. (2010)[2]	Medicare beneficiaries with lung cancer	Use of five different drugs for lung cancer that all experienced shifts in margin due to a law change in 2005	Use of drugs with the largest decline in margin fell the most after the rule change. Use of drugs with unchanged margins increased.
Colla et al. (2012)[3]	Medicare decedents who had any cancer, treated in physician offices or hospital outpatient department	Utilization of chemotherapy in the months preceding death before and after a law change that decreased margins and comparing impact on two settings, where physician offices presumed to be more affected by incentives	Use of chemotherapy prior to death declined in physician offices following a reduction in margins, but did not decline in the hospital outpatient departments.
Epstein et al. (2012)[4]	Medicare beneficiaries with breast cancer (1992-2002)	Within treated population evaluation of prescribing frequency in relation to 'margin' (reimbursement – acquisition cost)	Increase margin of +10% led to an increase in prescribing likelihood of +10% - +177%.
Conti et al. (2012)[5]	Medicare beneficiaries with metastatic colorectal cancer	Use of two alternative drugs for colorectal cancer, one which went generic and as a result had a decline in margin compared to the other that did not	Use of the drug that went generic declined once the margin on the drug was reduced. Use of the alternative drug was maintained.

[1] Elliott et al. "Reduction in Physician Reimbursement and Use of Hormone Therapy in Prostate Cancer" J Natl Cancer Inst. 2010; 102(24):1826-1834.
[2] Jacobson et al. "How Medicare's Payment Cuts for Cancer Chemotherapy Drugs Changed Patterns of Treatment". Health Affairs. 2010; 1391-1399.
[3] Colla et al. "Impact of Payment Reform on Chemotherapy at the End of Life. Journal of Oncology Practice. 2012; e6s-e13s
[4] Epstein and Johnson. "Physician response to financial incentives when choosing drugs to treat breast cancer". Int J Health Care Finance Econ. 2012; 285-302.
[5] Conti et al. Journal of Oncology Practice. 2012 8:3S, e18s-e23s