

ISSUES

Back to CAP?

BY LEAH RALPH



In May, President Trump announced the administration's plan to tackle rising drug costs through a four-pronged policy approach outlined in *American Patients First: The Trump Administration Blueprint to Lower Drug Prices and Reduce Out-of-Pocket Costs*. Despite the blueprint's lack of policy detail, two specific proposals appear to be bubbling to the top of the White House's agenda. Both could mean big changes to the acquisition and delivery of Part B drugs: Department of Health and Human Services Secretary Alex Azar has expressed strong interest in revitalizing Medicare's Competitive Acquisition Program (CAP) and introducing negotiation into Part B drug pricing.

CAP Recap

Created by the 2003 Medicare Modernization Act, CAP is a voluntary program that was active from 2006 through 2008 and intended as an alternative to the buy-and-bill system that providers currently employ to acquire Part B drugs. CAP allowed Medicare to select third-party drug vendors through a competitive bidding process. Physician practices that chose to participate in CAP would then acquire needed Part B drugs through those vendors. After the drug was administered, the physician would submit a claim for the drug administration but not for the drug itself. Thus, CAP participation would remove the need for physician practices to purchase and bill for drugs. Due to unforeseen challenges with the program, CMS shuttered the program in 2008, postponing further implementation

but leaving the door open for reinstatement "at a later date."

Bring the CAP Back?

In reviving CAP, the goal remains the same: to move away from the current buy-and-bill framework and, according to the administration, alleviate the financial risk that providers take in purchasing drugs. Underpinning this resuscitation of CAP is the belief that the program will also stimulate opportunities for federal savings to the extent that the vendor-bid prices may be less than 106 percent of average sales price, the current reimbursement rate for Part B drugs.


Though some providers may welcome an opportunity to get out of the business of drug acquisition, many point out that the current 6 percent margin helps keep offices running, covering nonreimbursed overhead costs like drug storage, administrative processes like collecting cost-sharing from patients, and hiring nurse navigators to monitor complex patients. None of these activities are reimbursed under the current system and all are services that will still need to be provided under a CAP-like distribution model. Further, many providers note that rather than streamlining the drug distribution channel, CAP will likely create *additional* administrative hurdles. Many practices have said that they would have to hire additional staff to manage drug intake and navigate the new CAP process.

In addition to these financial concerns, the 2006 version of CAP faced other significant challenges, including delays

getting the drug to the patient, low provider and vendor enrollment (only one vendor contracted with Medicare, undermining the concept of competition in "competitive acquisition program"), and, as CMS noted in a postmortem report, while the program was active, CAP actually resulted in increasing the government's drug costs by 3 percent.

For any new iteration of the Competitive Acquisition Program to work, the Department of Health and Human Services will have to make significant changes, and the agency is seeking guidance from provider, patient, and pharmaceutical groups in the coming months.

Infusing Negotiation into Part B Drug Pricing

In addition to a modernized version of CAP, the administration is expressing strong interest in moving certain drugs from the Part B benefit into Part D, thereby introducing negotiation for these drugs. Operationally, the Part B and D Medicare benefits are vastly different. Notably, Part D, also known as the Medicare prescription drug benefit, is a voluntary option for Medicare beneficiaries that helps them to obtain self-administered drugs through a premium-based drug insurance plan. Unlike Part B, Medicare Part D does not allow for supplemental coverage. Additionally, early analysis shows that patient out-of-pocket costs would be higher under Part D, and it's unclear that moving drugs from the Part B to Part D benefit would save the government money. 

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