

May 9, 2016

Centers for Medicare & Medicaid Services
Department of Health and Human Services
Attention: CMS-1670-P
P.O. Box 8016
Baltimore, MD 21244-8016

Re: Comments Regarding Proposed Regulation CMS-1670-P

On behalf of the 148 hospitals in its membership, the Missouri Hospital Association offers the following comments to the Centers for Medicare & Medicaid Services' proposed rule governing the Medicare Part B drug payment model for physicians, durable medical equipment suppliers and hospital outpatient departments.

Modeling the financial effects of the proposed regulation is challenging because CMS has not disclosed which health facilities and providers will be assigned to particular groups within this payment methodology experiment. However, applying the new study group methodology to all Missouri hospitals would reduce Medicare Part B payments for drugs delivered in outpatient hospital settings by 2.1 percent, or about \$4.5 million, in the initial year of Phase I of the proposal. The type of drugs most significantly affected are those used in providing hematology/oncology treatments.

The new model is not designed to be budget-neutral. The proposed rule notes that in Phase II, "the pricing under this phase would not be budget neutral, and we intend to achieve savings." It also comments that "we cannot gauge the magnitude of savings for either proposed phase of the model at this time but we expect both to produce savings."

CMS expects savings but is unsure of the amount. That is unsettling, but of equal or greater concern, the agency also is unsure of the effect of the initiative on the quality, availability and timeliness of care provided to patients. The proposed rule appears to have little to say on the matter other than commenting that it will assess whether the payment models achieve savings while maintaining quality and saying the agency will include questions on access to care and patient satisfaction in its retrospective evaluation. We are concerned that the initiative may impede patients' access to Part B drug treatments, particularly for those undergoing oncology treatments. As providers respond to the incentives and disincentives of this grand experiment, limitations on access to services likely will affect both patient satisfaction and outcomes.

One of the most troubling aspects of the proposed rule is that CMS has designed the initiative as a giant payment experiment. After partitioning the nation, excluding Maryland, into 7,048 "Primary Care Service Areas," CMS would assign providers to either a control group or a

study group, with different payment methodologies. MHA disagrees with the premise that CMS should overtly manipulate the market in this fashion. Hospitals and other providers should compete based on their efficiency and effectiveness, not by advantages and disadvantages bestowed by regulatory fiat as to who is included in or excluded from the components of a new payment experiment.

Although MHA supports efforts to find and deploy payment systems to bring more competition and efficiency to Medicare spending for drugs, the structure of the proposed initiative appears to breed complexity and administrative expense. Off-site hospital-based clinics in a different primary care service area may well operate under a different payment system than the sponsoring hospital, engendering technical and operational challenges. Phase II of the program adds several more layers of complexity by assigning providers to subgroups within this experimental design. This added complexity presumably would involve revamping billing systems at some considerable cost. It is unclear how the administrative cost associated with mandated participation in this national experiment squares with the assertion in the “Unfunded Mandates Reform Act Analysis” section of the proposed rule that “this proposed rule does not mandate any requirements for State, local, or tribal governments, or for the private sector.”

Sincerely,

A handwritten signature in black ink, appearing to read "D. Landon", with a long horizontal flourish extending to the right.

Daniel Landon

Senior Vice President of Governmental Relations

dl/djb