

Medicare reimbursement changes

Under the old system for reimbursing physicians, through 2003:

- Drugs reimbursed at 95% of a formula known as the average wholesale price. Critics charged that the formula was not tied to actual drug costs.
- Excess drug payments helped offset low Medicare reimbursement for practice and administrative expenses related to on-site drug services.

As of Jan. 1, 2004:

- Drug reimbursement rate lowered to 85% of the average wholesale price.
- Practice expense reimbursements boosted 32%, an amount known as the transitional increase.
- New physician fee schedule update increased physician payments for infusion services.

As of Jan. 1, 2005:

- Reimbursement rate changes to 106% of the average sales price, a formula that has not yet been defined by the CMS.
- Transitional increase drops to 3%.
- Physician fee schedule increases 1.5%. ■