Ensuring Access to New Therapies
Medicare Inpatient Prospective Payment System

- For inpatient admissions, hospitals are paid a fixed amount based off the diagnosis of the patient – known as a Diagnosis Related Group (DRG).
- The fixed amount is based off the average cost of providing services to a patient with that diagnosis.
- The average cost is determined using historical cost data.
- Since historical cost data is used to determine the reimbursement rate, the reimbursement rate does not take into account the cost of new technologies.
PPS Limitations for New Technologies

- 2016 Cost Data
- 2017 – Issue Rule for 2018 Reimbursement Rate
- 2018 Reimbursement Rate

Using 2016 data
New Technology Add on Payment

- In 2000 – Congress created the NTAP program to reimburse hospitals when they use new drugs or devices in the inpatient setting
- NTAP designation given if product meets 3 part test
  - Is the product new?
  - Would the DRG not adequately reimburse if new product is used?
  - Is it for an unmet clinical need or clinically superior to existing treatments?
- If NTAP designation is given the hospital will receive an additional payment in the amount of the lesser of:
  - 50% of the cost of the product
  - 50% of the amount of the cost of treating the patient with new technology exceeds the DRG payment.
- The add on payment is limited typically to two to three years to allow the DRG payment to incorporate the cost of the new treatment.
The NTAP program has two main criticisms leveled against it.

1. CMS is too conservative in granting NTAP designations – particularly for drugs.

2. The 50% reimbursement rate is too low and does not fully address the disincentives for hospitals to use these new products.

Additionally, there is not corresponding NTAP reimbursement in the Medicaid program.
Proposal

Any new, inpatient drug that is designated by the FDA as Fast Track would receive an NTAP designation.

- Fast Track designated drugs treat serious conditions and fill an unmet medical need. Filling an unmet medical need is defined as providing a therapy where none exists or providing a therapy which may be potentially better than available therapy.

- Drugs that receive NTAP designation would receive an add on payment the lesser of:
  - 80% of the cost of the product
  - 80% of the amount of the cost of treating the patient with new technology exceeds the DRG payment.
Hospitals using these new therapies would receive an analogous NTAP reimbursement when treating Medicaid patients.

States would receive a 90% federal Medicaid match for these payments.