



## CMS expands reimbursement cuts on 340B drugs

November 5, 2018

On November 2, 2018, CMS issued the [CY 2019 OPPS/ASC Final Rule](#), further cutting reimbursement for 340B Program purchased drugs. CMS finalized its proposed rule and expanded the reimbursement reductions for separately-payable drugs purchased under the 340B Program to non-grandfathered (non-excepted) off-campus provider-based departments.

Starting on January 1, 2018, CMS had already reduced reimbursement on separately-payable drugs purchased under the 340B Program administered in grandfathered (excepted) off-campus provider-based departments. The reimbursement under OPPS for these drugs was reduced from average sales price (ASP) plus 6 percent to ASP minus 22.5 percent. In the 2019 Final Rule, CMS continued this payment reduction for all separately-payable Medicare Part B drugs (i.e., those assigned status indicator “K”).

In addition, the payment reduction has now been extended to non-grandfathered (non-excepted) off-campus provider-based departments. Drugs purchased under the 340B Program in non-excepted provider-based settings will be reimbursed at ASP minus 22.5 percent — the same as in excepted provider-based locations. CMS believes these further reductions will continue to better align the resources and acquisition costs of the drugs, thus lowering cost to the entire system and, ultimately,



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benefiting Medicare beneficiaries. In addition, the uniformity of reimbursement would remove the incentive CMS believes hospitals have under the CY 2018 reimbursement system to shift pharmaceutical-intensive care delivery to non-excepted provider-based departments.

CMS also clarified, reaffirmed or initiated several other 340B Program-related points in the Final Rule:

- The reduced rate for both excepted and non-excepted provider-based locations applies uniformly to drugs reimbursed based on wholesale acquisition cost, average wholesale price and ASP.
- CMS will reimburse separately-payable biosimilars acquired under the 340B program at ASP minus 22.5 percent of the biosimilar's own ASP, rather than the ASP of the reference product.
- CMS will reimburse new drugs and biological products, before ASP data is available, at wholesale acquisition cost (WAC) plus 3 percent, rather than the prior rate of WAC plus 6 percent.

Based on these changes, 340B covered entities will again have to re-evaluate the financials of their provider-based locations, particularly in light of the other provider-based reimbursement changes contained in the Final Rule.