



Highlights of [GAO-03-184](#), a report to Ranking Minority Member, Subcommittee on Health, Committee on Ways and Means, House of Representatives

### Why GAO Did This Study

In 2001, Medicare’s outpatient expenditures for blood clotting factor used to treat the estimated 1,100 beneficiaries with hemophilia totaled about \$105 million, or more than 2 percent of total Medicare spending on outpatient drugs. Earlier work by GAO indicated that Medicare’s payment for certain outpatient drugs is substantially higher than providers’ acquisition costs. Concerns have been raised about Medicare’s payment for blood clotting factor. GAO was asked to compare provider costs of purchasing clotting factor with Medicare’s payment for it and to identify costs to providers associated with delivering clotting factor.

### What GAO Recommends

GAO recommends that the Administrator of the Centers for Medicare & Medicaid Services (CMS) establish Medicare payment levels for clotting factor that are more closely related to providers’ acquisition costs and then establish a separate payment for the cost of delivering clotting factor to Medicare beneficiaries. The Department of Health and Human Services (HHS) agreed with our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-03-184](http://www.gao.gov/cgi-bin/getrpt?GAO-03-184).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Laura A. Dummit at (202) 512-7119.

## MEDICARE

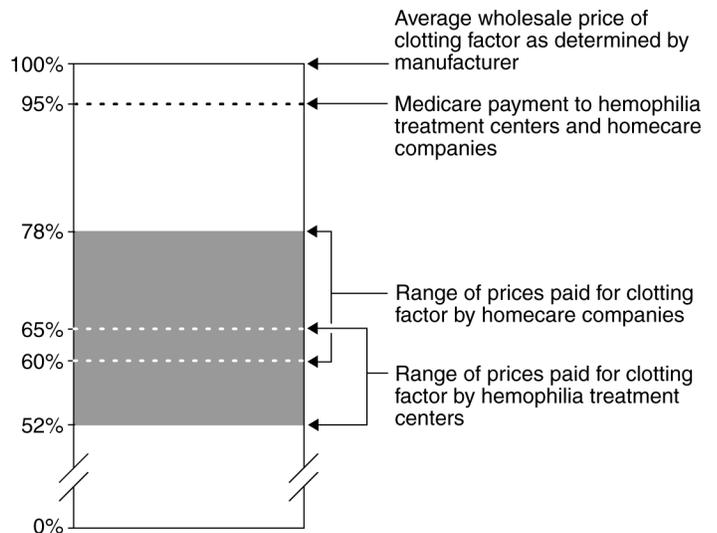
# Payment for Blood Clotting Factor Exceeds Providers’ Acquisition Cost

### What GAO Found

Medicare’s payment for clotting factor, like other outpatient drugs, is 95 percent of the average wholesale price (AWP), a price established for each drug by its manufacturer. Medicare’s payment is substantially more than the actual acquisition costs of hemophilia treatment centers (HTC) and homecare companies, which provide a majority of Medicare beneficiaries with clotting factor. Most HTCs obtain prices from manufacturers that are 35 to 48 percent below AWP by participating in a federal program that guarantees them low prices. Homecare companies obtain prices that range from 22 to 40 percent below AWP.

Providers incur additional costs associated with delivering clotting factor that are not separately reimbursed by Medicare. GAO estimates that these additional costs in 2000 and 2001 ranged from \$0.03 to \$0.08 per unit sold by HTCs. (Hemophilia patients use an average of 78,000 units of clotting factor annually.) GAO did not receive enough data from homecare companies to estimate their costs. Delivery costs are generated in inventory management, specialized refrigerated storage, shipping, and the provision of ancillary supplies such as needles, syringes, and tourniquets to patients.

**Medicare Payment and Provider Acquisition Prices for Blood Clotting Factor as a Percentage of Average Wholesale Price, 2001 and 2002**



Source: GAO analysis of data received from the Centers for Medicare & Medicaid Services, Health Resources and Services Administration, hemophilia treatment centers, and homecare companies.