

What is the Average Sales Price (ASP) for drugs and how does CMS calculate the ASP-based payment limit?

In 2005, Congress enacted legislation that changed the way Medicare priced Part B drugs. Average Wholesale Price (AWP) payment methodology was replaced with the Average Sales Price (ASP). The legislation dictated that the roughly 40 or so drugs covered by Part B (mainly physician-administered drugs) be reimbursed at a rate of ASP plus 6 percent. Unlike AWP, ASP uses manufacturer sales information that includes all manner of discounts (i.e. rebates, volume discounts, prompt payment, cash payment, etc.)

Every quarter, CMS publishes the Average Sales Price for drugs and the reimbursement of each of the drugs based on information submitted by the manufacturers of each of the drugs. These specific calculations by CMS determine the reimbursement rate of each drug. The drugs listed in this spreadsheet do not capture all drugs, only drugs used in urology.

This is from CMS' web site and describes how CMS calculates the ASP:

For each billing code, CMS calculates a weighted average sales price using the Average Sales Price (ASP) data submitted by manufacturers.

- Manufacturers submit ASP data at the 11-digit National Drug Code (NDC) level.
- Manufacturers submit the number of units of the 11-digit NDC sold and the ASP for those units.
- The number of billing units in an NDC is determined by the amount of drug in the package. For example: a manufacturer sells a box of 4 vials of a drug. Each vial contains 20 milligrams (mg). The billing code is per 10 mg. The number of billing units in this NDC for this billing code is $(4 \text{ vials} \times 20 \text{ mg}) / 10 \text{ mg} = 8$ billable units.

Beginning April 1, 2008, CMS uses the following weighting methodology to determine the payment limit.

- CMS sums the product of the manufacturer's ASP and the number of units of the 11-digit NDC sold for each NDC assigned to the billing and payment code, and then divides this total by the sum of the product of the number of units of the 11-digit NDC sold and the number of billing units in that NDC for each NDC assigned to the billing and payment code.
- CMS weights the ASP for an NDC by the number of billing units sold for that NDC.

Prior to April 1, 2008, the following weighting methodology applies.

- CMS converts the manufacturer's ASP for each NDC into the average sales price per billing unit by dividing the manufacturer's ASP for that NDC by the number of billing units in that NDC.
- CMS sums the product of the ASP per billing unit and the number of units of the 11-digit NDC sold for each NDC assigned to the billing code, and then divides this total by the sum of the number of units of the 11-digit NDC sold for each NDC assigned to the billing code.
- CMS weights the ASP per billing units equally for each NDC regardless of package size.

