



# Buy and Bill Drugs 101

Module 5: Glossary

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Health Care Industry Committee

# Health Care Industry Committee

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# Glossary of terms

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## 340B Drug Discount Program

The 340B drug program requires drug manufacturers to sell certain outpatient drugs to eligible health care organizations at significantly reduced prices.

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A

## Average Sales Price (ASP)

ASP is calculated by dividing a manufacturer's total sales of a drug within the US per quarter year by the number of units sold. ASP is often used to calculate provider reimbursement for buy and bill drugs.

C

## Clinical guidelines

Systematically developed statements that help providers make appropriate treatment decisions regarding patients with specific clinical conditions. These guidelines are published by third-party organizations, and are meant to act as decision support tools, instead of strict treatment or patient management protocols.

C

## Clinical pathways

Treatment algorithms designed to assist providers in choosing the best treatment for patients based on efficacy, toxicity, and cost.

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F

## Fee for service (FFS)

A payment model wherein providers are paid separately for each service they perform, such as tests, office visits, and procedures.

FFS can therefore incentivize care quantity over care quality.

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M

## Medical benefit

Health insurance coverage that pays for medical care. This is the benefit under which infused and injectable drugs fall.

M

## Medicare Part B

Medicare Part B is a portion of Medicare insurance coverage that covers a range of outpatient medical services and supplies, including preventative care, lab tests, certain outpatient prescription drugs, and durable medical equipment. Enrollees must pay a premium for Part B coverage. Part B covers infused and injectable drugs.

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M

## Medicare Part D

Also known as the Medicare prescription drug benefit, Medicare Part D is a voluntary program funded by CMS that subsidizes the costs of outpatient prescription drugs and prescription drug insurance premiums for Medicare patients.

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# Glossary of terms

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P

## Packaged drugs

Medicare term for outpatient drugs administered by a provider that are not separately reimbursed because they are relatively low cost.

P

## Pharmacy benefit

The portion of health care insurance that covers retail prescription drugs. Typically, pharmacy benefits are managed by a pharmacy benefits manager (PBM).

P

## Pharmacy benefits manager (PBM)

Companies that act as administrators for prescription drug programs for both commercial and government-funded health insurance. PBMs can also manage and help reduce drug spend by negotiating with drug manufacturers and creating utilization management programs.

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P

## Prior authorization (PA)

Health plan policy that requires providers to submit a variety of clinical information such as dose, lab results, and previous therapies used to a patient's insurer in order to receive approval before administering a buy and bill drug.

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S

## Separately payable drugs

Medicare term for Part B drugs which are separately reimbursed because their cost is greater than the packaging threshold.

S

## Step therapy

Health plan policy that requires patients to try lower-priced drugs before stepping up to more expensive drugs. Only if the lower-priced drugs fail can patients step up to more expensive drugs.

W

## White bagging

Payers purchase buy and bill drugs through a specialty pharmacy, which then delivers the drugs to the provider for administration.

In contrast, '[brown bagging](#)' occurs when a payer buys a drug from a specialty pharmacy and then ships it to the patient, who must then take the drug to a physician's office to be administered.

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W

## Wholesale Acquisition Cost (WAC)

Estimate of a manufacturer's drug price for wholesalers and other direct purchasers, excluding rebates or discounts.

Source: MedPAC, "Part B Drugs Payment Systems," 2017, available at: [http://www.medpac.gov/docs/default-source/payment-basics/medpac\\_payment\\_basics\\_17\\_partb\\_final.pdf?sfvrsn=0](http://www.medpac.gov/docs/default-source/payment-basics/medpac_payment_basics_17_partb_final.pdf?sfvrsn=0); BlueCross BlueShield, "What's step therapy and how does it work?," available at: <https://www.bcbsm.com/medicare/help/understanding-plans/pharmacy-prescription-drugs/step-therapy.html>; J Mattingly, "Understanding Drug Pricing," *U.S. Pharmacist*, 2012, available at: <https://www.uspharmacist.com/article/understanding-drug-pricing>; Advisory Board research and analysis.

# Buy and bill drugs 101: roadmap

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Health plans' top priorities and strategies for managing buy and bill drugs
  - 3 Physician practice perspective**  
Physician practices' top priorities and strategies for managing buy and bill drugs
  - 4 HOPD infusion center perspective**  
HOPD infusion centers' top priorities and strategies for managing buy and bill drugs
  - 5 Glossary**  
Buy and bill glossary of key terms

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