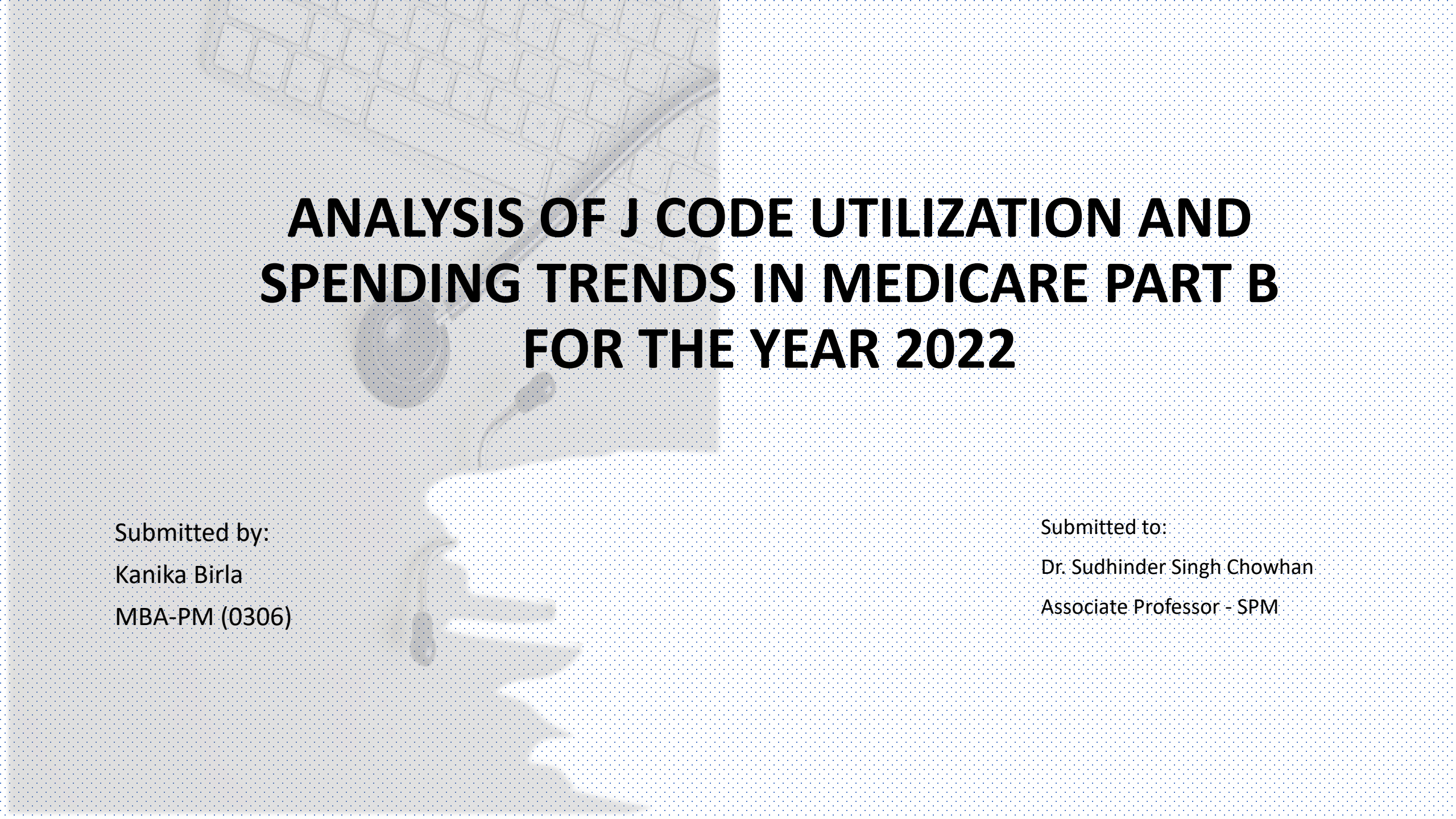




ANALYSIS OF J CODE UTILIZATION AND SPENDING TRENDS IN MEDICARE PART B FOR THE YEAR 2022

Submitted by:

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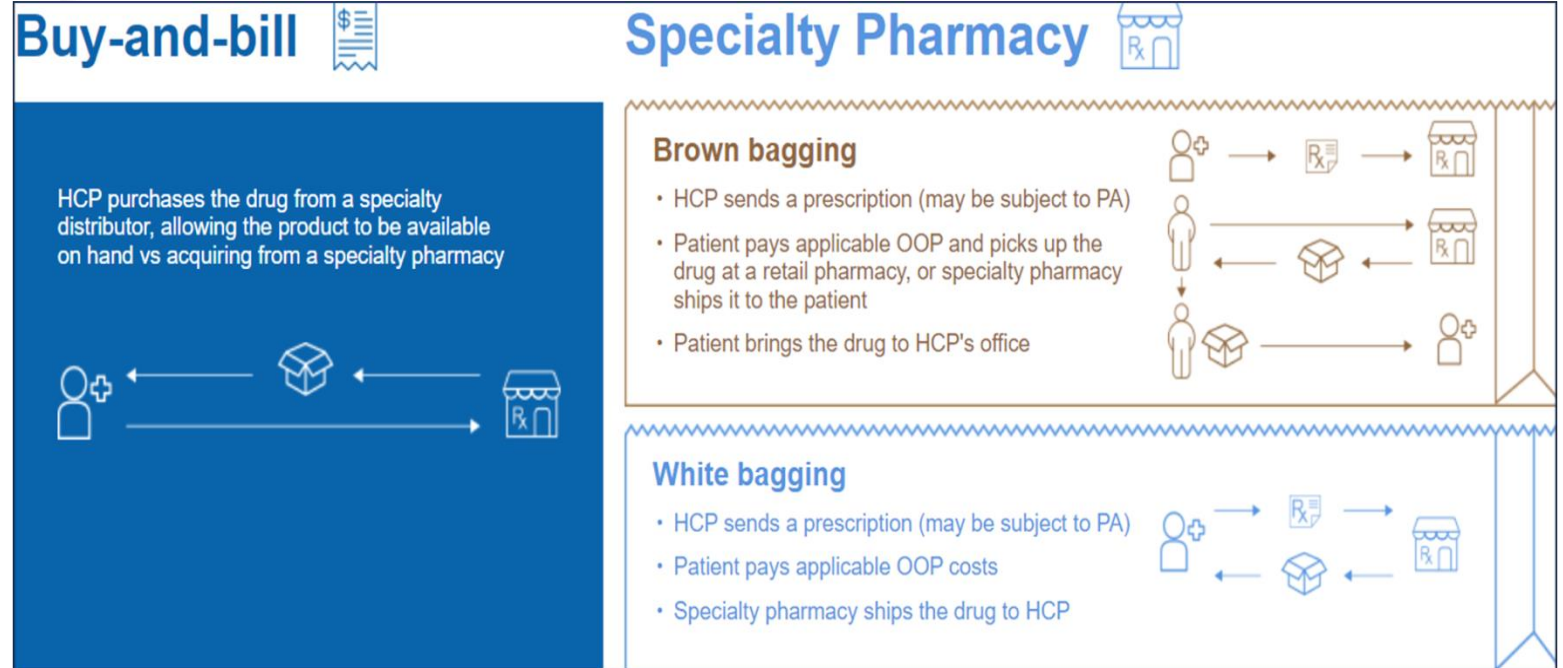
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INTRODUCTION

The analysis of J code utilization and spending trends in Medicare Part B for the year 2022 aims to understand and evaluate the utilization patterns and spending trends associated with J codes, which are used for billing drugs and biologicals administered in outpatient settings. To fully comprehend the analysis, it is important to provide a background and context on the buy and bill concept, Medicare Part B, J codes, modifiers, National Drug Codes (NDCs), and the Average Selling Price (ASP) in Medicare Part B.



The buy-and-bill system, the provider is responsible for:

- Ordering and purchasing the drug
- Managing drug inventory at the practice
- Prescribing and administering the drug to a patient.
- Submitting reimbursement claims for a drug and related professional services
- Collecting a patient's coinsurance or copayment for all services

Medicare Part B:

- Component of the U.S. government's Medicare program that covers medically necessary services, including outpatient prescription drugs.
- These drugs are often used to treat complex or chronic conditions such as cancer, autoimmune diseases, and chronic infections.
- Medicare Part B requires that HCP-administered drugs must be acquired under the buy-and-bill method.

J Codes:

- J-Codes are part of the Healthcare Common Procedure Coding System (HCPCS) Level II set of procedure codes.
- Used by Medicare to identify injectable drugs that ordinarily cannot be self-administered, chemotherapy drugs, and some orally administered drugs

NDC :

- The NDC is a 10-digit numeric code that provides information about the drug, such as the manufacturer, product strength, and packaging.
- It plays a crucial role in drug identification, tracking, and reimbursement, contributing to patient safety and efficient healthcare processes.

Modifiers:

- Modifiers are two-digit codes used in medical billing and coding to provide additional information or clarification to a procedure or service.
- They help to ensure accurate and specific reporting of services rendered and assist in reimbursement processes.
- E.g. :The JW modifier is used to report the amount of drug or biological wasted or discarded from a single-use vial or single-use package.

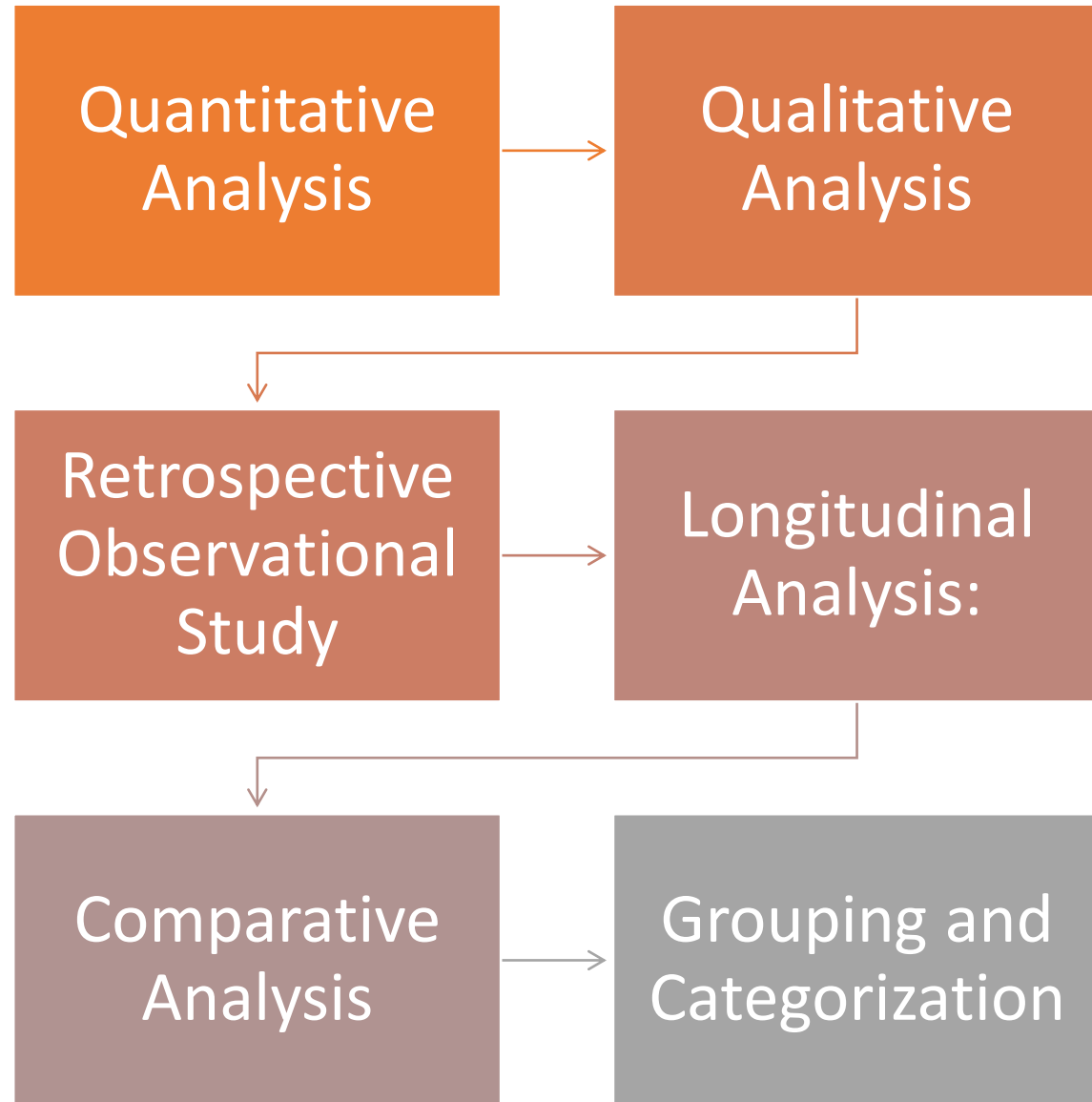
Research Objectives:

This study's main objective is to undertake a thorough examination of the trends in J code utilization and spending in Medicare Part B. This investigation's precise research goals are as follows:

- 1) Examine past J code spending and utilization statistics from 2017 to 2021 to spot patterns that have changed over time.
- 2) Determine the largest claim and cost category by tracking the utilization and spending patterns of J codes in Medicare Part B for the year 2022.
- 3) Compare the client's cost of medications charged using J codes with the anticipated average selling price for 2022.
- 4) Specify any possible drug-related Medicare Part B cost-saving opportunities for both policymakers and patients.



Research Design:



Methodology



Extensive research on the buy-and-bill and pricing benchmark :Served as a reference point for evaluating the cost deviation between the client cost and the ASP.



Calculation of average ASP: The ASP for each quarter of 2022 was extracted from CMS data to calculate the average ASP. This average value served as a baseline for comparing the client cost.



Comparison of client cost with average ASP: A comparison was made between the client cost and the average ASP for the top 50 HCPCS codes. Various parameters, such as overall unit cost, row-level unit cost, and median of the client cost, were utilized to calculate the cost deviation and percentage deviation. This analysis provided insights into the extent to which the client cost exceeded the ASP.



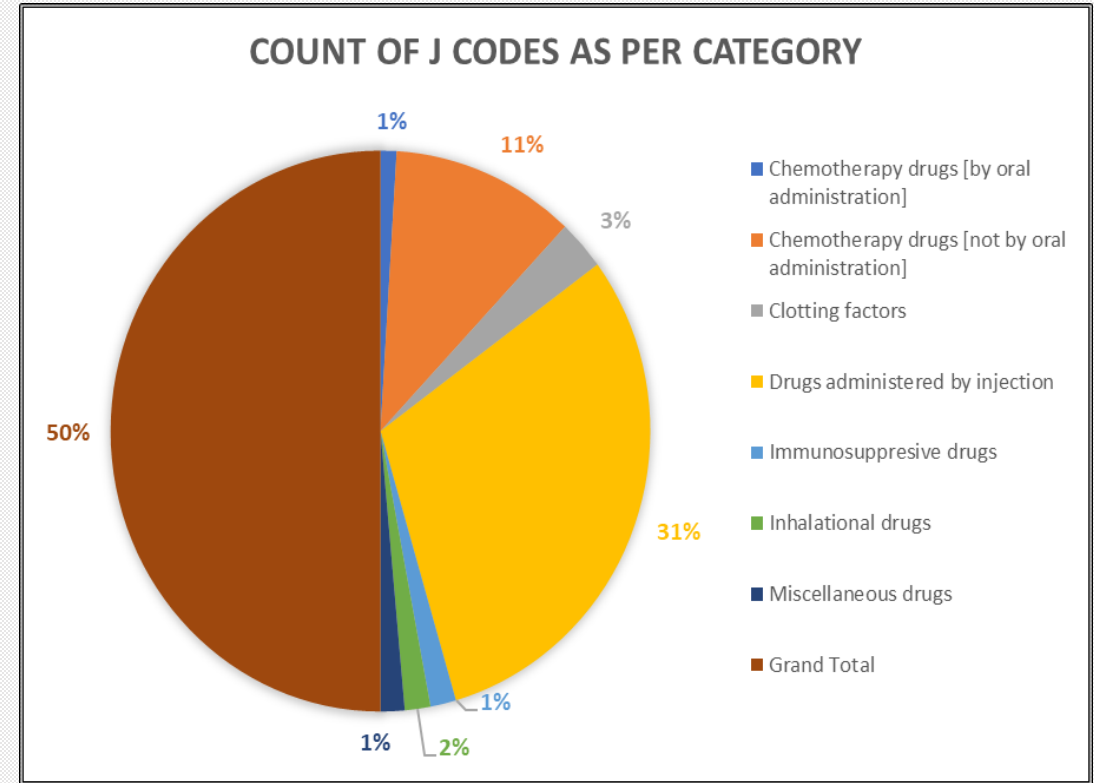
Identification of modifiers and National Drug Codes (NDCs): Modifiers and NDCs associated with J codes were identified from pharmacy claims data. This information was used to assess the strength of each drug and calculate the ASP for different available strengths.



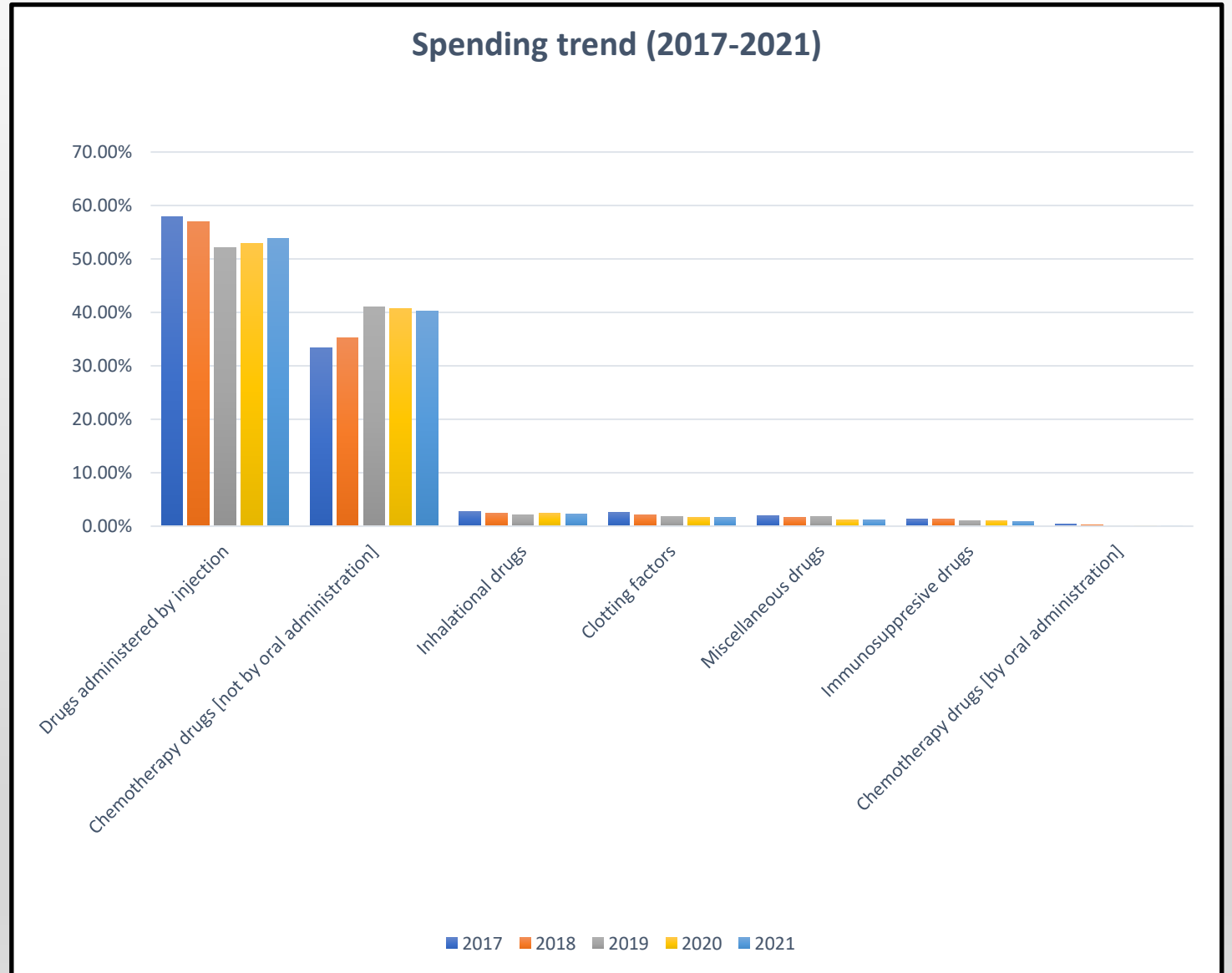
Calculation of cost-saving opportunities: The projected ASP and client cost were utilized to calculate potential cost-saving opportunities for the top 50 HCPCS codes. This analysis aimed to identify measures that could potentially lead to cost savings.

Analysis of Categories of J codes (2017 -2021)

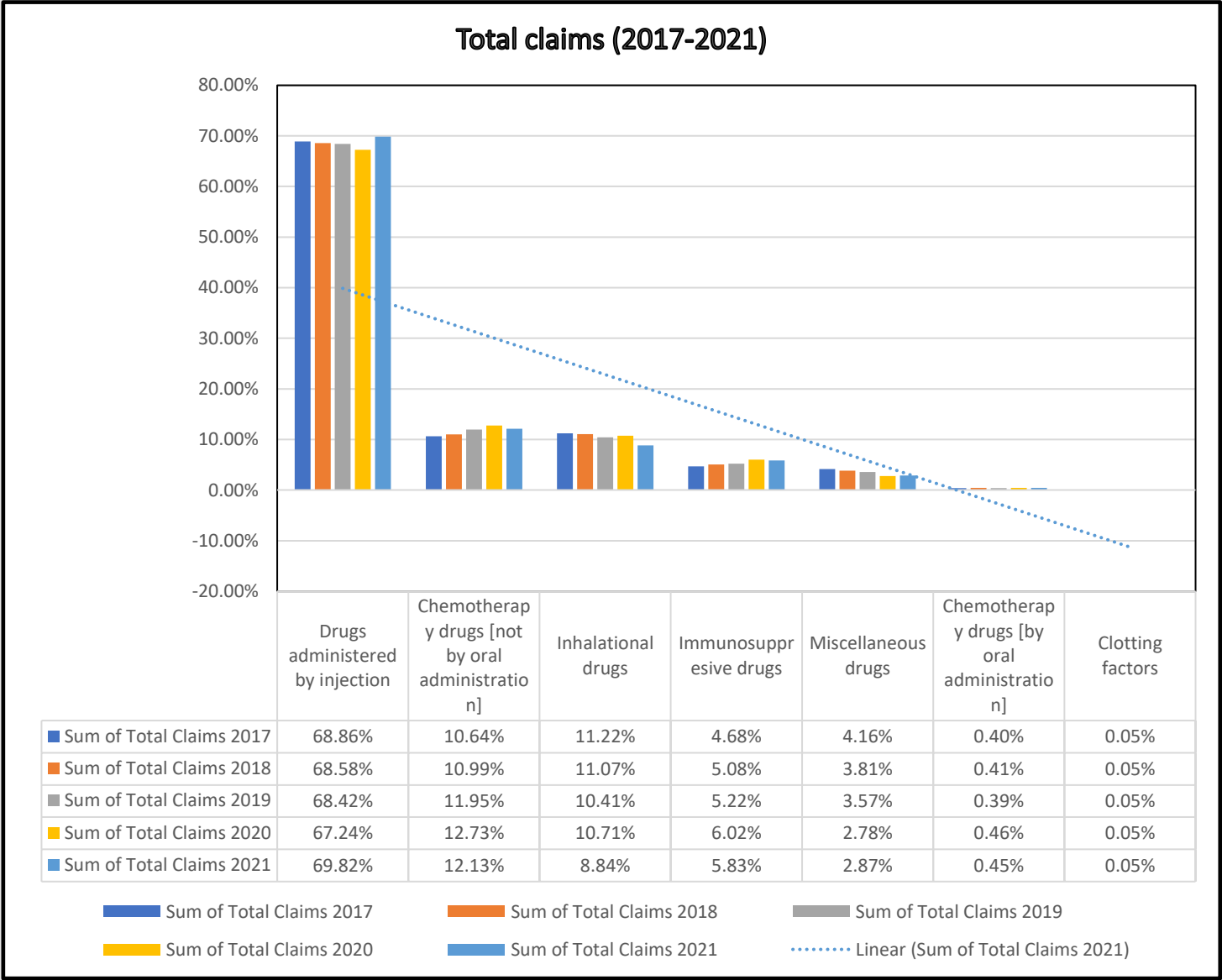
Category	Count of J codes 2017	Count of J codes 2018	Count of J codes 2019	Count of J codes 2020	Count of J codes 2021
Chemotherapy drugs [by oral administration]	10	10	10	10	10
Chemotherapy drugs [not by oral administration]	115	115	115	115	115
Clotting factors	30	30	30	30	30
Drugs administered by injection	319	319	319	319	319
Immunosuppressive drugs	16	16	16	16	16
Inhalational drugs	16	16	16	16	16
Miscellaneous drugs	15	15	15	15	15



Spending trend from 2017-2021 as per the categories



Utilization of claims 2017-2021 as per the categories.



Summary of findings:

- Maximum J codes count falls under the category of Drug administered by injection followed by Chemotherapy drugs [not by oral administration]
- 50% of J codes comes under drug administered by injection.
- From the J code utilisation trend analysis from the year 2017-2021, The highest spending category as well as the highest claim category both belong to Drug administered by injection.
- Overall, the results of the highest claim category and highest expenditure category from the years 2017 to 2021 offer useful benchmarks, comparison points, and insights for evaluating the client's expense against the Average Sales Price (ASP) for the year 2022. It supports cost management techniques, makes accurate forecasting and budgeting possible, and aids in the identification of cost outliers.

Comparison of Client Cost with Average Selling Price

Calculation of Average Selling Price :

ASP for all the 4 quarters of 2022 were extracted from CMS website.

Average ASP = Sum of all the quarters / 4

- J2506 with a sharp difference of \$50.62 over the quarters.
- J2507 with a sharp difference of \$174.89 over the quarters
- J1950 with a sharp difference of \$12899 over the quarters
- These fluctuations highlight the importance of closely monitoring pricing changes to ensure accurate reimbursement and effective cost management.

Calculation of Client cost:

- 1) Calculation of Client Unit Cost: sum of allowed amounts (Actual client spend) /sum of service unit counts associated with that HCPCS code
- 2) Calculation of Client Row Level Unit Cost: taking the average of the Client Unit Cost values across all rows.
- 3) Calculation of Median Client Row Level Unit Cost: computed row level average unit cost, when sorted in ascending order and removing all the outliers resulting in median.
- 4) Percentile Distribution: To understand the spread of the row level average unit cost and identify specific points in the distribution, and gain insights into cost variability across different HCPCS codes.

NDC Analysis:

The strength information associated with each NDC was analyzed to understand variations in strengths for that HCPCS code.

The conversion factor was calculated how many HCPCS units are equivalent to one NDC unit.

CF = NDC strength / HCPCS quantity if having same unit of measurement, if not then dividing it by volume (ml)

Modifier Identification:

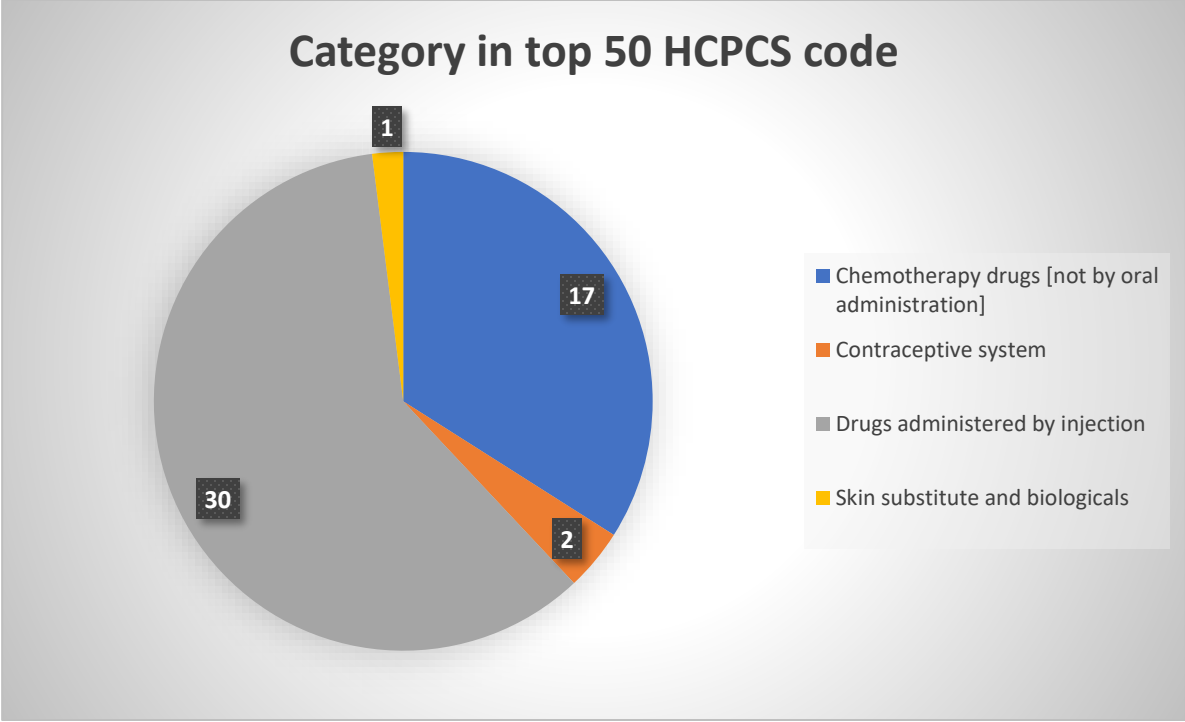
The modifiers listed for the specific J code were identified and extracted.

The descriptions or explanations of the modifiers were analyzed to understand additional services or variations associated with the J code.

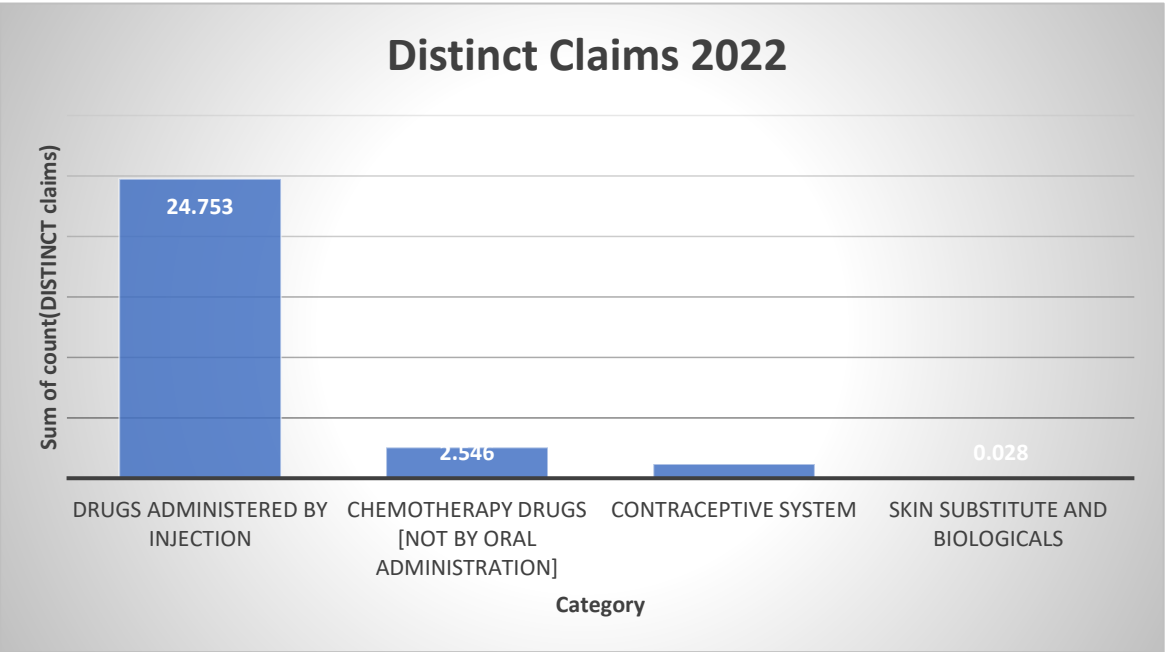
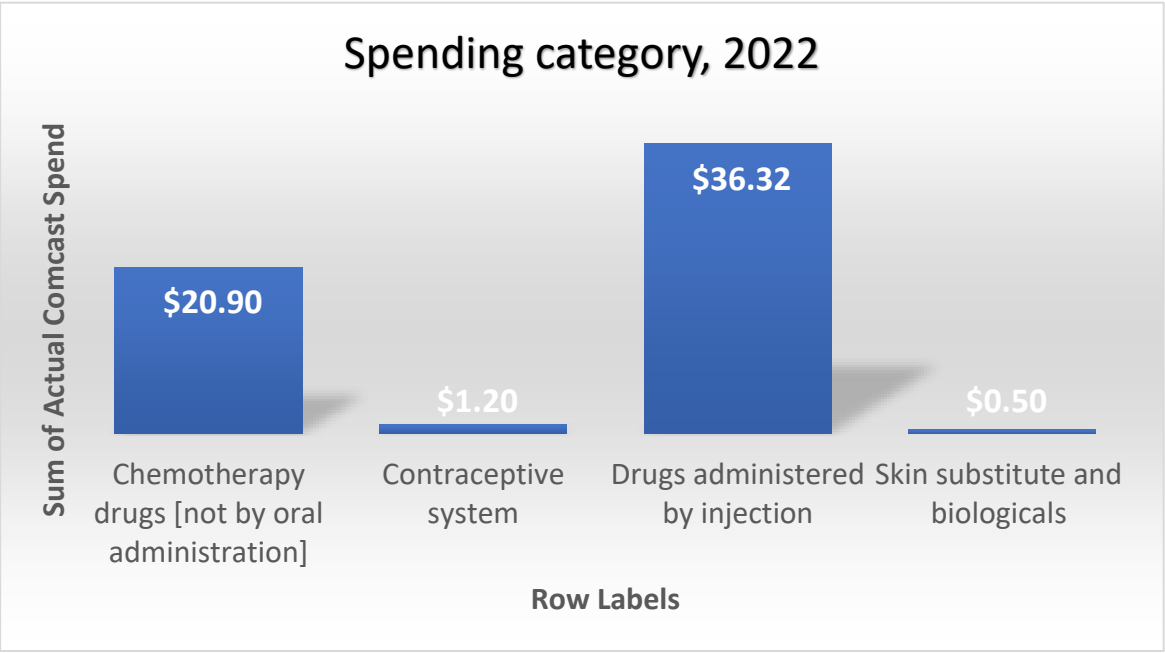
When comparing the Client Cost with the ASP, various calculations are conducted:

- 1) Cost Deviation: Client Cost - Average Selling Price
- 2) Percentage Deviation: $[(\text{Client Cost} - \text{ASP}) / \text{ASP}] * 100$
- 3) Number of Times Client Cost is Greater
- 4) Negative Deviation ($\text{ASP} > \text{Client Cost}$)
- 5) Positive Deviation ($\text{Client Cost} > \text{ASP}$):

Findings and Data analysis:



As analysed in 2017-2021 data, The highest spending and claim category for 2022 is also drug administered by injection followed by chemotherapy drugs (not by oral administration)



Summary of findings

Comparing Client Row level average Median with the Average ASP

- Case 1: Client Row level average Median > ASP 22

	HCPCS code	Client Row level average Median compared with ASP
Highest cost deviation	J0585	\$ 232.74
Lowest cost deviation	J2704	\$ 0.07

- Case 2: Client Row level average Median < ASP 22

	HCPCS code	Client Row level average Median compared with ASP
Highest cost deviation	J1950	\$ 1,640.12
Lowest cost deviation	J0490	\$ 0.70

- In 12 HCPCS code, [ASP 22 > Client Row level average Median]
- Highest percentage deviation is 3593.77% [HCPCS code - J0585]
- Lowest percentage deviation is 0.30% [HCPCS code - J0178]
- Maximum HCPCS codes i.e., 32 are present in which client Row level average Median > ASP 22 by '1 to 1.5 times'.

Deviation groups

Range	Count
-40 to -20	3
-20 to 0	8
0 to 50	20
50 to 100	7
100 to 200	3
200+	2
ASP not found	7

Max. HCPCS codes (20 codes) were found in the '0 to 50' percentage deviation range and max are drug administered by injection.

Cost saving opportunities:

The cost-saving opportunity for each HCPCS code was calculated using the formula: Saving opportunity = Actual Client spend - Projected ASP spend
Projected ASP spend = Service unit count * Average ASP.

Saving opportunity	Description
\$ 14,35,574.92	Cumulative amount in which Client spend < ASP i.e., amount that client is already saving.
\$ 1,05,19,939.17	Cumulative amount in which Client spend > Projected ASP and has been identified as cost saving opportunity area.

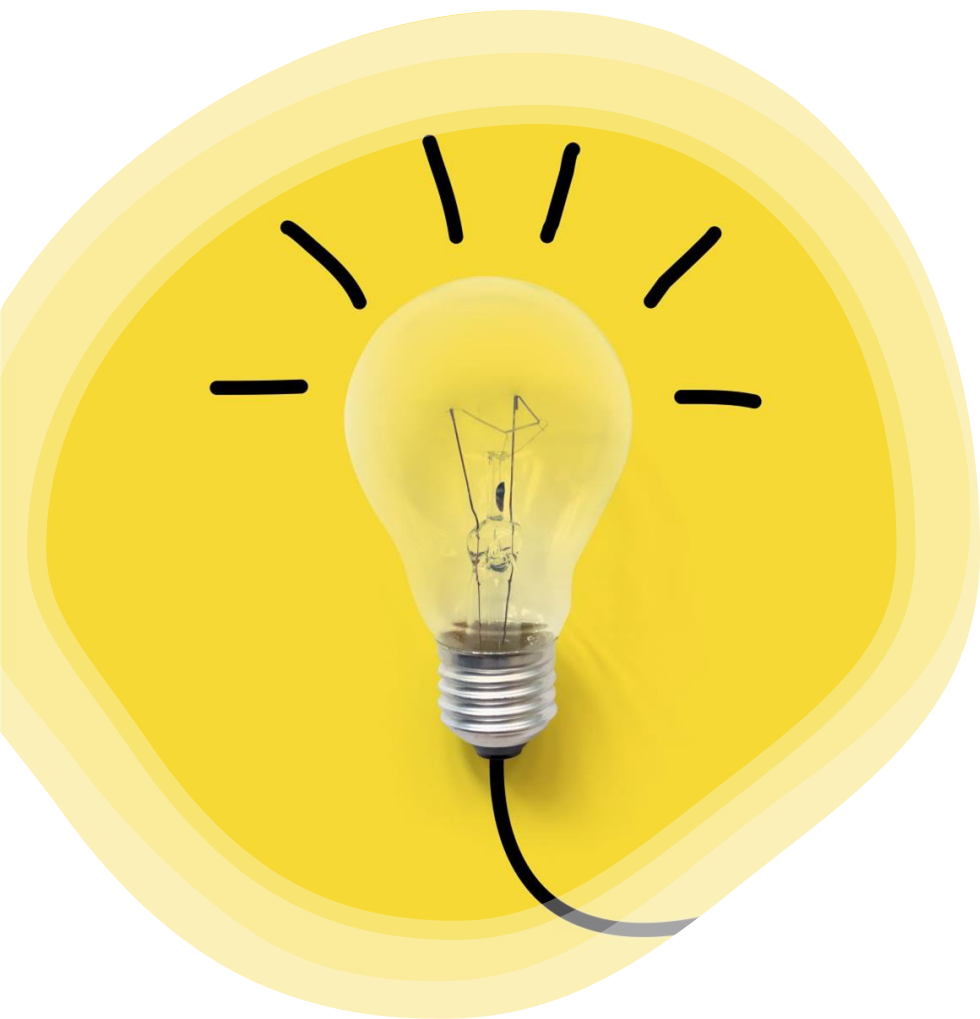
S.no	Category	Saving Opportunity
1	Drugs administered by injection	\$38,45,174.45
2	Chemotherapy drugs [not by oral administration]	\$66,74,764.72

Categories such as drugs administered by injection and chemotherapy drugs not administered orally exhibit notable differences between the actual client spend and the projected ASP spend. These findings highlight areas where policymakers can concentrate their efforts to develop targeted cost-saving interventions and strategies.



Implications for Patients and Healthcare Providers and policy makers:

- Improved Affordability
- Increased Transparency
- Patient-Centered Care
- Improved Provider-Patient Relationship
- Financial Sustainability
- The analysis of cost deviations between the client and the average market price can inform pricing negotiations and contracting practices. Healthcare providers can utilize this information to negotiate favorable pricing agreements with suppliers and pharmaceutical companies, potentially leading to cost savings and improved financial sustainability
- Policymakers should consider strategies to ensure appropriate reimbursement rates that accurately reflect the costs of drugs and support the provision of necessary treatments. Periodic reviews of reimbursement rates, taking into account market dynamics and evolving healthcare landscapes, may be beneficial.
- Healthcare providers should prioritize proper inventory management and billing practices to minimize financial risks associated with high-cost drugs and potential reimbursement delays or denials.



Conclusion

The analysis identified fluctuations in Average Selling Price (ASP) across different quarters for specific J codes, highlighting the importance of continuously monitoring pricing changes for accurate reimbursement and cost management.

In conclusion, the analysis of J code utilization and spending trends in Medicare Part B has provided valuable insights into dominant categories, cost deviations, and potential cost-saving opportunities.

The findings underscore the importance of closely monitoring drug costs, fluctuations in ASP, and identifying areas for optimizing resource allocation. Leveraging these insights can enable the client to enhance cost management, improve reimbursement accuracy, and optimize healthcare expenditure.

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THANK YOU