

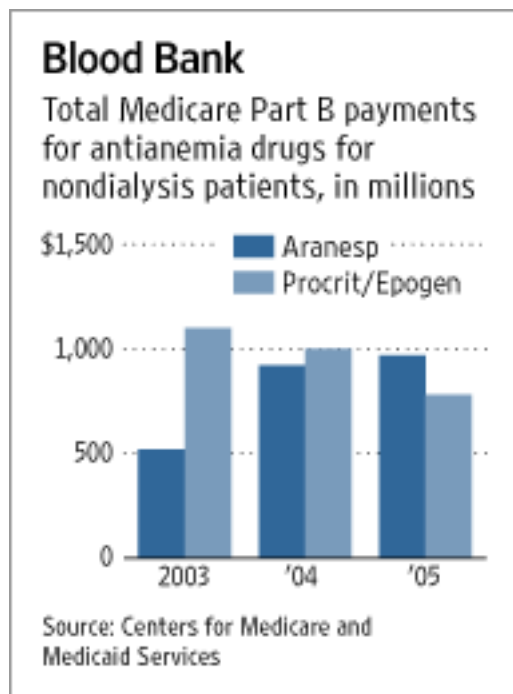
Some Doctors Quit Injecting Drugs Over Costs

By **EVERY JOHNSON** and **HEATHER WON TESORIERO**

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Like many Americans who rely on medications that are injected or infused, Leonida Mattioli, an 81-year-old New York-area anemia patient on Medicare, used to get his injections from his doctor. But this year, he has had to get them at a hospital because his doctor can no longer afford to supply the drugs. Mr. Mattioli says he liked the old way better. At his doctor's office he had "a feeling of being helped," he says. In the hospital, "there's a feeling of waiting. It's not as convenient, and you don't feel as comfortable."

Mr. Mattioli's doctor is one of thousands of small practitioners who are getting out of the business of administering drugs for conditions ranging from anemia and cancer to arthritis and infections, forcing hundreds of thousands of patients to get the drugs elsewhere. It is an unintended consequence of a change in the way Medicare reimburses doctors for a class of drugs that are most often injected or infused.



The change is hurting small medical practices in particular because most of them don't buy enough of any one drug to get the big rebates or discounts that drug companies offer to large customers. Making matters worse, Medicare now reimburses doctors based on a drug's average sales price, and the big rebates to large customers have driven down Medicare reimbursements especially for expensive antianemia drugs.

Edward Ambinder, one of two doctors in a New York oncology practice, says he loses money on antianemia drugs. He pays \$528 for one 40,000-unit dose of Procrit, he says, and Medicare

reimburses him only \$378. Competitor drugs also leave him with a loss. "I think there's got to be some fair way to reimburse physicians so that there's not a penalty in using some of the drugs we need for our patients," says the doctor, who is also a professor of medicine at Mount Sinai School of Medicine and president of the New York State Society of Medical Oncologists and Hematologists.

Some doctors are pushing back by lobbying to change the system of average sales prices. The advocacy group Community Oncology Alliance is a major proponent of the Community Cancer Care Preservation Act, a bill introduced in February that seeks changes, including excluding some discounts when calculating the average sales price.

The heavy price discounting started right before Medicare's new reimbursement policy took effect as [Amgen](#) Inc. and [Johnson & Johnson](#)'s Ortho Biotech unit battled to solidify the market shares of drugs that treat anemia in cancer and kidney-failure patients. Amgen promotes its antianemia drug Aranesp by packaging it -- and attractive rebates -- with the cancer support drug Neulasta. (An Amgen spokesman says the discounts are available for volume users who don't purchase other Amgen products.) Ortho Biotech offers aggressive discounts on volume sales of its competing Procrit.

Over the past two years, the average sales prices for both Aranesp and Procrit have dropped. Medicare reimbursement for a 100-microgram dose of Aranesp was \$309 in January, down from \$354 two years earlier, when the Medicare change was made, according to the Center for Medicare & Medicaid Services, the government agency that administers federally funded health programs. Meanwhile, reimbursement for a 40,000-unit dose of Procrit dropped to \$373 from \$424.

The increased competition between drug companies comes as government scrutiny of drug marketing is growing. Earlier this week, the New York attorney general requested marketing and sales material from Amgen and Ortho Biotech about their antianemia drugs. Ortho Biotech says its subpoena requested documents related to sales, marketing, medical education and clinical trials of Procrit. In a Securities and Exchange Commission filing, Amgen reported that its subpoena also asked for documents related to pricing and contracting. Both companies say they are cooperating with the requests.

They also defend their rebates. "The federal government expressly permits rebates and discounts," an Ortho Biotech spokeswoman says. "The federal reimbursement system and related federal regulations encourage companies to provide discounts and rebates to customers in a competitive environment."

Says an Amgen spokesman: "Amgen firmly supports oncologists' decisions regarding patient needs, and our physician contracts are designed to ensure access to our products." He adds that "Amgen's product discounts and rebates are fully reported to the government and lower

costs to patients, physicians and Medicare."

Doctors who buy their drugs in higher volumes can still afford to treat Medicare patients in their offices. Frederick Schnell, part of the five-doctor Central Georgia Cancer Care group and president of the alliance seeking corrections to the reimbursement rules, buys enough Aranesp (and Neulasta) to get a rebate from Amgen that provides a profit after Medicare reimbursement of about \$47 a dose. Last year, his practice made about \$400,000 from Aranesp rebates, he says, which pay for the practice's 20,000 square feet of office space, 60 employees and large pharmacy. "Community oncologists don't ask for rebates," says Dr. Schnell. "They're simply part of the system."

The pricing also affects what drugs some doctors offer. Seymour Cohen, with the four-doctor group Oncology Consultants in New York, says he hardly ever uses Aranesp because of the way Amgen bundles it with Neulasta. And because he isn't taking advantage of the bundling, he uses Neulasta only when he absolutely has to. "If someone's life is on the line, I've got to lose \$300," he says.

In addition, some hospitals and doctors used to waive the 20% Medicare co-pays for patients who couldn't afford them, but now they're less likely to be able to afford to do so and instead are becoming more aggressive about collecting, squeezing patients financially. For patients who require expensive intravenous treatments, such as certain cancer patients, the co-pays can balloon to thousands of dollars.

Medicare's acting administrator, Leslie V. Norwalk, says that doctors can enroll in a government program called the Competitive Acquisition Program. It allows doctors to order drugs directly from a vendor, which then bills Medicare, and doctors are paid only to administer the drugs. Dr. Schnell says that most of the oncology community views the Medicare assistance program "as impractical and unworkable," in part because it requires a lot of uncompensated administrative work. But Medicare defends the program: "Like any program, we learn as we go forward, and as we go along we'll make enhancements for greater improvements," says Herb Kuhn, Medicare's acting deputy director.

Centocor, a J&J unit that makes an infused anti-inflammatory drug called Remicade, has also run afoul of doctors with a new incentive-based discount program. In 2005, after Medicare changed its reimbursement system, Centocor introduced much deeper discounts for physicians who bought more of the drug, leading a physician group, the American College of Rheumatology, to complain. Centocor says it responded by adjusting the tiered system, but it is still getting complaints from doctors about a more recent price increase.

Some doctors who treat infectious diseases -- especially with IV immunoglobulin to boost a patient's immune system -- are also sending Medicare patients to the hospital for drug infusions. Larry Martinelli, the managing partner in a two-person infectious-disease practice in

Lubbock, Texas, stopped administering IVIg to Medicare patients last year. The cost of the drug went up to \$59.95 a gram, he says, and he could get only \$44.50 a gram as reimbursement. "Do the math: It gets real ugly real quick," he says.

--John Carreyrou contributed to this article.

Write to Avery Johnson at avery.johnson@WSJ.com and Heather Won Tesoriero at heather.tesoriero@wsj.com

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