

**MEDICARE PATIENT IVIG ACCESS AMENDMENT (No. 3047)  
FILED BY SENATORS KERRY, WYDEN, WHITEHOUSE & REED  
INDEPENDENT COST ESTIMATE**

Dobson/DaVanzo & Associates, LLC prepared a cost estimate of S.701, the “Medicare Patient IVIG Access Act of 2009,” introduced by Senator Kerry. Based on the Dobson/DaVanzo September 21, 2009 report examining cost issues related to S. 701, Dobson/DaVanzo estimates the demonstration project will cost Medicare \$9,581,444.

This estimate is based on the following assumptions:

- The demonstration requires the Secretary to use the hourly reimbursement rate based on the Medicare home health low-utilization payment adjustment (LUPA) rate – currently set at \$107.95.
- The average length of infusion for Medicare patients with a primary immune deficiency diagnosis (PIDD) is 3 hours and patients are typically infused once each month.
- Therefore, \$107.95 x 3 hours = \$323.85 x 12 months = \$3886.20
- The proposed demonstration caps the PIDD patient population at 4000 patients.
- \$3886.20 x 4000 patients = \$15,544,800 (gross cost of PIDD home infusion)
- To get the net cost of the demonstration, we account for the difference in cost between physician and hospital outpatient IVIG and the migration of PIDD patients to home infusion due to the coverage of items and services necessary for infusion. We assume half migrate from the physician office and half from the hospital outpatient setting.
- Dobson/DaVanzo’s assumption for this analysis is that the cost of an infusion in a physician office is \$173.90 and in a hospital outpatient department of \$258.53 (page 14 of 9/21/09 report).

$$[\$7,772,400 - (\$173.90 \times 2000 \text{ patients} \times 12 \text{ months} = \$4,173,600)] = \$3,598,800 +$$

$$[\$7,772,400 - (\$258.53 \times 2000 \text{ patients} \times 12 \text{ months} = \$6,204,720)] = \$1,567,680$$

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Net Home Infusion Cost = \$5,166,480

- To take out the beneficiary copayment, we multiply by 0.8 = \$4,133,184
- To take out the beneficiary premium, we multiply by 0.75 = \$3,099,888

Year 1 of PIDD home infusion = \$3,099,888

Inflated by 3%, Year 2 = \$3,192,885

Inflated by 3%, Year 3 = \$3,288,671

**Estimated Cost of Three Year IVIG Home Infusion Demo Project = \$9,581,444**

Dobson/DaVanzo assumes that the infusion supplies net out since they will be necessary in all 3 settings.

**BACKGROUND:** Dobson/DaVanzo used 2007 as the base year and derived Medicare utilization from their analysis of the 2007 5% SAF extrapolated to 100%. They inflated IVIG spending annually using the Office of the Actuary health spending projections for prescription drugs and inflated the cost of infusion services using the CPI-U.

Dobson/DaVanzo calculated the gross cost to Medicare for each of the provisions separately, then reduced the sum of the three gross costs by 20% for beneficiary copayment and 25% for the Part B premium offset to derive the net impact on Medicare spending.