

Clarification of language describing drug overhead cost redistribution analysis presented to support the proposal to redistribute \$150 million in pharmacy overhead cost from packaged drugs and biologicals to separately payable drugs and biologicals in the Medicare Program: Proposed Changes to the Hospital Outpatient Prospective Payment System and CY 2010 Payment Rates; Proposed Changes to the Ambulatory Surgical Center Payment System and CY 2010 Payment Rates; Proposed Rule (CY 2010 OPSS proposed rule) (CMS-1414-P).

The CY 2010 OPSS proposed rule contains an analysis supporting the proposal to redistribute \$150 million in pharmacy overhead cost from packaged drugs and biologicals to separately payable drugs and biologicals. (74 FR 35232, 35329-35331). We note that the analysis in the first full paragraph of column three on page 74 FR 35330 contains incorrect wording. Specifically, in the second and third sentences of the paragraph beginning: “Specifically...”, we said that we calculated a “per unit” overhead cost for drugs and biologicals. We should have stated that we calculated a “per day” overhead cost as a proxy for “per administration” overhead cost for drugs and biologicals. Users of the CY 2010 NPRM OPSS Limited Data Set (LDS) will be unable to simulate the estimated redistribution of pharmacy overhead that is provided in Tables 27 and 28 using HCPCS code units rather than days. The second and third sentences of the first full paragraph in column 3 of page 74 FR 35330 should read as follows (emphasis added):

“We then calculated a **per day** overhead cost by dividing the total relative weight for all drugs and biologicals in this exercise (low, medium, and high) into the residual pharmacy overhead cost from packaged drugs and biologicals of \$345 million. Using the relative weights for each scenario, we estimated the exact **per day** pharmacy overhead cost reallocation for each low, medium, and high pharmacy overhead category.”

(Although the CY 2010 OPSS proposed rule incorrectly stated that we calculated a “per unit” overhead cost for drugs and biologicals, we used “per day” overhead cost as a proxy for “per administration” overhead costs for drugs and biologicals in the analysis. The results presented in Tables 27 and 28 on 74 FR 35330-35331 accurately reflect our use of “per day” cost.)