

Blood Costs and the Market Basket

Key Drivers:

- Blood transfusions save millions of lives annually. About one in seven U.S. hospitalized patients receive a transfusion.
- Blood-dependant medical procedures account for up to 37 percent of hospital revenue.
- In the last decade, about \$1 billion annually has been added to the costs of blood to improve patient safety.
- Blood cost increases now will be captured in the CMS Market Basket for timely adjustment of Medicare reimbursement.
- Hospitals and blood centers should work locally to assure Medicaid and private insurers follow CMS' lead.

The Value of Blood

Blood transfusion saves millions of lives in America each year.¹ An adequate and safe blood supply allows hospitals to perform many modern medical miracles, such as transplants, aggressive cancer therapies, reconstructive surgery and major trauma resuscitation. Blood components for transfusion constituted far less than one percent of U.S. hospitals' \$790 billion in annual expenditures, at a cost of about \$5 billion in 2008.² However, in complex-care hospitals a little over one in five (21 percent) patients may receive a blood transfusion, and related patient admissions can account for up to 37 percent of hospital revenue (see Table 1).³ Without an adequate blood supply,

lives can be lost, organs for transplant are wasted and non-emergency but critical surgeries are canceled. Starting October 1, 2009, blood costs become part of the market basket and therefore, Medicare reimbursement for blood will better reflect actual costs.⁴

TABLE 1: Percent of revenue and percent of patients dependent on blood product availability

Variable	Number of Facilities	% Revenue	% Patients
All hospitals	4423	22	15
Beds <150	2788	16	12
Beds 150-300	1011	30	18
Beds >300	624	37	21

Blood Cost Reimbursement to Hospitals

More than 53 percent of transfusions are given to patients covered by Medicare under the Prospective Payment System.⁵ That number is rising as more "baby boomers" turn 65, and does not include the many

transfusion recipients covered under Medicaid and the State Children's Health Insurance Program (SCHIP). Medicare reimbursement often sets the pace for other insurers, including Medicaid, SCHIP and many private insurers.

In-patient transfusions are reimbursed under the diagnosis-related group (DRG, now Medicare Severity or MS-DRG) system of lump-sum payments per patient per admission. Outpatient transfusions, on the other hand, are covered under the Ambulatory Patient Classification system and blood is largely reimbursed as a line item product-by-product.

The Cost of Blood Safety

It is estimated that in the last decade about \$1 billion in new safety measures have been added to the annual costs of blood (see Figure 1).⁶ This includes gene testing for HIV, Hepatitis C virus and West Nile virus. It also includes the cost to filter blood to remove white blood cell contaminants; converting to mostly male plasma to avoid Transfusion-Related Acute Lung Injury (TRALI); converting to platelets from single rather than multiple donors; bacterial screening of platelets; implementing a new bar coding system for blood components (ISBT 128) to better assure "right patient, right blood"; as well as the cost to find replacements for certain faithful donors deferred temporarily or permanently from giving blood because of travel risks for "mad cow disease" and malaria. In the near future, the Food and Drug Administration is expected to recommend testing donors for the Chagas Disease parasite, Parvovirus B19 and the Babesiosis parasite, and implement a new gene test for the Hepatitis B virus. Massive protective influenza immunization and the subsequent temporary deferral of potential blood donors could also create blood shortages without increased donor recruitment efforts. In the coming years, pathogen inactivation technologies are expected to be more widely applied to blood components.⁷

Adding Blood Costs to the Market Basket

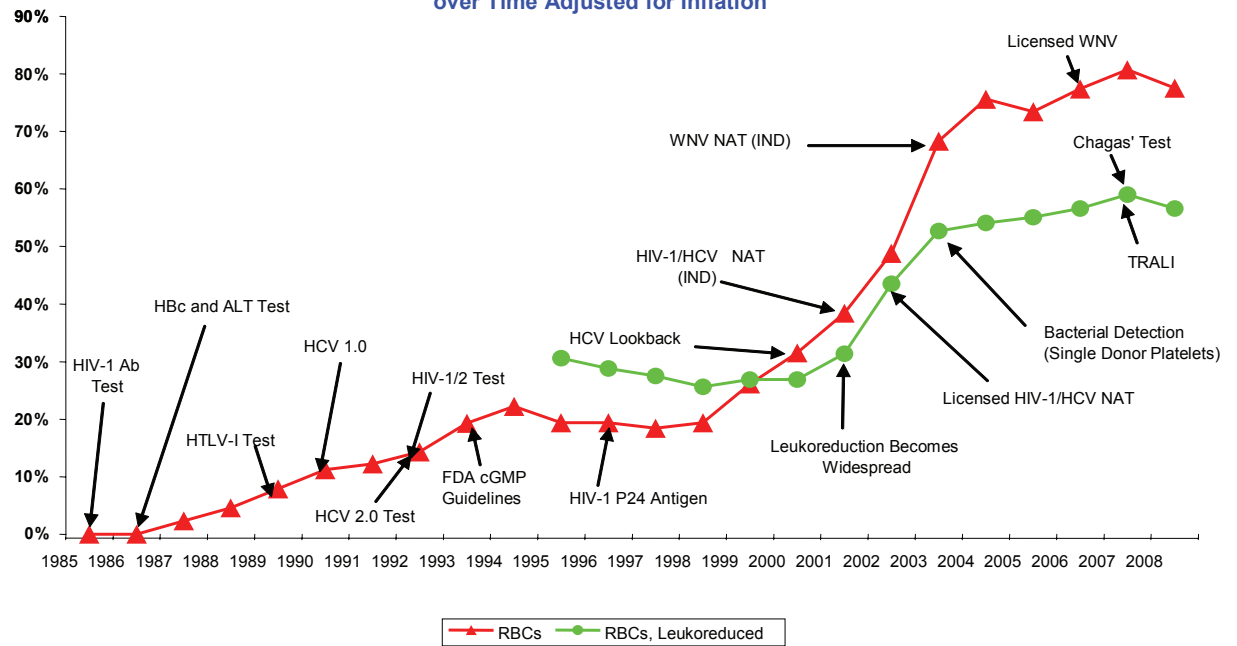
Now Medicare reimbursement for blood will better reflect actual costs to hospitals as a result of monitoring blood costs by the Bureau of Labor Statistics (BLS). In the past, it took up to five years for reimbursement to catch up to cost increases when Medicare was "rebased." For

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Figure 1

**America's Blood Centers
Cumulative Percentage Increase in Red Cell Fees
over Time Adjusted for Inflation**



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the last few years many blood centers and hospitals have voluntarily participated in this BLS monitoring, which concluded that blood cost increases indeed exceed the rate of hospital inflation. Consequently, blood costs have been added to the Market Basket used by the Centers for Medicare and Medicaid Services (CMS) to adjust reimbursement for fast-rising prices paid by hospitals for certain goods and services. Going forward, blood costs in the Market Basket can be monitored quarterly and reimbursement adjusted as needed.⁸

It was through the diligent efforts of your blood center and America's Blood Centers with AABB, AdvaMed and the American Red Cross that blood was added to the Market Basket for adequate and timely evaluation of the cost for patient transfusion support.

The addition of blood to the Market Basket is an important step to assure hospitals are adequately compensated for blood related treatments. The blood community appreciates CMS addressing its concerns on behalf of hospitals. It is important that hospitals now work with their state associations to assure that state Medicaid programs and private insurers take note of what CMS has done and follow suit.

A critical next step remains for hospitals and their blood providers to work together to assure patients only get the blood they need when they need it.

References

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