Medicare’s payment for clotting factor, like other outpatient drugs, is 95 percent of the average wholesale price (AWP), a price established for each drug by its manufacturer. Medicare’s payment is substantially more than the actual acquisition costs of hemophilia treatment centers (HTC) and homecare companies, which provide a majority of Medicare beneficiaries with clotting factor. Most HTCs obtain prices from manufacturers that are 35 to 48 percent below AWP by participating in a federal program that guarantees them low prices. Homecare companies obtain prices that range from 22 to 40 percent below AWP.

Providers incur additional costs associated with delivering clotting factor that are not separately reimbursed by Medicare. GAO estimates that these additional costs in 2000 and 2001 ranged from $0.03 to $0.08 per unit sold by HTCs. (Hemophilia patients use an average of 78,000 units of clotting factor annually.) GAO did not receive enough data from homecare companies to estimate their costs. Delivery costs are generated in inventory management, specialized refrigerated storage, shipping, and the provision of ancillary supplies such as needles, syringes, and tourniquets to patients.