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. 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. 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). 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.

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 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
4. Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and Fiscal Year 2010 Rates; and Changes to the Long-Term Care Hospital Prospective Payment System and Rate Years 2010 and 2009 Rates, Rules and Regulations. Federal Register 74 (27 Aug. 2009): 43803-4.

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