ATI Advisory

COST BENCHMARKING STUDY:

Placental Skin Substitutes Under Medicare Part B

July 2026

Study Summary

ATI Advisory (ATI) conducted a mixed methods study with members of The Medicare Access to Skin Substitutes Coalition ("MASS Coalition"), composed of wound care companies including manufacturers, processors, and distributors. The objective of this study was to identify contributors to the costs of placental skin substitutes under Medicare Part B and develop a benchmark for financial expectations of supply chain participants net of these unique market conditions, primarily resulting from the application of the Average Sales Price (ASP) methodology.

Using economic data collected from industry participants, ATI estimated that manufacturers should expect a minimum of $504 per cm^2 from healthcare providers (HCPs), after factoring out volatility costs under market conditions.

Data and Methods

This analysis involved three main components:

- interviews with manufacturers, distributors, and tissue banks,
- data collection and ingestion from MASS Coalition members, and
- financial analysis.

INTERVIEWS WITH MANUFACTURERS, DISTRIBUTORS, AND TISSUE BANKS

ATI developed a structured discussion guide and conducted qualitative interviews with MASS Coalition members. The aim of these interviews was to gain an understanding of the placental skin substitute industry structure and its manufacturing, marketing, and financial reporting practices.

DATA COLLECTION

Following member interviews, ATI developed the following data inputs for 2024 from members who manufacture or market placental skin products:

1. Revenues
2. Cost of goods sold and production (COGS)
3. Operational expenses (also referred to as Sales and General Administrative expenses, or SG&A)
4. Total square centimeters of placental skin products produced or marketed
5. Healthcare Common Procedure Coding System (HCPCS) Q-codes used by Centers for Medicare and Medicaid (CMS) for reimbursement and ASP for marketed products

ATI also collected member financial data, clinical trial expenses, what percentage of the business was attributable to placental and non-placental products, and what line items they included in the reported figures. ATI conducted separate interviews with distributors to understand their business practices and expenses.

FINANCIAL ANALYSIS

Using member financial data, ATI estimated gross annual income by adding any marketing expenses subtracted before reporting revenues or included in operating expenses. Where otherwise reported in operational expenses, these were netted out. The estimated gross income was then reduced by these expenses and COGS as a proxy for operating income. Remaining operating expenses not reported as marketing expenses were calculated and netted out to obtain an estimate of retained earnings after covering operational expenses but before accounting for capital expenditure and other expenses such as interest and taxes.

ATI obtained additional data from individual members that allowed us to estimate the fixed costs of investments in production facilities, as well as clinical trials, and amortized these over 7 years on a straight-line basis. Separately, ATI used reported estimates from interviews with distributors to benchmark costs and earnings to HCPs for a placental skin product.

Because this analysis is purely descriptive of data collected from members, no statistical inference tests were conducted.

Findings

ATI received financial data from six manufacturers, four of which produce their own products as a tissue bank. In total, these six manufacturers produced or marketed 3.4 million cm^2 of placental skin substitutes in 2024. Average ASP for these products was $1,802 per cm^2.

Annual Manufacturer Income and Costs

Across the six manufacturers, ATI calculated gross revenues of $1,010 per cm^2. Of this amount, $729 per cm^2 went towards net price concessions, Bona Fide Service Fees (BFSF), and commission payments. Other costs include marketing, COGS, and operating expenses, detailed in Table 1, below. After accounting for these costs, averaged across manufacturers, ATI estimates that manufacturers retain $119 per cm^2 in earnings.

Table 1: Summary of Minimum Benchmark Amount Needed By Skin Substitute Manufacturers From Providers

Manufacturer Cost Benchmark	Average per cm^2
Marketing expenses (not including BFSF)	$223
COGS	$53
Operating expenses	$109
Earning retained by manufacturers	$119
Estimated Net Revenue Benchmark from Sales to Providers	**$504**

Discussion

This study identified contributors to costs of placental skin substitutes under Medicare Part B and developed a benchmark for financial expectations of supply chain participants net of unique market conditions. One approach to determining this benchmark is to estimate at what level of net revenues manufacturers would be indifferent to payment under market volatility and a lower but more stable payment rate (see Table 1).

ATI's estimate of $228 per cm2 in net revenue – the sum of operating expenses and earnings retained by manufacturers – after marketing expenses provides a starting point. In addition, at least some manufacturers' spending on BFSF and commissions pay for services that manufacturers would have to bring in-house or contract for, even in a less volatile market. Manufacturers who do not use BFSF agreements know their net prices and use them to report income. This allows their revenues to better reflect net price concessions to compensate for ASP volatility, and their marketing expenses to better reflect the normal course of business.

Adding these to net revenues as a proxy for marketing expenses incurred during the normal course of business, ATI estimates a skin substitute manufacturer can expect an estimated, average net revenue of $504 per cm^2 from HCPs after factoring out volatility costs.

Limitations

The estimates from ATI's analysis should be interpreted as directional benchmarks of income and costs for tissue banks and manufacturers in the placental skin substitute market. The limited number of manufacturers within the coalition means that the results may not be broadly representative of the placental skin substitute industry. Members who contributed data marketed approximately 3.4 million cm^2 of placental skin substitutes in 2024.

ATI observed variation in manufacturer data based on different accounting practices and business models. For example, the attribution of indirect costs to COGS varied by member and tissue bank ownership, as well as differing layers and sizes of placental skin substitutes produced and marketed by members. However, varying the inclusion of specific manufacturer's data did not substantially alter the direction or magnitude of income and cost estimates relative to each other.

Finally, volatility contributes to other costs and inefficiencies that remain reflected in ATI's estimates of operational costs and marketing expenses in the normal course of business. More stable demand due to consistent coverage policy, as well as reductions in bad debt and write-offs, would tend to reduce the net income manufacturers require to remain in the market.

About This Work

ATI engaged with the MASS Coalition to develop and provide evidence for payment alternatives for skin substitute products. The objective of this study was to develop a benchmark for financial expectations of supply chain participants net of volatility costs.

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About MASS Coalition

MASS Coalition is an industry group composed of organizations engaged in development, manufacturing, and distribution of placental and other skin substitute products. The Coalition is composed of wound care companies, such as manufacturers, processors, and distributors, which are committed to ensuring access to critical wound care products for Medicare beneficiaries and other patients suffering from diabetic foot ulcers, venous leg ulcers, pressure ulcers, and other chronic wounds.

About ATI Advisory

ATI Advisory is a healthcare research and advisory services firm dedicated to system reform that improves health outcomes and makes care better for everyone. ATI guides public and private leaders in solving the most complex problems in healthcare through objective research, deep expertise, and bringing ideas to action. For more information, visit atiadvisory.com.