BERKELEY CENTER
FOR HEALTH TECHNOLOGY

Payment Reform for Oncology within the ACO Framework

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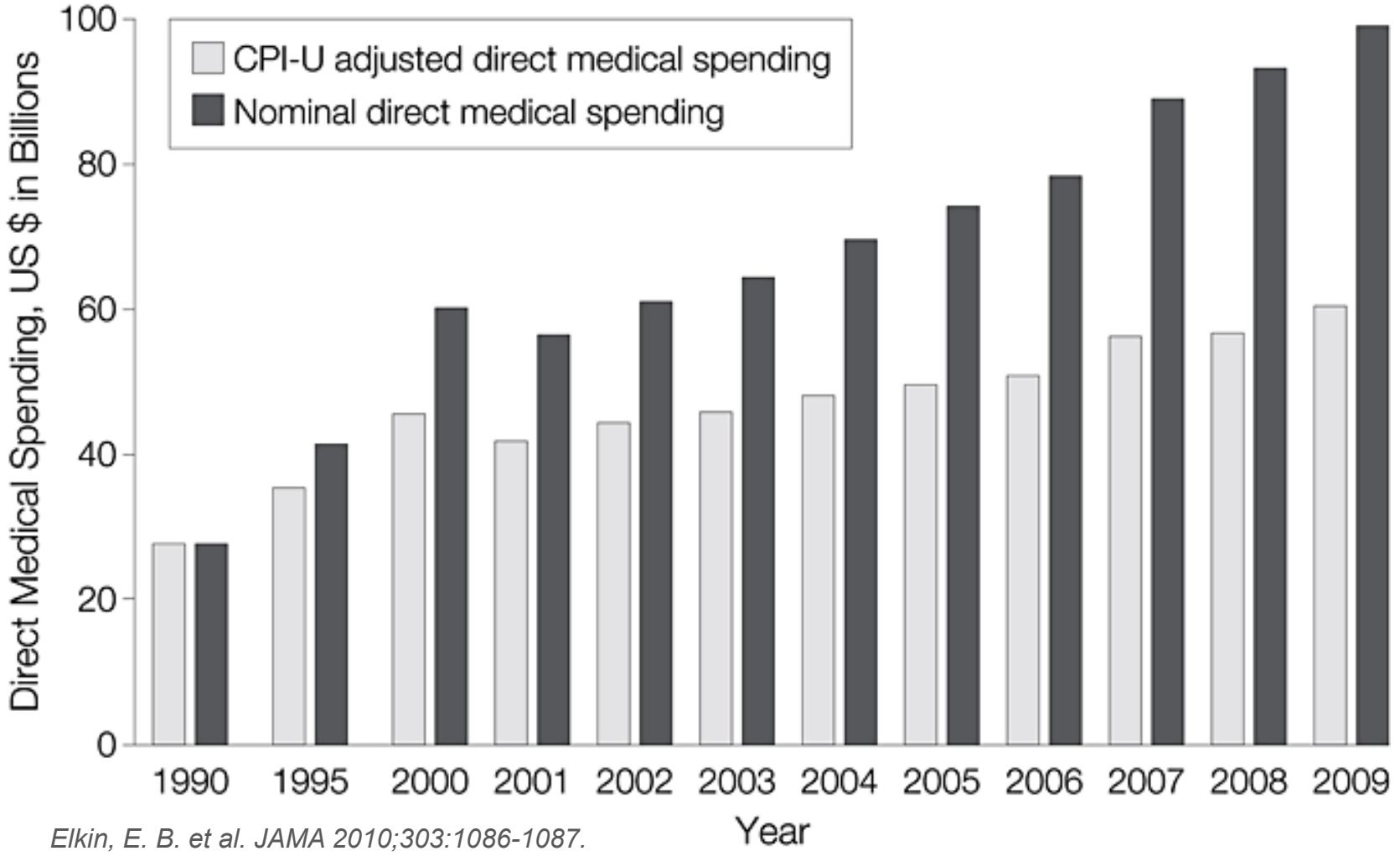
Overview

- Improving performance in oncology
- 4 payment reform options
- Medical oncology home pilot

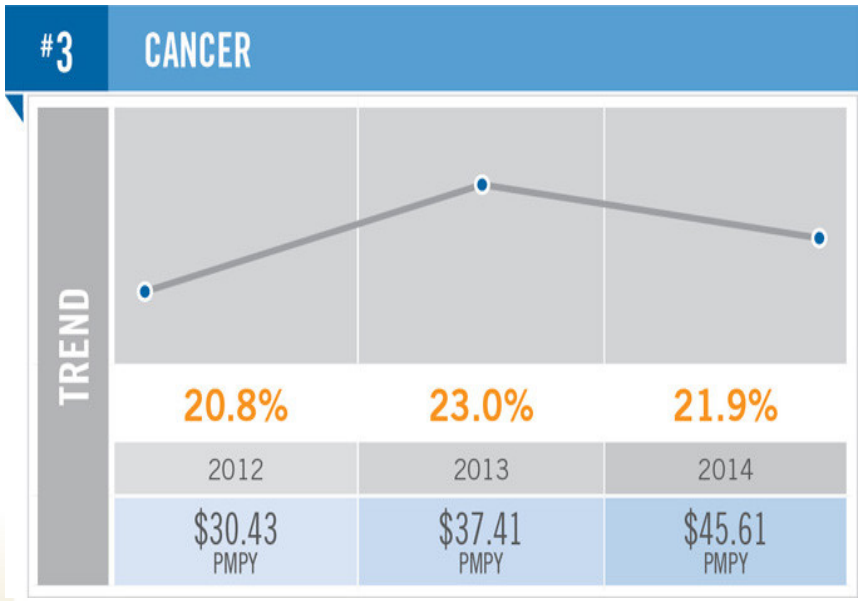
The Rising Cost of Cancer Care



Elkin, E. B. et al. JAMA 2010;303:1086-1087.

The Economic Importance of Cancer Care

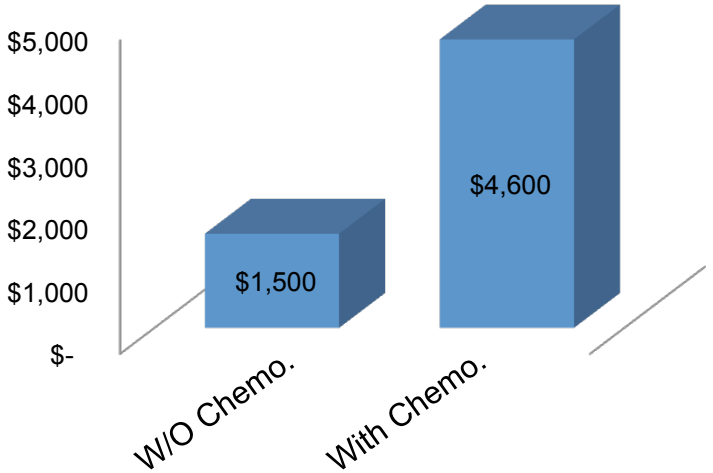
- Spend on cancer drugs is expected to grow greater than 20% in each of the next three years



Source: Drug Trend Report 2012, Express Scripts

- A Medicare patient who receives chemotherapy costs 3x as much as a cancer patient who does not receive chemotherapy

Cost per month of a Medicare beneficiary



Source: Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy, 2011, Milliman

Improving Performance in Oncology

- Appropriate patterns of care
  - Reducing unjustified variance in practice patterns, use of drugs
    - Avoiding under-treatment, avoiding over-treatment
  - Adoption and adherence to evidence-based clinical pathways
- Appropriate organizational structure
  - Medical home is especially important for cancer patients
  - How to coordinate with radiation, imaging, surgery, infusion clinics
- Appropriate payment incentives
  - Payment for physician services
  - Payment for drugs

Contemporary Payment Pathologies

- Office visit fees are declining
- Drug mark-ups are being squeezed
- No payment for care planning and management
- No payment for non-physician caregivers
- No reward for adherence to evidence-based care
- No reward for reduced ED visits and lower costs

4 Payment Reform Options in Oncology

- Change payment methods for drugs
- Shared savings or capitation on total-cost-of-care
- Bundled episode of care payment
- Medical home payment models

(1) Change Payment for Expensive Oncology Drugs

- Medicare and commercial insurers cut mark-up potential for cancer drugs (from AWP to ASP)
- This reduced overall drug costs but:
- No incentive for care management, enhanced use of non-physician caregivers, patient education
- No incentive for low-cost generic chemotherapy
- No incentive for pathway adherence
- No incentive for reorganization of practice
- Incentive to close practice or sell to consolidator?

(2) Payment Based on Total Cost of Care (TCC)

- TCC payment places great stresses on oncology
  - How to divide payment with primary care, hospital?
  - At risk for introduction of new expensive drugs
  - Need to coordinate complex insurance
    - Medicare: Part B and Part D
    - Commercial: Medical benefit and pharmacy benefit
  - Risk adjustment is essential but difficult
    - Incidence, severity, likelihood of patient selection and switching
- Incentive for under-treatment for vulnerable?

(3) Bundled Episode-of-Care (EOC) Payment

- EOC gives PMPM payment to oncology practice for each patient, adjusted for type/stage of illness
  - Removes incidence risk compared to TCC payment
  - Leaves practice responsible (at risk) for cost of episode
- Are expensive drugs carved in or out of episode?
  - Carve-outs protect practices from risk: United Healthcare
  - Carve-ins give incentive to manage drugs: Hill Physicians IPA

(4) Medical Oncology Home Payment

- Pay doctors for practicing medicine, not for re-selling drugs
- Pay them for care management, not office visits
- Reward them for reducing adverse side effects that lead to unplanned ED and IP visits
- Pay them enough to choose between community or hospital-based practice based on quality and lifestyle, not survival

Anthem Blue Cross Pilot with Wilshire Oncology

- Payments for office visits
- Payments for new codes (care management)
- Payment methods for drugs
- Measure savings from reduced ED, IP use