The US Oncology Network

Site Neutral Medicare Payment Reform: Reducing Medicare Spending & Patient Costs

Community-Based Cancer Care is Cost-Effective and Patient Preferred

The cost of treating cancer patients is significantly lower to both patients and the Medicare program when high quality care is delivered in community cancer clinics as opposed to the outpatient hospital setting. A recent study by Milliman evaluating trends in the costs of cancer care over the past decade confirmed that patients who had their chemotherapy delivered in the hospital outpatient setting incurred significantly higher costs than patients whose chemotherapy was delivered in a physician office. [1]

The cost of providing the ***same*** cancer care in a hospital outpatient department (HOPD) is significantly higher than the ***same*** care delivered at a community cancer clinic:

- ***$13,167 per patient per year*** higher chemotherapy costs in 2004
- ***$16,208 per patient per year*** higher chemotherapy costs in 2014

Patients also prefer community-based cancer care. In addition to offering patients a convenient, comprehensive, state-of-the-art cancer care setting close to home, it costs less. Patient co-payments are approximately 10% higher in the HOPD, equaling more than $650 in additional costs for each Medicare beneficiary fighting cancer per year. Additionally, the average out-of-pocket patient cost for commonly used cancer drugs is $134 more per dose if received in the outpatient hospital setting.[2]

These costs add up. Data show between 2009 and 2012, Medicare beneficiaries paid **$4.05 million more in out-of-pocket costs** because of the higher patient co-payment due to the HOPD for the exact same chemotherapy services performed at community cancer practices.[3]

> "Payment variations across settings urgently need to be addressed because many ambulatory services have been migrating from physicians' offices to the usually higher paid OPD setting, as hospital employment of physicians has increased. This shift toward OPDs has resulted in higher program spending and beneficiary cost sharing without significant changes in patient care."
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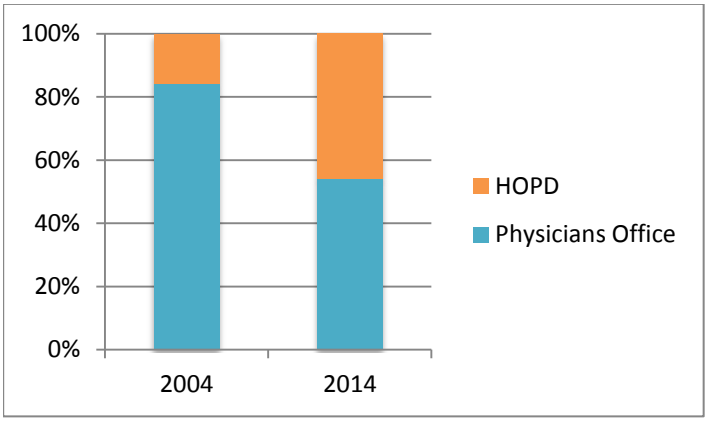
> ***Medicare Payment Advisory Commission, June 2013***

Current Medicare Payment Policies Discourage Community Cancer Care

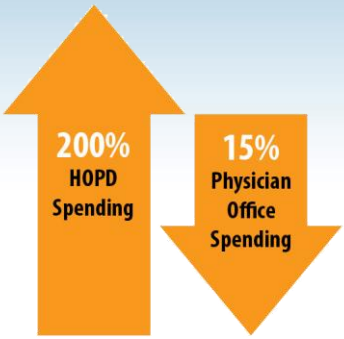
Today's Medicare payment structure puts community cancer clinics at a direct disadvantage in the delivery of the same cancer care provided in the HOPD, resulting in a significant shift of outpatient cancer care from the community clinic to the HOPD. Between 2004 and 2014, the proportion of chemotherapy delivery in the office-based setting declined from 84% to 54% nationally.[4]

Percent of Infused Chemotherapy Drug Spending by Site of Service



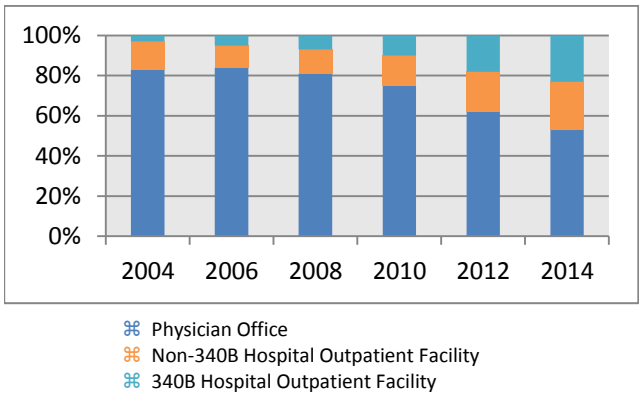
Data Show Shift to HOPD is Significantly Increasing Medicare Costs

A new IMS Institute report finds that more Americans are receiving cancer care from oncologists, whose practices have been bought by hospitals, thereby increasing costs. Reimbursement levels for drug administration costs in HOPD are, on average, 189% higher than physician office reimbursement costs.[5]



According to the Moran Company, HOPD chemotherapy administration spending per Medicare patients was 47% higher in the HOPD than in the physician-office setting between 2009 and 2011.[6] During that same time period, Medicare payments for chemotherapy administration services delivered in the HOPD setting increased significantly while payments for services delivered by community cancer clinics decreased.

Medicare – Percent of Chemotherapy Infusions by Site of Service



340B Program is Accelerating this Alarming Shift to Hospital-Based Cancer Care

One-third of US hospitals purchase chemotherapy drugs through a federal drug discount program known as the 340B program, which discounts drugs up to 50%. Community cancer clinics are not eligible for these same discounts. Researchers at the Berkeley Research Group examined the expanded delivery of oncology services by 340B hospitals through the acquisition of community cancer practices, which they concluded leads to higher costs to the Medicare program.[7]

"Without your action, cancer clinics will continue to close and care will continue to shift to the more expensive, less accessible hospital outpatient setting. Americans fighting cancer will experience diminished access to care, and patients, payers and taxpayers will pay more."

Barry Brooks, M.D., The US Oncology Network, to the House Energy & Commerce Subcommittee on Health

The Alliance for Site Neutral Payment Reform

The US Oncology Network is a founding member of the Alliance for Site Neutral Payment Reform, a coalition of patient advocates, providers, payers and employers who support payment parity across different settings of care in order to decrease Medicare and commercial spending, ensure patients receive the right care in the right setting, lower taxpayer and beneficiary costs and increase patient access. The Alliance believes patients – and the healthcare system – would be better served by policies that are fiscally wise and preserve and enhance care options.

Visit www.siteneutral.org for more information on the benefits of site neutral payment policies.

1 Milliman, "Cost Drivers of Cancer Care: A Retrospective Analysis of Medicare and Commercially Insured Population Claim Data 2004-2014," April 2016.
2 IMS Institute, "Innovation in Cancer Care and Implications for Health Systems: Global Oncology Trend Report," May 2014.
3 Berkeley Research Group, "Impact on Medicare Payments of Shift in Site of Care for Chemotherapy Administration," June 2014.
4 The Moran Company, "Results of Analyses for Chemotherapy Administration Utilization and Chemotherapy Drug Utilization, 2005-2011 for Medicare Fee-for-Service Beneficiaries," May 2013.
5 IMS Institute for Healthcare Informatics, "Innovation in Cancer Care and Implications for Health Systems: Global Oncology Trend Report," May 2014.
6 The Moran Company, "Cost Difference in Cancer Care Across Settings," August 2013.
7 Berkeley Research Group, "Trends in 340B Covered Entity Acquisitions of Physician-based Oncology Practices," April 2014.