Shift in the Site of Care

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Practice Challenges

- Increasing costs
- Declining Reimbursement
- Increased Administrative Burden
- Increased Uncertainty
Practice Challenges

• Higher Business costs
• Higher Drug Costs
Declining Reimbursement

1st Hr Chemo and Rx GP

- 1st Hr Chemo
- GP
Government Cuts

2013

Sequestration

28% reduced drug margin plus 2% off services

2014 CMS Cuts:

Chemo admin -2%
Radiology -2%
Practice Challenges

Increased Administrative Burden

- Specialty Phram, Precertification of Procedures, Case Managers
- REMS, Lines of therapy, CMS Quality programs
- Uninsured

Increased Uncertainty

- ACA
- Future of Gov reimbursement
- General economic uncertainty
Cancer Clinic Realignment

Community Oncology Practice Impact Report

- Red: Clinics Closed
- Yellow: Struggling Financially
- Green: Sending Patients Elsewhere
- Blue: Hospital Agreement/Purchase
- Purple: Merged/Acquired by Another Entity
Factors Influencing Site-of-Care Shift

Result:
Doctors are
- Affiliating with hospitals
- Going out of business
- Merging Practices

Physician Benefits
- Stabilized MD comp
- Less worry about payer reimbursement
- Less administrative burdens
- Greater focus on patient care

Hospital Benefits
- New Service lines
- Elimination of competitors
- Increased leverage with payers
- Alignment of key specialists for ACO/CIN
- 340 B pricing
Cancer Care Consolidation

Sources:
Community Oncology Practice Impact Report, Community Oncology Alliance, July 2013
Changing Reimbursement’s Impact on Community Practices

- **131** Practices merged or acquired (1% ↓)
- **288** Clinics closed (20% ↑)
- **407** Practices struggling financially (8% ↓)
- **469** Practices with a hospital agreement or purchased (20% ↑)

- National impact of reimbursement on community oncology practices during 6 year period
- Showcases percent change over 15 months
- Total number of practices included in report = 1,338

Community Oncology Cancer Care Practice Impact Reports. The changing landscape of cancer care. 2013
Site of Care Cost Differences
Medicare

2011 Milliman Study
- 2006-2009 data
- HOP vs POV
  - $6500/yr/beneficiary
  - Pt pays $650/yr
  - 14% cost differential

2013 Moran Study
- 2009-2011 data
- HOP vs POV
  - 33% high for HOP
  - Higher drug spend for HOV
  - 10% more cycles of chemo

*Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy Milliman 2011*

*Cost Differences in Cancer Care Across Settings Moran 2103*
Site of Care Cost Differences
Commercial

2012 Avalere Study

- 2008-2010 data
- HOP vs POV
  - All cancers
  - 20% - 80% higher costs in HOP on a risk adj basis
  - Radiation services are 4-15% higher in HOP

Total Cost of Cancer Care by Site of Service: Physician Office vs Outpatient Hospital Avalere 2012
Comparing Episode of Cancer Care in Different Settings: An Actuarial Analysis of Patients Receiving Chemotherapy Milliman 2013

Average increase cost to patient of $134 per session of therapy in HOP vs POV

Innovation in cancer care and implications for health systems: Global oncology trend report IMS 2014
Stakeholder Perspectives

Payers

- Recognize that cancer treatment is one of managed care’s fastest growing cost drivers
- Want standardized treatments in the lowest cost setting
- Concerned about the high costs of hospital based oncology services
- Concerned about lack of cancer care cost leverage because payer needs basket of services from hospital
Stakeholder Perspectives

Patients

• Concerned about higher out of pocket costs
• Concerned with cost of treatment
• Want high quality care/compassionate care
• They want care close to home
Which is worth saving?

Accrued costs are 25% - 50% Higher

Hospital outpatient setting (HOP) costs

Physician office (POV) costs