Novel Financing Mechanism in Oncology

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Payment Mechanisms

Usual and Customary

Managed Care
- Price – Volume negotiations
- Based on relative market (pricing) power
- Supervision and Financial Incentives are at the Plan level

Alternative Payment models
- Aligning financial incentives with providers
- Supervision and Financial Incentives are at the Provider level
Risk Adjustment – How much is right?

- Oncology Capitation
- Fee for Service

Increasing Risk Adjustment
Potential Alternative Payment Models

- FFS with additional incentives based on quality metrics or guideline adherence (ASCO, WellPoint AIM program)
- FFS with target prices and the opportunity for Performance-based payments (CMS Oncology Care Model) - **One or Two-sided risk**
- FFS with some elements of care paid with a risk-adjusted capitated payment (Professional Capitation) - **One or Two-sided risk**
- Capitation by diagnosis (all breast cancer patients, all oncology patients)
- Population-based payments (PMPM payment for all oncology care for a defined population)
Concerns

- In **Fee for Service**, we worry about *unnecessary* care being provided.

- In **Alternative Payment models**, we worry about *necessary* care *not* being provided.
Drugs

Should they be included or excluded in bundled payment models?

**Exclude Drugs**

- Many drugs are sole source (patented) with constantly rising costs and limited ability for the provider to affect price.
- Some stakeholders believe that current methodologies do not accurately reflect these changing prices (Oncology Care Model Novel Therapy Adjustment).

**Include Drugs**

- There are alternative treatment regimens that have similar effectiveness and widely varying costs.
- Generics and biosimilars are underutilized and provide opportunities to provide more high value care if properly incentivized in the payment system.
- Physician awareness of drug prices can help address patient “financial toxicity.”
- Physician awareness of drug prices will help align market forces to moderate drug price increases.
- Current methodologies are accurate, but changes can be negotiated.
Opportunities to Provide High-Value Care in Oncology

- Emergency department utilization
- Hospital admissions
- Drugs (both treatment and supportive care)
- Better end of life care (25% of oncology patients die in an ICU)
Challenges to the implementation of oncology alternative payment models

- Rapidly changing oncology treatment regimens and costs make it difficult to establish historical benchmark prices

- Provider acceptance of the philosophy of bundled payments - you don’t make money on every patient

- Temporarily decreased revenue for healthcare organizations transitioning from FFS to alternative payment models
  
  *(It’s very hard to have your feet in two canoes)*

- Pharma efforts to discourage generic and biosimilar use - co-pay assistance when generics are available, debit cards, market basket of goods