



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 under utilized 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