



# Shift in the Site of Care

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# Practice Challenges



**Increasing costs**



**Declining Reimbursement**



**Increased Administrative Burden**



**Increased Uncertainty**

# Practice Challenges



**Increasing costs**

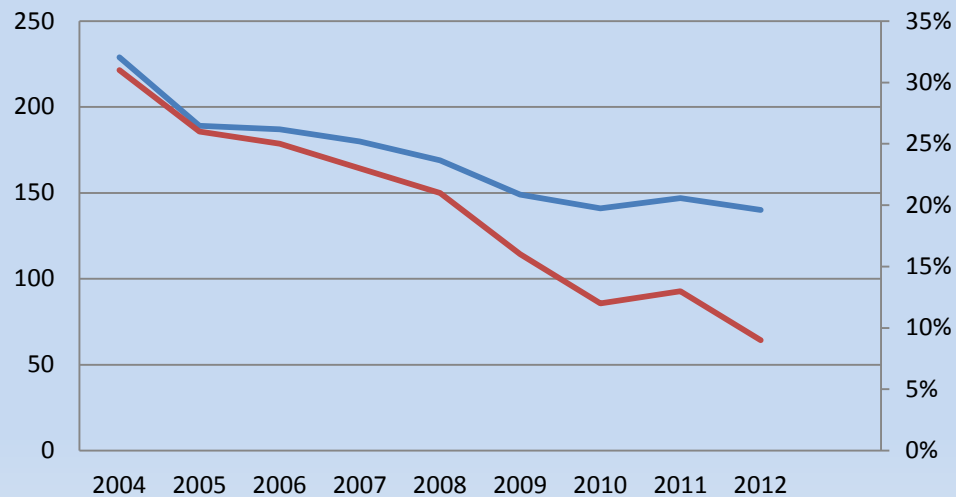
- Higher Business costs
- Higher Drug Costs



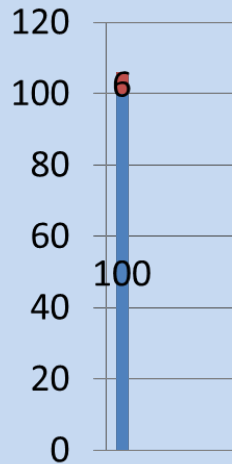
## Declining Reimbursement

### 1st Hr Chemo and Rx GP

— 1st Hr Chemo — GP



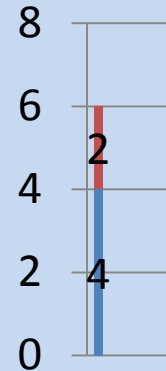
# Government Cuts



ASP +6%

Sequestration

2013



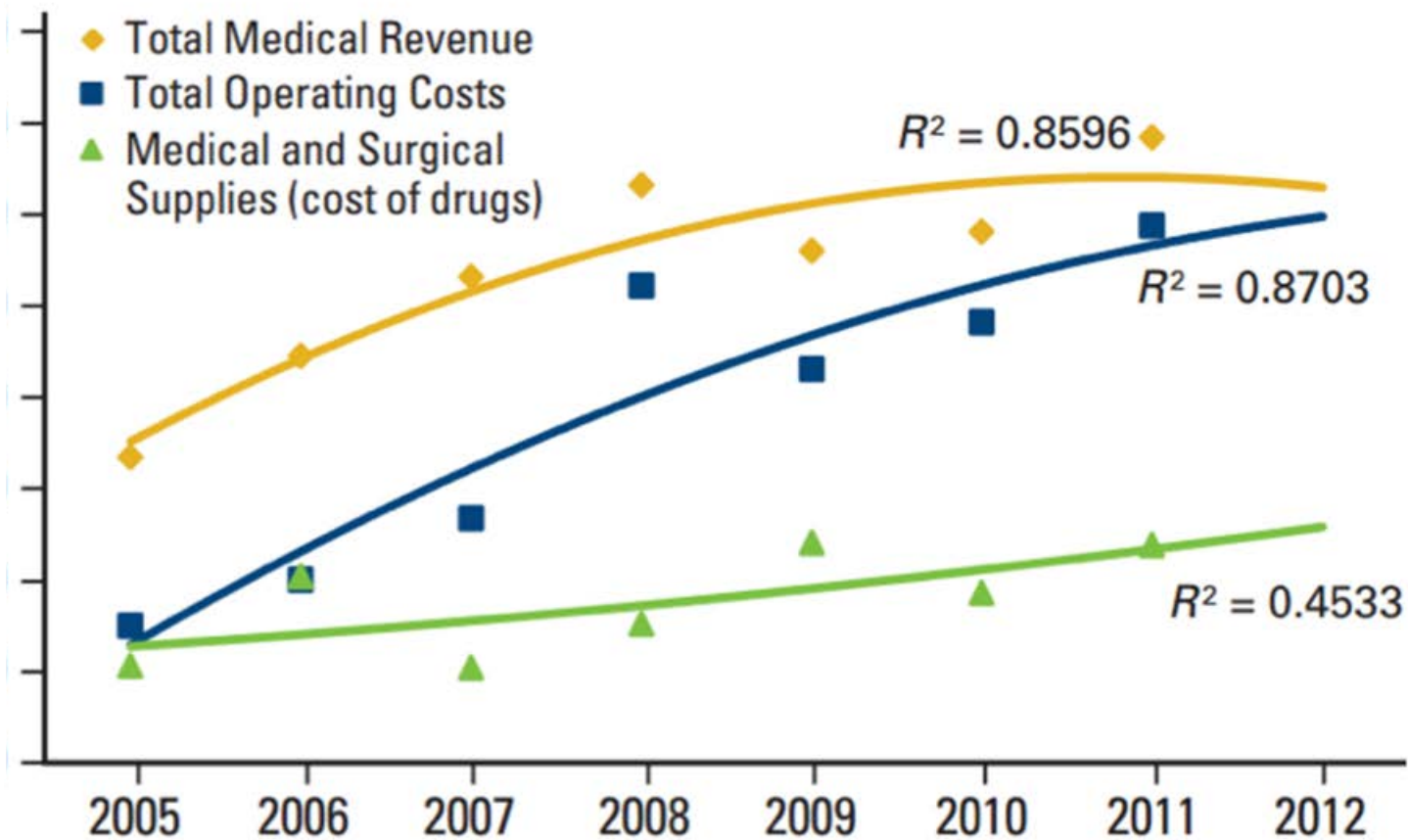
28% reduced drug margin plus 2% off services

2014 CMS Cuts:

Chemo admin -2%

Radiology -2%

Amount (\$)



# Practice Challenges



## Increased Administrative Burden

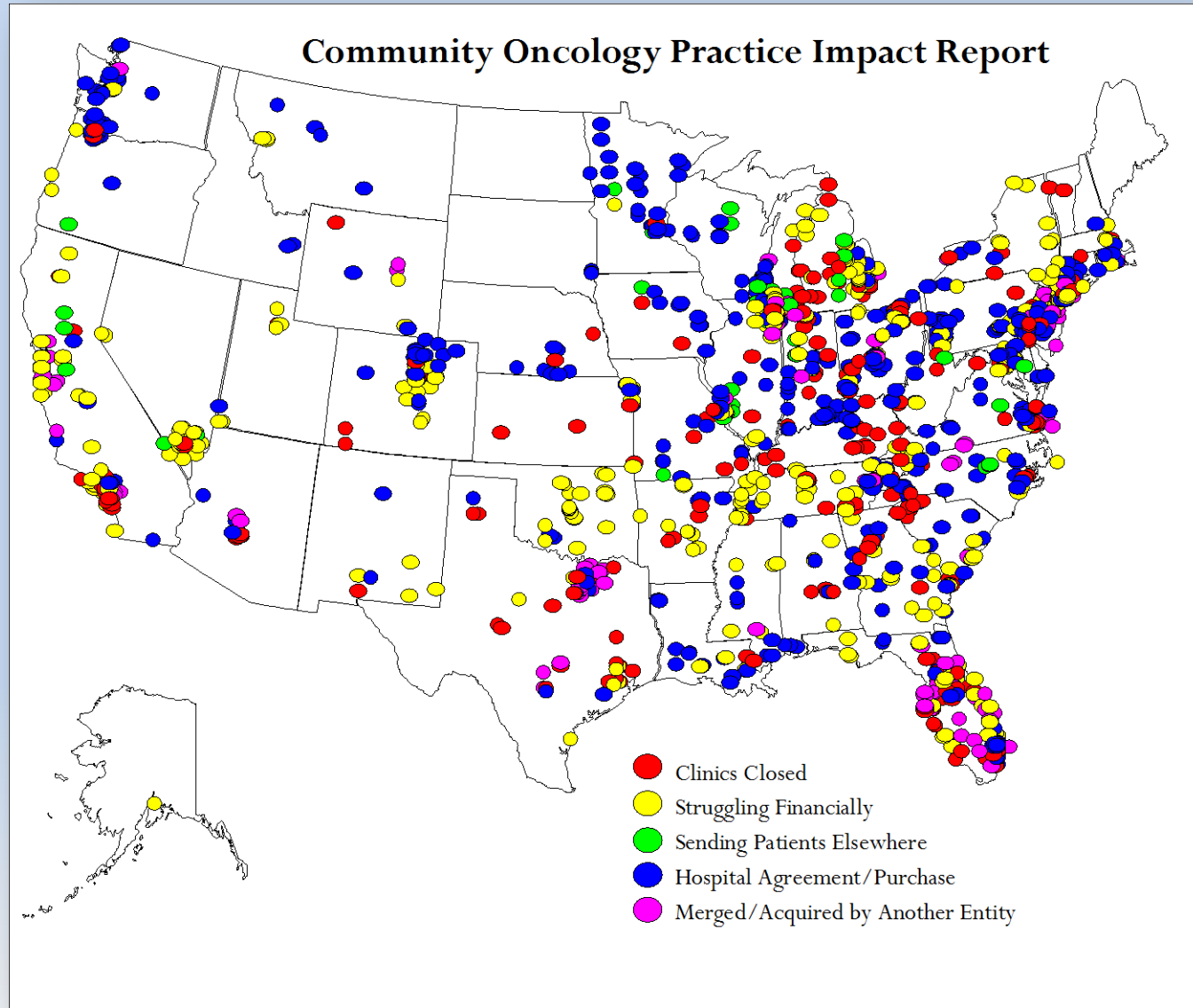
- Specialty Pharm, Precertification of Procedures, Case Managers
- REMS, Lines of therapy, CMS Quality programs
- Uninsured



## Increased Uncertainty

- ACA
- Future of Gov reimbursement
- General economic uncertainty

# Cancer Clinic Realignment





# Factors Influencing Site-of-Care Shift

## Result:

Doctors are

- **Affiliating with hospitals**
- Going out of business
- Merging Practices

## Physician Benefits

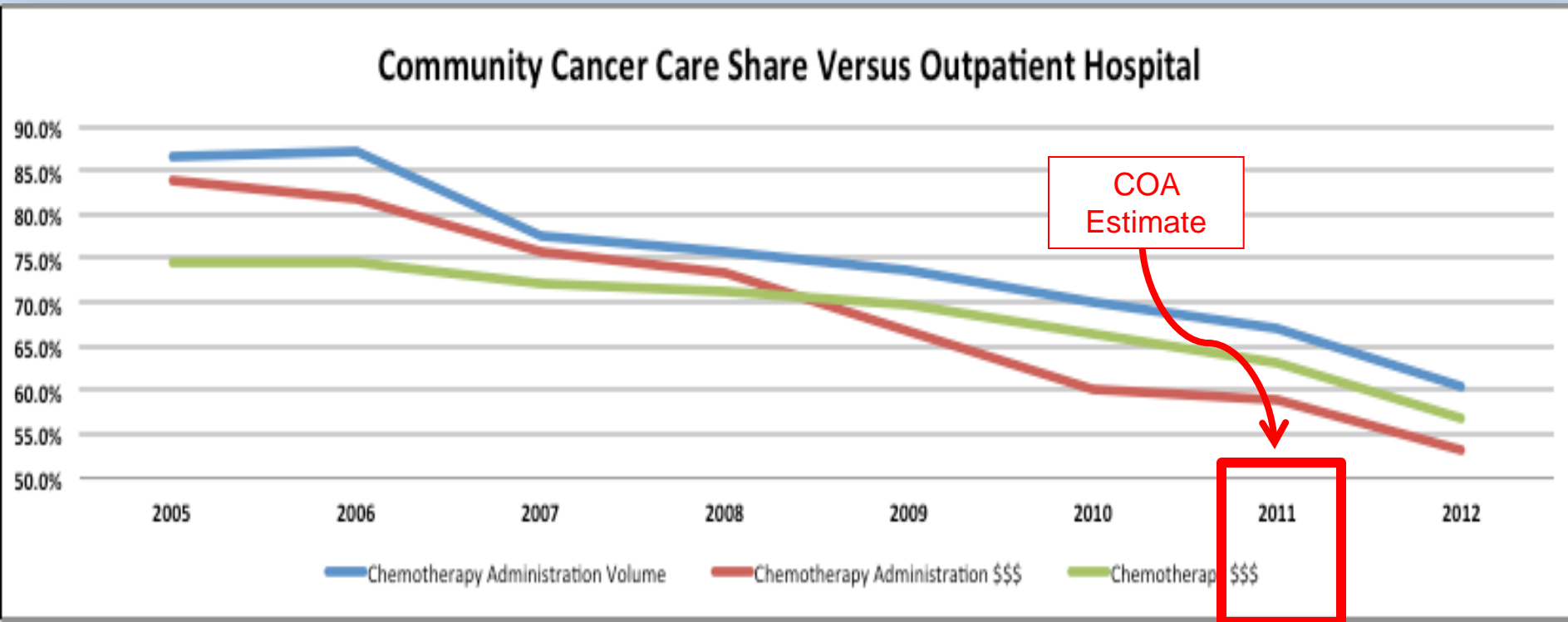
- Stabilized MD comp
- Less worry about payer reimbursement
- Less administrative burdens
- Greater focus on patient care

## Hospital Benefits

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

Hospitals gaining market share

# Cancer Care Consolidation

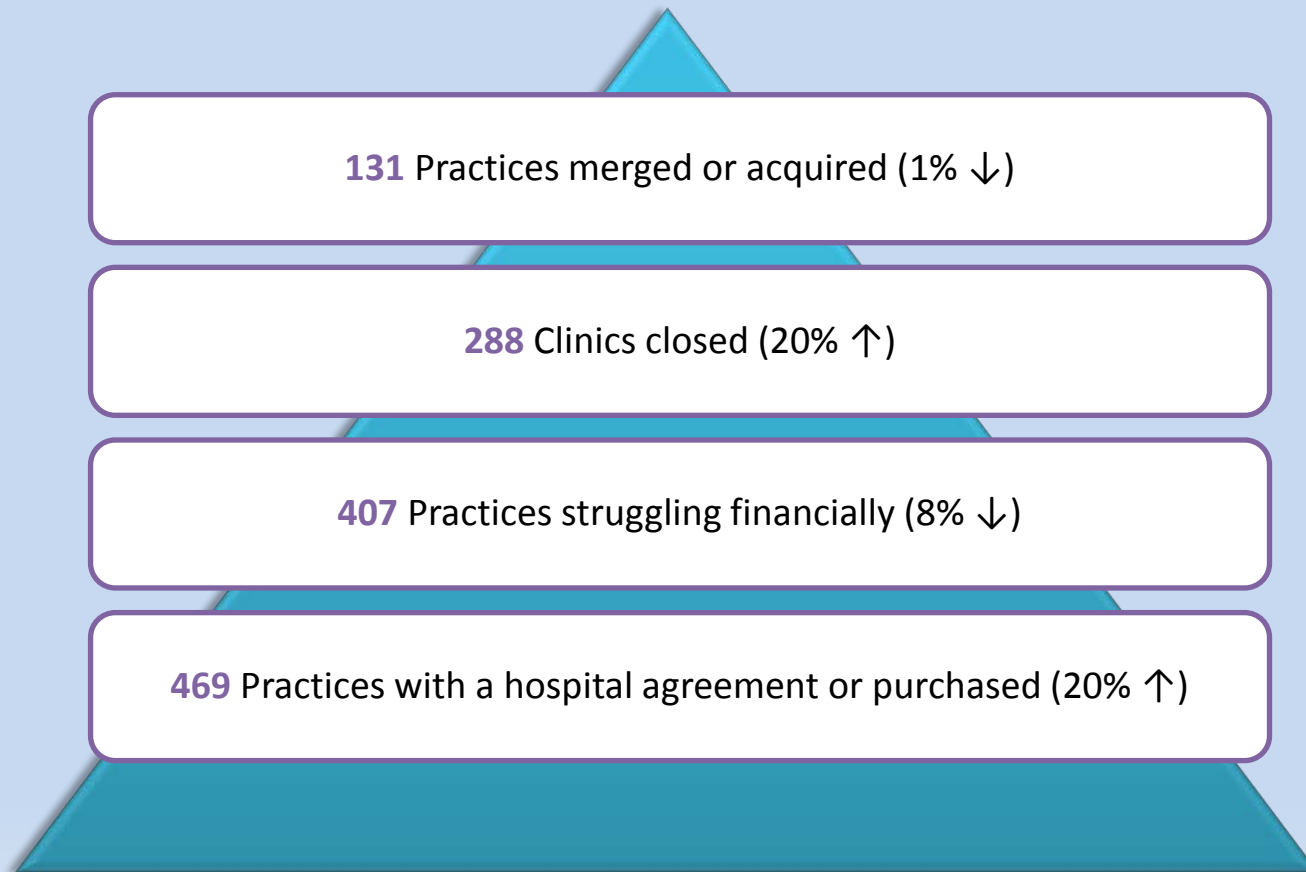


**Sources:**

*Community Oncology Practice Impact Report*, Community Oncology Alliance, July 2013

*Results of Analyses for Chemotherapy Administration Utilization and Chemotherapy Drug Utilization, 2005-2011 for Medicare Fee-for-Service Beneficiaries*, The Moran Company, May 2013.

# Changing Reimbursement's Impact on Community Practices



- 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

# 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

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

## 2013 Moran Study

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

*Cost Differences in Cancer Care Across Settings Moran 2103*

# Site of Care Cost Differences

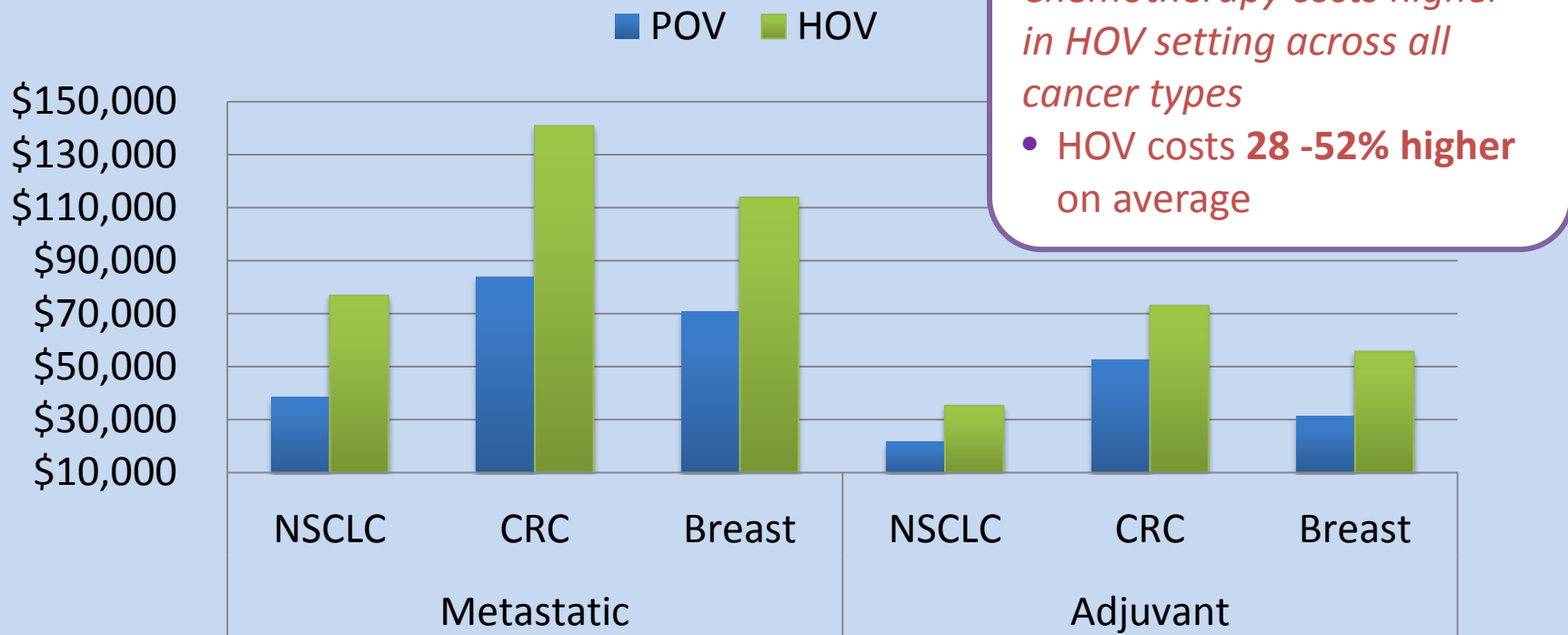
## Commercial

### 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*

# 2013 Milliman Study



*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