

Health Insurer Perspective for Delivering Affordable Cancer Care

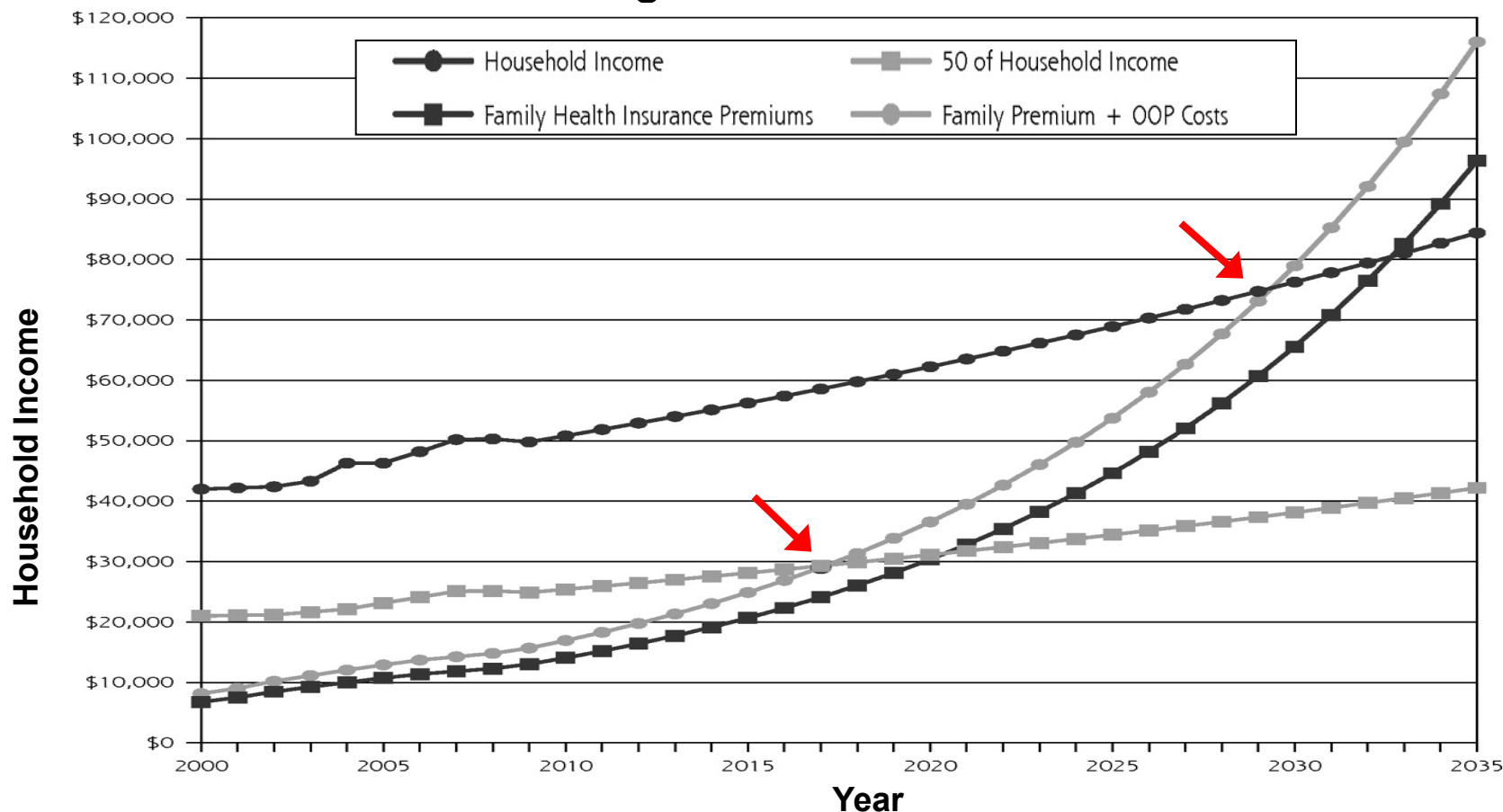
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UnitedHealthcare

A Full 15 Minutes

- Why we need to do something
- The three cost centers for cancer care
- Strategies for change

Why We Have to Do Something

Projected family health insurance premium costs and average household income



Source: *Annals of Family Medicine: March/April 2012, vol. 10 no. 2, 156-162*

Where the Money Goes for Cancer Care



Pharma

Cancer drug costs are increasing more than 10% annually

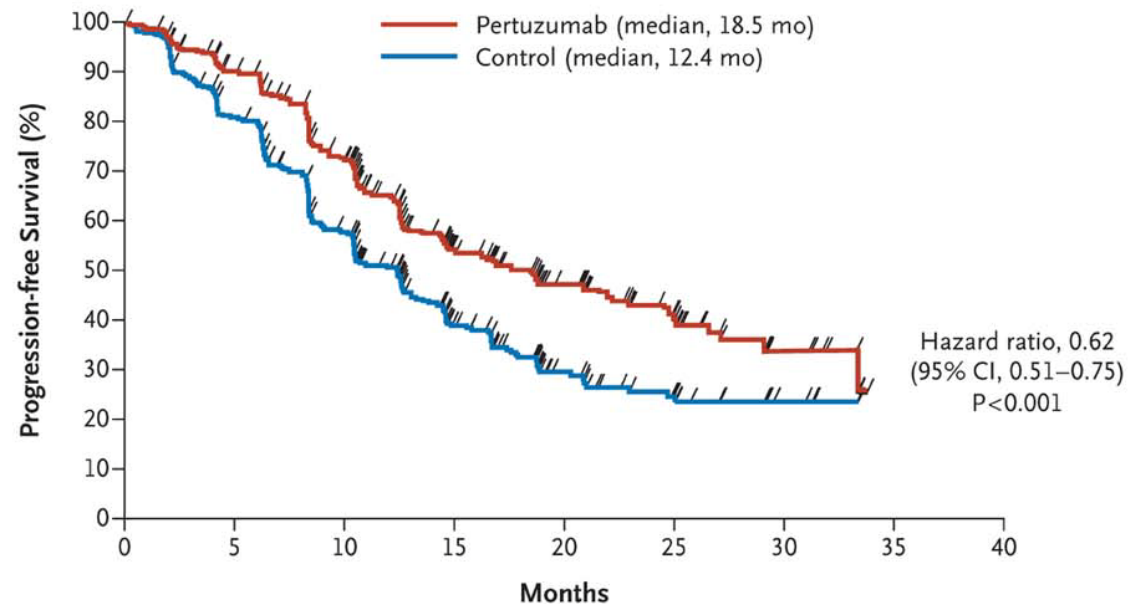
Seller's market -- no competition and mandated coverage

More than 200 drugs in Phase III testing now

\$188,000 Price Tag

Pertuzumab plus Trastuzumab plus Docetaxel for Metastatic Breast Cancer

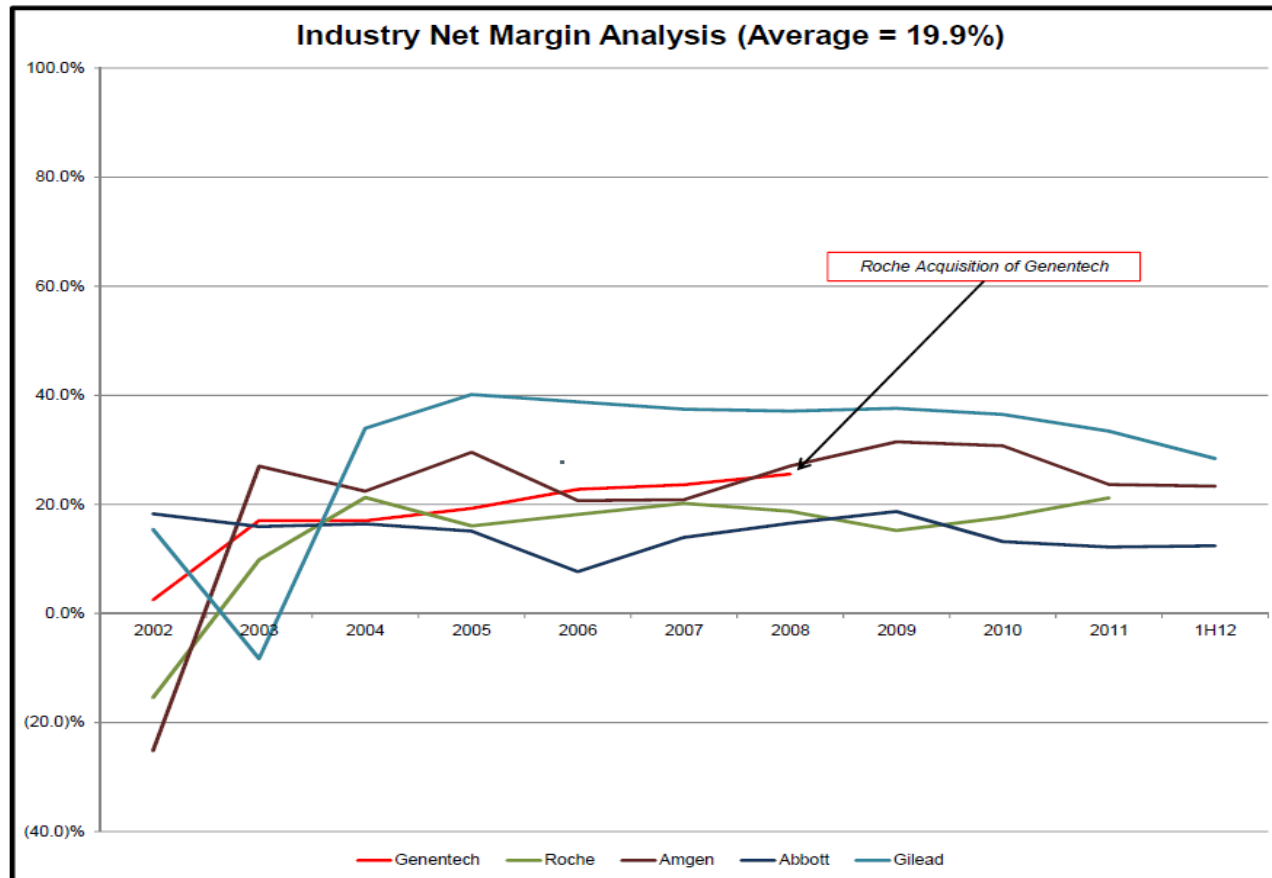
A Independently Assessed Progression-free Survival



No. at Risk
Pertuzumab
Control

402	345	267	139	83	32	10	0	0
406	311	209	93	42	17	7	0	0

Pharma Profit Margins



Hospitals

Double digit trend persists even during downturn

Unfair advantages: bed access bundling and 340b acquisition costs

Physician

No increases in last few years – flat trend
Inconsistent use of services and adherence to evidence based care

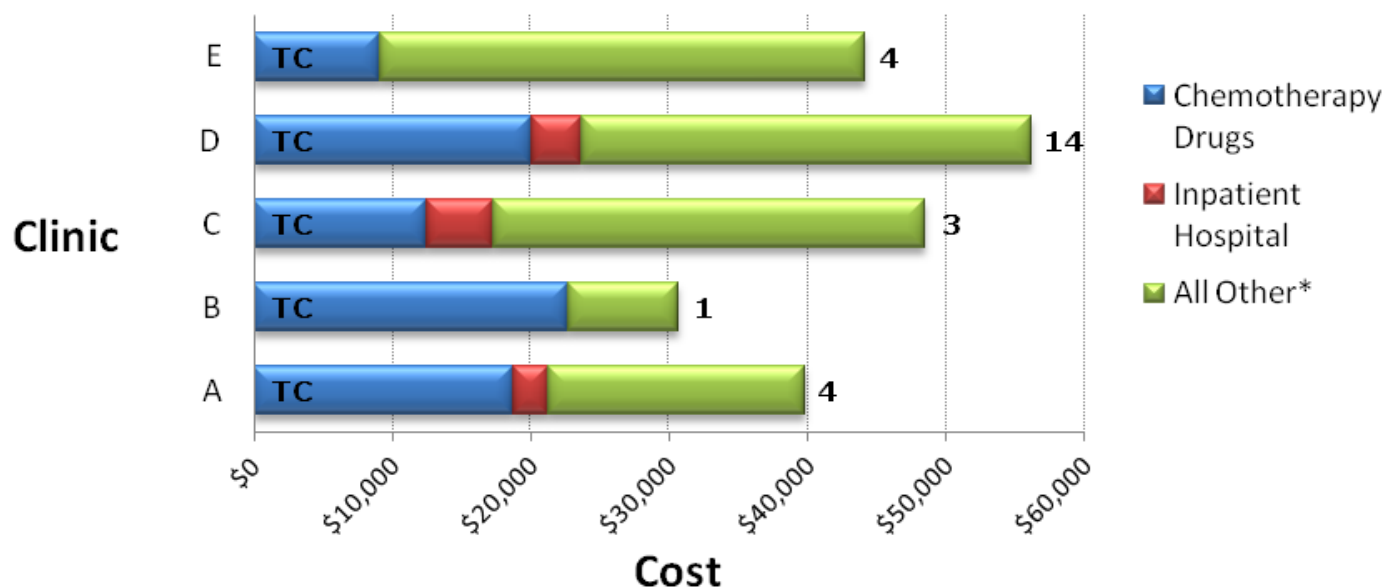
Average Total Cost of Care per Episode

Breast Stage I,II HER2-, ER+/PR+

Average Total Cost per Episode

Breast Stage I, II HER2-, ER+/PR+

Payment Condition 5



* Includes ER visits without admission, outpatient hospital, all physician services and ancillary

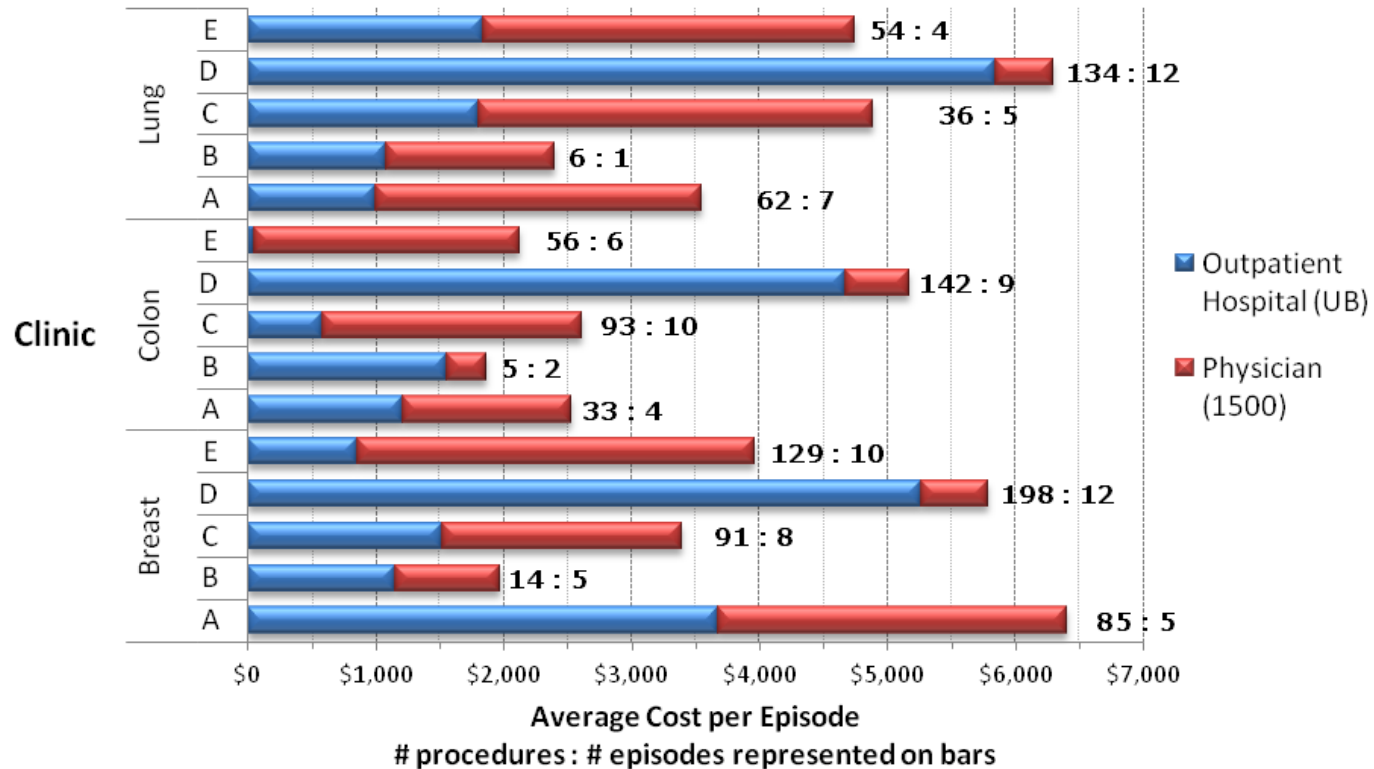
Diagnostic Radiology Cost and Utilization

Metastatic

Diagnostic Radiology Cost and Utilization

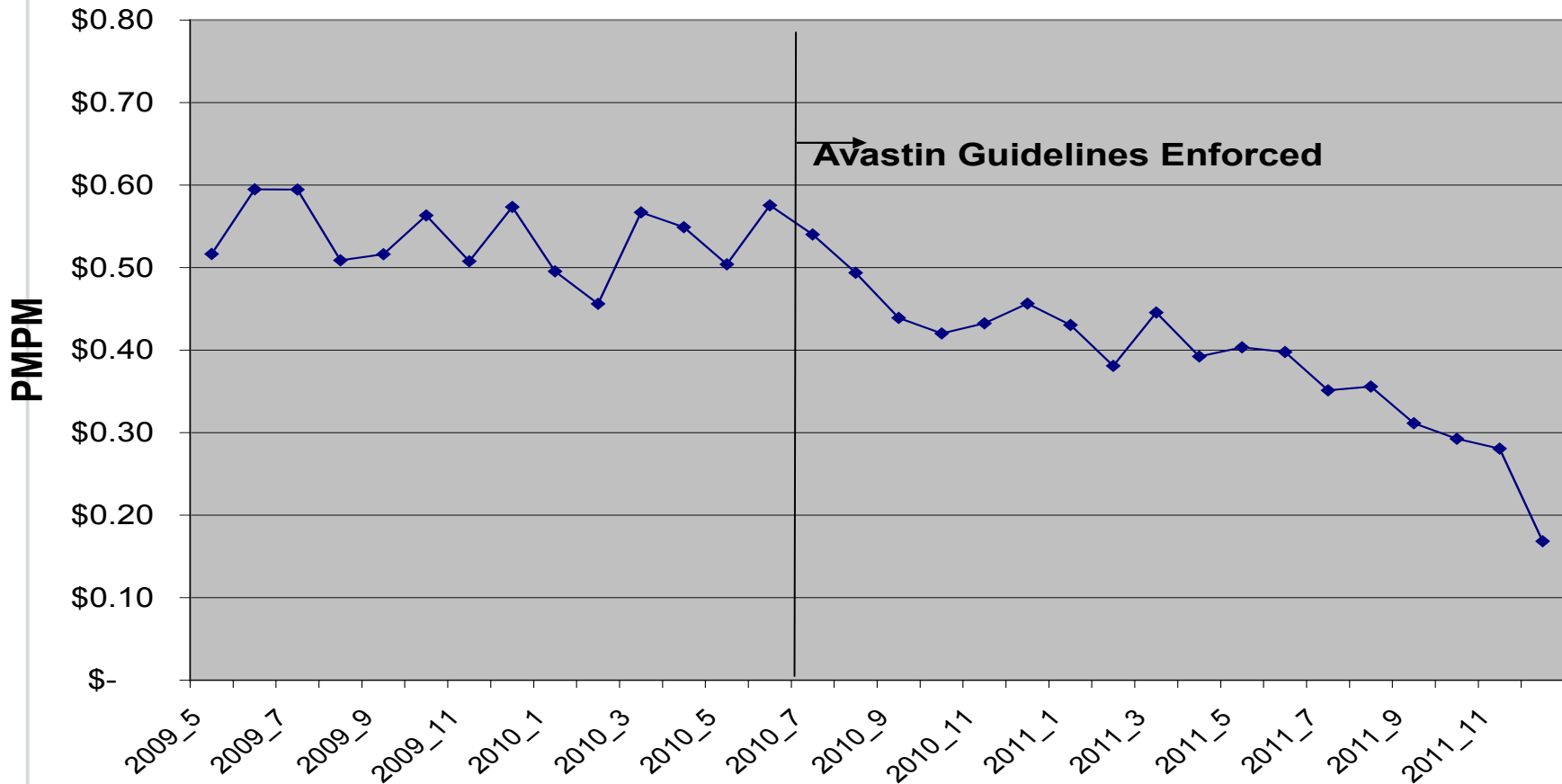
Metastatic

Payment Conditions 10, 11, 14, 15, 18 and 19



Avastin: Guidelines Enforced

UHC FI Avastin Chemotherapy Utilization- PMPM



What Do We Need from Oncologists?

- Standards
 - Read Atul Gewande's Cheesecake Factory article
- Use of cost effective therapies
- Agreement on value
 - When do we agree that the spend is not worth the gain received?

Strategies for Medical Oncologists

- ✓ Create performance measurement system
- ✓ Episode payments
- Differential fee schedule based on performance
 - Total cost
 - Complications
 - Survival
- Limit networks based on expertise
 - Multidisc
 - Steerage to more cost effective physician offices

Revenues -- Costs = Margin (Profit)

Newcomer's Theorems

1. Revenue will decrease (remember the first slide?)
2. Costs must decrease to retain margins
3. Payers share cost savings with physicians who produce results