



# The US Oncology Network

## Level the Outpatient Oncology Playing Field and Lower Medicare Cancer Care Costs

### ***Outpatient Cancer Care Delivery is Shifting to the Hospital Setting***

- Community-based cancer care provides patients with convenient, comprehensive, state-of-the-art cancer treatment close to home
- Until recently, over 80% of US cancer patients received preferred treatment in the community setting
- Over the past several years, the country has experienced a significant shift of outpatient cancer care delivery from the physician office to the hospital outpatient department
- Over the past five years, 241 oncology office locations have closed, 132 practices merged or were acquired by a corporate entity other than a hospital, 47 community oncology practices have started referring all of their patients elsewhere for treatment, and 392 oncology groups have entered into an employment or professional services agreement with a hospital<sup>1</sup>

### ***Medicare Policy Exacerbates the Shift by Paying Differently for the Same Treatments Depending on Site of Service***

- The 2012 PFS rate for CPT Code 96413, Chemo, iv infusion, 1 hr – the most common drug administration code billed by oncology practices – is \$139 but the payment rate for the same service under the 2012 HOPPS fee schedule is 50% higher at \$208
- Utilization-weighted payment for infusion services is about 55% higher at the HOPD
- Medicare proposes in 2013 to pay the HOPD 25% more for radiation therapy services than the PFS, including a 70% differential for IMRT and a 188% differential for SBRT
- 1/3 of US hospitals purchase chemotherapy drugs through the 340B program at discounts up to 50%, typically 30+% below the reimbursement rate of ASP + 6%
- Medicare reimburses 70% of hospital bad debt (uncollectable coinsurance)

<sup>1</sup> <http://www.charlotteobserver.com/2012/09/22/3549652/oncologists-struggle-to-stay-independent.html>



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### ***Cancer Care Costs Less Overall When Managed in the Physician Office***

- A recent study<sup>2</sup> finds that the cost of treating cancer patients is significantly lower for both Medicare patients and the Medicare program when performed in community-based care settings as compared to the same treatment in the hospital setting. The data indicate:
  - Medicare pays less – total Medicare spending on chemotherapy patients receiving treatment in the physician’s office is 14.2 % lower, amounting to \$6,500 in savings per cancer patient annually or \$623 million per year.
  - Cancer patients pay less -- patient co-pay amounts were found to be approximately 10% lower in the physician’s office, amounting to more than \$650 in savings each Medicare beneficiary fighting cancer per year.

### ***The US Oncology Network supports leveling the outpatient oncology reimbursement playing field with payment parity across sites of service. The Congress should:***

- Require CMS to **pay the same amount for the same service** provided to a cancer patient whether the service is delivered in the HOPD or physician office setting
- Adopt a **single unified Medicare fee schedule** for outpatient services
- Change the Medicare FFS benefit design to incent beneficiaries through lower co-pays and lower co-insurance percentages to seek care at the lower cost setting
- If policymakers believe certain settings should be more expensive and reimbursed at a higher rate, remove the assumed overhead cost differential from code-specific reimbursement rates and instead reimburse those overhead costs directly to provide heightened transparency and a better opportunity for parity on a service basis.

***Congress: Level the Outpatient Oncology Reimbursement Playing Field***

<sup>2</sup> <http://publications.milliman.com/publications/health-published/pdfs/site-of-service-cost-differences.pdf>