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### **Stanford University Study Finds Hospital Ownership of Physician Practices Leads to Higher Prices**

A new study led by professors from Stanford University published in the May 2014 *Health Affairs* also shows that hospital purchases of private practices lead to marked increase in cost. [Read below](#)

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### **Senate Holds Confirmation Hearings for HHS Secretary Nominee Burwell**

On May 8, Sylvia Mathews Burwell went before the Senate Health, Education, Labor and Pensions Committee in her first confirmation hearing to be Health and Human Services Secretary. A hearing before the Senate Finance Committee is scheduled for May 14. [Read below](#)

### **HHS: Health Insurance Marketplace Enrollment Exceeds 8 Million Americans**

HHS Secretary Kathleen Sebelius announced May 1 that enrollment in insurance plans under the healthcare exchanges surged at the end of the first open enrollment period, reaching more than 8 million individuals. [Read below](#)

## IMS Institute: Higher Cancer Costs Due to Shift To Hospital Outpatient Facilities



A [report](#) released last week by the IMS Institute, *Innovation in cancer care and implications for health systems*, found that Americans are paying higher prices for cancer treatments because more patients are receiving care from oncologists whose practices have been bought by hospitals. According to the report, reimbursement levels for drug administration costs in hospital outpatient facilities are, on average, 189 percent higher than physician office reimbursement costs for commercially insured patients under the age of 65 years.

The higher charges, which hospitals say are needed to support overhead and administrative costs, often translate into higher out-of-pocket costs for insured patients. The report found that the average out-of-pocket patient cost for commonly used cancer drugs rose by \$134 per dose if received in a hospital outpatient setting rather than in an oncologist's office.

The report further concluded that more than 40 percent of US oncologists are employed by practices of seven or more physicians, which is an increase from 29 percent of practices that size in 2012. This growth in practice size is attributed to hospital and hospital system acquisition of physician practices.

According to the report, higher costs in hospital outpatient facilities are also incurred because of the increasing proportion of hospital systems that benefit from discounted drug pricing via 340B eligibility. Although many hospitals can purchase cancer drugs at up to a 50 percent discount through the federal 340B program, recent reports indicate some hospitals still charge the increased rate for discounted drugs by filtering the costs through their oncology practice.

In the IMS [press statement](#) releasing the study, IMS states:

*“Physician practices are becoming larger, and healthcare organizations that care for underserved populations and are covered by the 340B Drug Discount Program have expanded their oncology presence, as have Accountable Care Organizations. This is resulting in a shift in patient care from physician offices to hospital outpatient facilities. Since hospitals incur higher costs and overhead for the delivery of care, their reimbursement levels for the administration of drugs are higher than those for physician offices. For typical targeted therapies that are infused or injected by an oncologist, reimbursed costs for hospitals are at least double those for physician offices and have brought sharply higher costs to payers over the past two years. These higher costs are also associated with higher patient out-of-pocket costs depending on insurance plans and benefit designs, and can trigger reduced levels of therapeutic persistence by patients and higher overall cost of care.”*

The report also concludes that while the development of new drugs to treat targeted

patient populations has led to significant innovations, the value of such drugs are being weighed carefully by payors to determine if the benefit to patients is relative to the considerable increase in cost. The report found that global spending on oncology treatments rose to \$91 billion in 2013, of which the US market accounts for 41 percent of total oncology drug sales.

## Stanford University Study Finds Hospital Ownership of Physician Practices Leads to Higher Prices

A new [study](#) led by professors from Stanford University entitled *Vertical Integration: Hospital Ownership Of Physician Practices Is Associated With Higher Prices And Spending* published in the May 2014 *Health Affairs*, examines the impact of vertical integration on hospital costs and admissions for privately insured patients. The study examines how contractual and ownership relationships between hospitals and physician practices impact health spending and patient care.

The authors concluded that an increase in the market share of hospitals with the tightest vertically integrated relationship with physicians (meaning hospital ownership of the physician practice), was linked to higher hospital prices and spending. The authors also concluded that contractual integration in hospitals and physician practices produced a relatively small reduction in the frequency of hospital admissions.

The study finds that while vertical integration has potential for improving quality and efficiency, it may simultaneously have potential to harm consumers by limiting choice and raising prices.

The researchers used hospital claims from Truven Analytics MarketScan for non-elderly privately insured patients from 2001 to 2007 as well as information from the American Hospital Association on types of hospital-physician relationships for their findings.

## CMS Confirms One-Year Delay of ICD-10 Code Transition

On May 1, the Centers for Medicare and Medicaid Services (CMS) announced to Medicare providers that the new ICD-10 coding set will officially go into effect on October 1, 2015. CMS has instructed providers that ICD-9 codes should be used until that time.

The transition to ICD-10 codes was previously set to occur in October 2014 until Congress chose to delay ICD-10 in the one-year Sustainable Growth Rate (SGR) patch passed by Congress in late March, however the short-term SGR bill did not specify a final compliance date. Since that time, many physician groups have been pressing CMS to formalize the new compliance date to help guide appropriate preparation by all impacted stakeholders.

The transition to ICD-10 is occurring because ICD-9 codes limit data about patients' medical conditions and hospital inpatient procedures. ICD-9 is now 30 years old, has outdated terms and is inconsistent with current medical practice. The structure of ICD-9 limits the number of new codes that can be created, and many ICD-9 categories are full.

## Senate Holds Confirmation Hearings for HHS Secretary Nominee Burwell



On May 8, Sylvia Mathews Burwell went before the Senate Health, Education, Labor and Pensions Committee in her first [confirmation hearing](#) to be named Secretary of the Department of Health and Human Services. If confirmed, Burwell will be responsible for overseeing the continued implementation of the Affordable Care Act, which was the focus of last week's hearing. Burwell's questioning leaned heavily toward healthcare law delays, problems with HealthCare.gov and the affordability of coverage.

While Republicans at last week's hearing voiced opposition to the law and questioned the nominee on her plans to tackle some of the law's challenges, Burwell herself remains largely popular among lawmakers on both sides of the aisle. She was confirmed as the Office of Management and Budget Director last year by a vote of 96 to 0, leading to speculation that she will enjoy the same speedy confirmation process at HHS.

Burwell is scheduled to go before the Senate Finance Committee (SFC) on Wednesday, May 14. The SFC panel will vote to send her nomination to the full Senate floor.

President Obama nominated Sylvia Mathews Burwell to be the next HHS Secretary following the resignation announcement of Kathleen Sebelius on April 11. Burwell currently serves as the director of the US Office of Management and Budget, a job she has held since April 2013.



## HHS: Health Insurance Marketplace Enrollment Exceeds 8 Million Americans

Health and Human Services (HHS) Secretary Kathleen Sebelius [announced](#) May 1 that enrollment in insurance plans under the health exchanges surged at the end of the first open enrollment period, reaching more than 8 million individuals.

According to HHS, nearly 2.6 million signed up in the state-

based marketplaces and more than 5.4 million in the federally run marketplace. Demographics of Americans signing up for exchanges between October 1, 2013, and March 31, 2014 are:

- 54 percent female
- 46 percent male
- 34 percent under age 35
- 28 percent between the ages of 18 and 34
- 85 percent selected a plan with financial assistance

In an HHS statement, Sebelius says that the current enrollment exceeds expectations and shows high demand for quality, affordable coverage.

Sebelius stated, “Over 4.8 million more people have been covered by states through Medicaid and CHIP programs, around 3 million more Americans under 26 are covered under their parents’ plans, and recent estimates show that an additional 5 million people have purchased coverage outside of the Marketplace in Affordable Care Act-compliant plans. Together we are ensuring that health coverage is more accessible than ever before, which is important for families, for businesses and for the nation’s health and well being.”

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